

# The Strategic Association

## CHILE - EUROPEAN UNION



Patricio Leiva Lavalle

CELARE



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**THE STRATEGIC ASSOCIATION  
CHILE - EUROPEAN UNION**

**PATRICIO LEIVA LAVALLE  
CELARE**



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# P RESENTATION



It is highly satisfactory for CELARE, the Latin American Center for European Relations to publish this book, presenting us with the European Union-Chile Association Agreement which marks the culmination of a stage of their deepening relations, reinitiated in the early 90's with the return of democracy. The wealth and potential represented by this instrument meaningfully accompanies the dense network of relations established between our region and the old continent.

CELARE was born at the beginning of the 90's within the framework of this process, seeking to be a collaborator and driving force in the intensification of relations in the most diverse variety of scopes regarding the work of our people. We have wanted to be witnesses, collaborators and chroniclers of this rich process. This book is further evidence of our intentions.

The presentation of this book aims to explain its cover. There is a concept we have tried to convey beyond the images. This cover represents our profound vocational feeling as an institution: **to support the deepening of relations between Europe and Latin America**, which we consider to be an essentially cultural matter. This process is sustained by deep, shared cultural values, going far beyond politics, trade, economics or cooperation, however important they may be. Rather it is a quest for true integration between peoples that, although geographically very far away from each other, are united by a common destiny, given their shared heritage of culture and values. Thus, the idea to represent them through an art gallery is born.

The agreement between Chile and the European Union is the instrument that opens doors to a Strategic Association transcending our present urgencies, allowing us to confront the twenty-first century together. Beyond the present circumstances, the green background is the hope of building together a better future for our nations.

Although the agreement has very technical and judicial terminology in some aspects, above all, it is an instrument opening the doors to continue sharing our common culture, as well as to develop and deepen it. The paintings presented on the cover are by Chilean and European artists who came to Chile to provide their support. These main examples from Chile's painting academy are by an Italian: Ciccarelli; a German: Ruggendas, depicting a regional scene; a Helsby, with a period urban landscape; and a Valenzuela Llanos, with the image of the Mapocho river banks, a river running through the city of Santiago. We wish to portray our common history, with our own traditions and geography, and demonstrate that there is a common destiny behind the open doors allowing us to see the light of a promising common future for both nations.

This book narrates the rapprochement process to the definitions structuring the Interregional Strategic Association established in Rio de Janeiro between the Heads of State and Government of both regions and the circumstances and events that occurred. Likewise, it provides us with a substantial explanation of the agreement's contents which give life to this Association. In spite of the complexities associated with a treaty of this nature, these are clearly and simply explained and with good synthesis capacity.

This is the instrument that will give life to the European Union-Chile Strategic Association. We believe this book will be a contribution to the actors in this process: entrepreneurs, workers, academicians, students, civil society in general, as much as in Chile as in Latin America.

CELARE, through this publication, would like to acknowledge and thank many people; Chileans, Latin Americans and Europeans who made this Agreement possible to come to life. It would take too long to name everyone who contributed their grain of sand in this enormous effort, those who had the audacity to think with the long-term view of a statesman, of committed and efficient employees, innovative diplomats, visionary politicians who managed to overcome the occasion's urgen-

cies, making way for dreams that through perseverance, decision and audacity, can now come to fruition.

Finally, we cannot forget to thank the European Parliament and European Commission for their constant support to the activities performed by CELARE. They have placed their trust in us, they have had faith in our work, and we believe that we have not let them down.

We would particularly like to thank Patricio Leiva Lavalle, a permanent CELARE collaborator, for having accepted the challenge and undertaken the effort to write this book which we know is no less than another important step in his career, not only professionally, but as a life experience and commitment with a cause: the integration of people sharing common values, origins and destinies.

*Rodrigo Vega Alarcon*  
*CEO*  
*CELARE*

*Gonzalo Arenas Valverde*  
*President*  
*CELARE*





# PROLOGUES



The Association with the European Union constitutes a landmark for Chile, not only because it implies an increase in commercial exchange, but also the consolidation of our relations with Europe. A greater economic and scientific exchange will tighten our political ties to a greater degree based on a long historical relationship. Not only do we share an interest to increase trade, but also the values through which we view the world today.

Since our origins as an independent republic, trade with the rest of the world has constituted an objective of domestic development for our country. Our desire to freely exchange our products was one of the principles guiding our birth as an independent nation in the early nineteenth century.

Today, this Agreement establishes a new type of relationship with Europe. This Association is a new framework for our cultural, economic and political relations. Without a doubt, it is much more demanding, but at the same time it lays down a defined set of rules that will ease our task at hand.

Just as Pascal Lamy, European Union Commissioner on Trade, said, this is an agreement of the last generation. It goes beyond the previously signed commercial agreements up to date. It is composed by three main pillars: commercial, cooperation and political.

In its political context, this Agreement creates institutions for permanent dialogue and coordination between its members. The establishment of the democratic clause in the Agreement, as an intrinsic element of its validity and operation, is particularly worth emphasizing. The participating countries commit themselves to respect democracy, human rights and the normal functioning of the Rule of Law. The infringement of any of the aforementioned points is cause for suspending the agreement.

European countries have learned how to establish joint objectives, create institutions where everyone is included, reach an agreement on how to work to improve living conditions for their citizens, and today, relate as a whole with the rest of the world. This political, economic and cultural entity is with whom we relate today and from whom we have a lot to learn.

The agreement's enter into force is an opportunity for our country. Not only is the increase in trade a benefit in itself, but scientific and cultural cooperation constitutes a fundamental pillar of this Agreement as well. This is important in order to take advantage of our potential because scientific development is one of the pillars of development in today's world. Our current challenge is to take maximum advantage of this scientific cooperation. The public sector, in collaboration with the private sector, must have policies allowing us to benefit from this opportunity.

The signing of this Agreement is the culmination of a long joint effort. Becoming partners with Europe is the recognition of the work we have performed as a nation, our responsibility in the management of our economy, the care we have placed in our democratic institutions, and the work carried out by our citizens.

This book is a contribution to the analysis of this new stage of relations initiated with this Association.

*Ricardo Lagos Escobar*  
*President of the Republic of Chile*

The honor of writing the prologue of this book is personally a cause for deep satisfaction. In these pages, the process culminating in the European Union-Chile Association Agreement on November 18, 2002, is narrated, going back to the agreement's origins and analyzing the immense and concrete possibilities the Agreement opens for the benefit of our peoples. I believe that it is important for this process to be captured in this book as a testimony to the level of importance the European Union and Latin American relations have reached. To this end, I would like to express my acknowledgement to its author and former Ambassador of Chile to the European Union, from 1992 to 1997, Patricio Leiva, and to CELARE, for making this publication possible. This book fits into the framework of different activities CELARE has developed over the last few years, with European Commission financial support, to promote relations between the European Union and Latin America.

The Association Agreement negotiations with Chile were launched in a historic First Summit held by European Union member countries, Latin America and the Caribbean, in Rio de Janeiro, in 1999. The conclusion of this process was announced at the Second Summit, held in Madrid in 2002, thus inaugurating a new stage in relations with Chile, which in turn confirmed the path the European Union is building in its relations with Latin America and the Caribbean. The European Union-Chile Association Agreement is a testimony of European and Latin American political goodwill, tenacity and joint ambition for a bonding development between their societies. Latin America and Europe have a common deeprootedness and an overlapping history which have resulted into a culture identifying itself with greater demands of equality, respect for human dignity, and environmental concern. This is the culture that allows us to confront polarizations and imbalance together in an increasingly interrelated world.

Within this framework of privileged relations between the European Union and Latin America, we have been able to advance even further with Chile in this first phase due to coinciding principles, values and world views shared by the parties; but also, because Chile is an example of growth and stability for the Latin American region. This privileged relation is the Latin American-Southern Cone bridge for a strategic alliance seeking to comprise the entire continent, and which has already been anticipated in northern Latin America with the Mexico's agreement.

The Association Agreement with Chile is the broadest document signed by the European Union; establishing a relation that goes beyond commercial aspects and includes political and cooperation dimensions as the three pillars composing a broad commitment of development for Chileans and Europeans. The result attained with Chile not only reflects the effort of the negotiators but also a strong political will of both parties. The agreement scopes, detailed in depth and in a didactic manner in this book, are the key to the type of strategic compromises the European Union wishes to repeat in its relations with other third world countries.

With respect to economics, the EU-Chile Agreement is based on regulations agreed upon at the WTO; in several spheres it goes even further beyond that which has been agreed in that Organization. The Agreement foresees aspects not yet agreed upon in the WTO, incorporating key issues for a balanced economic-commercial relationship. Thus, free trade of goods between Chile and the European Union reaches an extremely high level of tariff reduction and it is sustained on solid and transparent rules. At the same time, it includes topics that are subject to non-tariff measures, and establishes specific agreements for certain products, as well as issues related to trade facilitation; other aspects such as services and intellectual property are also included. All of these elements permit the guarantee of trade virtually restriction-free and with the best protective conditions, which in turn have reported greater benefits for both parties.

The EU - Chile Agreement, however, is more than just trade; this is reflected quite well in this book, since it undertakes this agreement to its fullest extent: the Agreement searches to consolidate and strengthen even further the common culture belonging to our people. Therein is where its potential precisely lies. As in the previously signed agreement with Mexico, the agreement with Chile has a political chapter of the utmost relevance in reference to international coordination, as well as a chapter on cooperation, revealing its evident and substantial commitment with Chile.

Within the political pillar, coinciding views are expressed in topics such as strengthening of democracy, peace and national security, sustainable development, combating terrorism, the fight against drug trafficking and international organized crime, the rejection of all forms of intolerance and discrimination, environmental protection and support for multilateral instances, such as the United Nations and the World Trade Organization (WTO), among others.

Likewise, the Agreement considers elements of advanced cooperation that, along with institutionalized political dialogue, reveal the matured relations that have been reached between the European Union and Chile. Cooperation, in this case, is aimed at reinforcing the agreement's principal aspects. Even before the signing of this initiative, the European Union was historically the first in collaborating with Chile. The Agreement establishes a deepening in cooperation in qualitative terms and expects to stimulate productive synergies, to promote trade, innovation and competitiveness, and to reinforce Chile's institutional capacity. Therefore, it comprises economic aspects, social, cultural and educational issues, and the scientific and technological area.

It is important for one to note that, as a complement to the EU-Chile Association Agreement, we have signed a parallel Scientific and Technological Agreement that allows Chile to have access to the European Union's 2002-2006 Framework Program investigation activities, and also foster scientific rapprochement in advanced areas of knowledge.

On an institutional level, the Agreement also contributes innovative elements. In addition to an Association Council on a ministerial level and an Association Committee on a technical level, the Agreement foresees an Association Parliamentary Committee, first of its kind, which will be a forum for exchanges between the National Congress of Chile and the European Parliament, and a Joint Consultative Committee, channeling dialogue between the Social and Economic Committee of the European Union and the corresponding institution in Chile. Effective participation of the society will also be fostered by the organization of regular meetings.

My conviction is that this Association Agreement is a very promising seed for the flourishing of our relations with Chile, as well as all of Latin America. The agreement opens a field of new possibilities, whose updating will depend on the dynamism of all social, economic and political actors in order to make this seed bear fruit.

Not only Latin America and the Caribbean, but the European Union as well, have long felt the need for rapprochement, which by supporting itself on obvious cultural and historical roots would be able to take a firm step towards its fructification in investment and trade terms, and thus, economic development and social prosperity. The Agreement with Chile is registered in this strategy, which starts with the Mexico's agreement, continues with the Mercosur, and will end with all of Latin America.

Certainly, only by starting with modern Association outlines, such as the EU-Chile Agreement, will the European Union and Latin America be able to confront with greater presence and solidity the challenges arising in this new century.

*Christopher Patten*  
*Commissioner for External Relations*  
*European Commission*



# I NTRODUCTION



## **Why Latin America?**

### **Why Chile?**

### **Why now?**

With these three questions in mind, dialogues were initiated between Jacques Delors, President of the European Commission, while visiting Santiago, Chile in March 1993, having accepted an invitation extended by the President of Chile, Patricio Aylwin.

This historic trip constituted the first visit to Latin America carried out by a European Commission President after 36 years of existence. Argentina and Mexico were visited as well. At that time, Jacques Delors was fulfilling his eighth year as President of the community institution.

Contact between the countries of both regions, the European Commission, Council of Ministers, the European Parliament and the Rio Group, intensified from this moment on.

Chile played a very active role throughout this process. As coordinator of the Rio Group in 1993, it had the opportunity to decidedly propel the quest for a new relationship, broader and deeper than the one in existence, which culminated in the Sao Paulo Declaration of the European Union and the Rio Group in April, 1994. Through this Declaration, the commencement of a new stage of mutual relations was agreed upon, with new instruments and a long-term view.

Consequently, new agreements were signed between the European Union and Central America, the Andean Community, Chile, the Mercosur, and Mexico, which in turn gave birth to new outlines for mutual relations with objectives so broad and profound that they led the Heads of State and Government of both regions to establish a permanent dialogue and then, in

1999, to take on the commitment of establishing a strategic Association between the European Union, Latin America, and the Caribbean.

More recently, the European Union with Chile and Mexico have inaugurated a new generation of Agreements incorporating all cooperation, economic and political bilateral relations. In Chile's case, the establishment of an Association is attained. In the near future, the Mercosur, the Andean Community and Central America are expected to close similar Agreements with the European Union.

After more than a decade of uninterrupted dialogues, one can conclude that the rapprochement to the common Association project between both regions, constituted by 48 countries –soon to be 58– has set in motion an unprecedented initiative, not only in its mutual relations, but also in its international perspective.

The goal of this book is to examine a specific experience of the new relations established between Europe and a Latin American country: the European Union-Chile Association Agreement.

This agreement has been presented by the authorities of both parties as the broadest, most ambitious and most innovative ever signed. The nature of the Association, globally incorporating all cooperation, economic and political relations, in addition to its projection towards a future development to expand and deepen the essential commitments already adopted, justifies this affirmation.

The book is developed in three parts. Part One is called "Genesis" because it explains Association origins, in the Latin American context as well as the bilateral one between the European Union and Chile. Furthermore, the agreement's main characteristics are presented in general terms.

Part Two is called "Synthesis" because its goal is to present, in an easily understood way, an extract of the main commitments adopted in each one of the agreement's scopes.

Finally, Part Three: “Future” sets out the immediate path the Association must follow from the moment of its establishment, on February 1, 2003, and seeks to set forth the new horizons that may be conceived with the agreement’s implementation and development.



PART ONE

# G

ENESIS





## I. THE EVOLUTION OF RELATIONS BETWEEN LATIN AMERICA AND THE EUROPEAN UNION

The strengthening of relations between Latin America and the European Union, as of the early 90's, marks an unprecedented time in the history of reciprocal relations.

This strengthening is seen on a regional and subregional level, as well as in individual countries. Likewise, it is characterized by the extent of the scopes it comprises and for the institutions that are established in order to move ahead in the corresponding dialogue and arrangements.

Advances as significant as these are based on a common culture and history, with shared principles and values on social, economic and political development, and respond to specific international realities, to the evolution of both regions and mutual relations, and the political disposition of the Heads of State and Government to strengthen common ties and project them to higher phases.

International reality presents, in recent decades, a persistent tendency towards globalization. In general, this means an increasing importance of international relations, particularly in economic ties. It represents greater development opportunities due to rapprochement in all the scopes in which globalization is advancing, and, of economic growth due to new opportunities opening up in international markets.

At the same time, globalization implies risks and greater competitiveness. Therefore, it requires organization in order to have access to its benefits as well as adequately confront the new challenges implied by the international world.

From this perspective, the European Union and Latin America have been intensifying their efforts to attain better insertion in the globalization, especially in the world economy.

They have agreed that arranged international insertion constitutes the best way to obtain the globalization benefits, since it guarantees both parties a mutual opening and the possibility for it to be carried out through jointly agreed upon rules. With this, it is possible to establish rules facilitating appropriate competition and ensuring an equal distribution of benefits. The joint efforts will simultaneously allow competition to exist in better conditions in third world countries and other international scopes.

The transformations experienced by both regions have also contributed towards encouraging the strengthening process of the mutual relations.

In the early 90s, the European Union nearly completed the Single Market establishment process, initiated in 1986, consecrating the four liberties: goods, services, capitals and persons. Likewise, a decisive step was taken in the consolidation of its integration process when the Maastricht Treaty was signed in 1992. The three pillars of integration were established through this Treaty: the Economic and Monetary Union, attained in 1999 with the creation of the European Central Bank and single currency, the Euro; Internal Affairs and Justice; and, the Common Foreign and Security Policy.

The Amsterdam Treaty, which was signed in 1997, reinforces the citizens' rights, perfects Union institutions and specifies European identity through the principles that guide external action, its decision procedures and the designation of a Common Foreign and Security Policy High Representative.

The European Union moved ahead in a process of global definition of its international relations, especially with the most important countries for its development. In particular, the new ties with Central European countries are emphasized, with whom Association Agreements were signed with the goal of achieving future accession. In the same way, advances were made in significant definitions regarding Asian and Mediterranean countries. In this perspective, the new ties established with Latin America are included and highlighted.

At the beginning of the 90's, Latin America was rising up as an emerging region, overcoming the serious social, economic and political crises that led the previous years to be known as "the lost decade". Democratic regimes were installed in all of these countries, political and economic stability were generated, and in many countries, growth rates were achieved that had not been seen since the post-war decades. At the same time, social and environmental dimensions of development were emphasized. Latin American initiatives caused the United Nations to held Summit Meetings on both topics for the first time.

All of this was achieved through political transformations characterized by the realm of democracy, respect for human rights and the Rule of Law, and in economics, by the strictness of macroeconomic policies, a broad process of unilateral opening of its economies—which was consolidated in the 1994 Uruguay Round— an accelerated privatization path and a rebirth of the initiative on regional integration and the joint international actions. In the middle of the 90's, Latin America constituted the most dynamic market for European products.

All of these aspects have made Latin America a region with distinctive characteristics, with which it was possible to create an alliance with short- and long-term perspectives, based not only on a joint history but also on the shared principles and values in the reality of both regions and of the international concert.

The political will of the Heads of State and Government of both regions constituted a core element in the strengthening of the mutual relations. An institutional and political rapprochement phase was begun at the beginning of the previous decade.

In 1990, through the Rome Declaration, the Ministers of Foreign Affairs of the Rio Group and the European Union decided to begin an institutionalized dialogue, which has been regularly conducted twice a year. Almost all of the countries of the region have ties to the European Union through Cooperation Agreements that include, as a novelty item, the demo-

cratic clause. This clause means that the Agreements are applicable as long as both parties maintain democratic government regimes. During those years, the European Union created different support projects for mutual relations such as ECIP and AL-Invest, in investment matters, and also widens the General System of Preferences to foster commercial associations. In the future, a credit line opened by the European Investment Bank will function to promote joint investments, and the ALFA Program will be taken on, destined to establish association networks between the Universities and Centers of Higher Education of both the European Union and Latin America. Likewise, as of 1993, a commercial and economic dialogue has been ongoing through a High-Level Meeting between representatives of both regions.

The visit of the President of the European Commission, Jacques Delors, in March 1993, to Chile, Argentina and Mexico, marked the beginning of a new stage in bi-regional relations, not only because it constituted the first time that a President of the European Commission visited Latin American countries, but also largely due to the initiation of an intense dialogue and analysis process of the realities and perspectives for strengthening mutual relations. This process changed the nature and projection of Euro-Latin American ties.

The first concrete result was attained in April 1994, with the Sao Paulo Declaration signed by the Ministers of Foreign Affairs of the Rio Group and of the European Union, through which the principles and values shared by both regions were emphasized, and the new directions that must be adopted to obtain a deeper relation were also indicated. This Declaration points out the need to define dialogue and cooperation structures, establish new instruments and develop future actions within a short- and long-term strategy framework.

The community institutions immediately adopted different statements specifying the previous directions, which allowed a new negotiations cycle to begin on solid bases. Thus, the Council of Ministers set forth the new collaboration goals:

“maintain peace, ensure universal respect for human rights, increase the balanced economic exchanges, encourage sustainable development, fight poverty and environmental deterioration, and to bring closer technological and scientific bonds.” In the same way, the Council of Ministers specified the procedures to follow: cooperation and dialogue with “regional and subregional groups as well as with individual countries” and “initiate conversations regarding new and more ambitious agreements.” Specifically in the economic scope, trade and investment promotion were highlighted as the future footstone of Latin American and Caribbean relations through the implementation of tariff reductions and the elimination of commercial barriers and investment and intellectual property promotion and protection.

The European Parliament began its permanent support of the new process when it pointed out that “Latin America must appear as one of the European Union’s most important world interlocutor” and set forth the intensification of political and economic relations, and the study of the possibility of negotiating free trade agreements with the countries of Latin America.

The previous definitions immediately allowed the beginning of negotiations striving to reach “new and more ambitious agreements” with the Mercosur, Mexico, Chile, Central America and the Andean Community.

The firm joint decision allowed the new agreements promoted by the European Union and the Rio Group to be established between 1995 and 1997. Since separate subregion or individual country negotiations were carried out, the specific realities of each and the particularities of their relations with the European Union were able to be considered.

Due to this, negotiations did not arrive at identical conclusions. Between the European Union and the Mercosur, an Interregional Framework Cooperation Agreement was signed. A Framework Cooperation Agreement was signed with Chile destined to prepare, as its final goal, a Political and Economic Association. A Joint Solemn Declaration was adopted with

Mexico, in which the decision to celebrate a new Commercial, Economic and Political Agreement is specified. Finally, Central America and the Andean Community updated their present Cooperation Agreements. In addition to the previous instruments, the common denominator in each of the negotiations was the adoption of the individual declarations on Political Dialogue, which in turn, present some differences between them.

In sum, relations between the European Union and the Mercosur, Chile, Mexico, Central America and the Andean Community were institutionalized, substantially expanding the scopes covered by the preceding agreements. Cooperation outlines intensified, concrete political dialogue mechanisms were incorporated, specific commitments regarding the liberalization of future economic exchanges were taken on, and the bodies destined to watch over the implementation and development of each agreement were either created or perfected.

These advances created the conditions for Spain to propose in 1997 the deepening of the ties with Latin America and the Caribbean, even further elevating the dialogue to the highest government levels of the countries in both regions. This initiative was finalized in Rio de Janeiro in June 1999, with the celebration of the first Summit of Heads of State and Government of the European Union and of Latin America and the Caribbean.

This Summit marks the beginning of a new era because its consensuses, registered in the Rio de Janeiro Declaration, consolidate the advances registered in previous years and propose a new projection for the future of mutual relations. Generally speaking, the Heads of State and Government of the 48 participating countries laid down as a common goal the creation of a strategic Association between both regions. This Association will encompass the cooperation, economic and political scopes. With the goal of carrying out this initiative, the celebration of future Summit Meetings was established and a permanent Biregional Committee was created.

On the other hand, the review of the evolution of the Agreements attained in the previous years led the Heads of State and Government of the European Union and the Presidents of the Mercosur member countries and Chile to formally launch individual negotiations aimed at fulfilling the goals defined in the Agreements signed in 1995 and 1996, respectively. In the same manner, the European and Mexican Heads of State and Government decided to accelerate the negotiations that they had been carrying out in order to comply with the commitments agreed upon in 1997. The European Union, Central American and Andean Community countries propelled the new joint initiatives within the framework of each of the enforced Agreements.

In the course of the Second Summit in Madrid in May 2002, the Heads of State and Government reviewed the relations between both regions and projected new orientations with goals for the Third Summit which will be held in Mexico in 2004.

On occasion of the Second Summit, in Madrid, the Economic Partnership, Political Cooperation and Cooperation Agreement signed by the European Union and Mexico in 2000, and the conclusion of negotiations, in April 2002, for the establishment of an Association between the European Union and Chile, were especially highlighted. Likewise, the progress in negotiations so as to establish a Biregional Association between the European Union and the Mercosur were also confirmed. Furthermore, advances in that direction are projected for the future of relations of the European Union with Central America and the Andean Community.

## II. THE EVOLUTION OF RELATIONS BETWEEN CHILE AND THE EUROPEAN UNION

The deepening of the relations between Chile and the European Union is a part of this general strengthening process of relations between Latin America and the European Union. Chile has maintained permanent support in this process, and therefore has fostered the deepening of relations on a regional scale as a whole and in its bilateral relationship with the European Union.

In this section, the strengthening process of the bilateral relationship will be emphasized.

In 1967, the European Community set up its first contact office for Latin America in Chile. In 1975, it decided to open another office in Caracas to fulfill similar tasks. Afterwards, it began installing delegations in such a way that currently they are found in almost every country of the region.

The return of democracy to Chile in 1990 allowed historical relations of great importance for the country to recuperate, which had been postponed since 1973. As soon as the democratic government assumed its position, Chile and the European Union immediately began conversations to sign a cooperation agreement. Once concluded, this agreement became the first of its kind to be enforced in Latin America. It is known as a third generation agreement. It was destined to establish a cooperation outline in different scopes: political, economical, social and institutional; it incorporated a democratic clause and created a Joint Commission as a permanent dialogue forum between both parties.

Dialogues carried out between the Presidents of Chile and the European Commission, and with government ministers and senior officials in March 1993 led to different initiatives to intensify bilateral relations on the regional level as well.



President Patricio Aylwin took the initiative to extend an invitation to Santiago to the European Commission President, Jacques Delors, to come to Santiago towards the end of 1992 with the goal of returning the invitation and visit he had made to Brussels in the previous months, and to analyze the future of reciprocal relations.

During his visit, the *Fundacion Empresarial Europa-Chile* (Chilean-European Entrepreneurial Foundation) was inaugurated, constituted by the Chilean government and the European Commission, an unprecedented experience of concrete collaboration to promote contacts and economic exchanges between both parties.

Chile, as coordinator of the Rio Group, propelled the initiatives that would result in the Sao Paulo Declaration, reviewed in the preceding section.

Conforming with what was agreed upon in this declaration, the new President, Eduardo Frei, in his first annual state of the nation speech in May 1994 expressed that Chile was open to negotiate an association outline with the European Union, either “bilaterally or jointly” with the Rio Group countries.

During the Presidency of Germany, in the second session of 1994, the Council of Ministers as well as the European Council of Heads of State and Government stated the political will of the European Union was to “give life to a new and extensive collaboration” with Chile.

It is important to emphasize the bases expressed by the European Union in adopting its decisions:

- a) “the close political, economic and cultural ties which have been developed, once again, between Chile and the European Union and that have been formalized in the third generation Framework Cooperation Agreement”;
- b) “to recognize Chile as an important interlocutor, an economic reforms pioneer and a successful example of a democratization process in Latin American”;

- c) “for Chile’s commitment to enrich, deepen and elevate to a new level the dialogue between the European Union and Latin America”;
- d) “Chile’s interest in strengthening its bilateral ties with the European Union”.

These precepts substantially sum up Chile’s situation and the relations between both parties, and allow to solidly begin the necessary conversations to put into effect their common political goodwill.

Chile proposed, from the very beginning, the writing of a new agreement based on a common cultural heritage, close political, economic and historical ties and shared principles and values regarding domestic and international development. This new agreement had to contain “an Association outline” incorporating the political scope with a mechanism of permanent dialogue at the highest level, on a government and parliamentary level; the economic scope (goods, services and investments) with its corresponding commercial rules and exchange liberalization, including a free trade zone; cooperation reinforcement; and an efficient institutional organization.

During 1995, these proposals resulted in intense contacts and work between the European Commission, the Council of Ministers –successively presided over by France and Spain– European Union Member States and the government of Chile, on both presidential and ministerial levels. Innovative points of view were needed to confront a situation practically without precedent, as it concerned the celebration of a global and bilateral agreement, which included political and economic relations with an individual country not on European or Mediterranean borders.

As a result of these endeavors, the Council of Ministers of the European Union approved the strategy to deepen relations with Chile, and afterwards, the corresponding Negotiation Guidelines for the European Commission. The European Parliament supported these negotiations at all times, and in par-

ticular the Association objective, and requested to incorporate political dialogue with the Chilean national congress as well.

The Chilean proposals followed the Sao Paulo Declaration orientations in the most advanced, precise manner. Each one of the considered aspects had a favorable response but their implementation and development would have to adapt to different circumstances.

The European Union was not in any condition to immediately negotiate an agreement containing a free trade zone in goods and services, as requested by Chile. However, it was prepared to define as the final objective the establishment of an Association of a political and economic nature between Chile and the European Union, the existence of political dialogue between the President of Chile and the Heads of State and Government of the European Union and that, in the economic scope, the objective would be the progressive and reciprocal liberalization of all exchanges.

The objectives, scopes and methods destined to deepen mutual relations were agreed upon and defined in two stages, leaving for the future the establishment of the Association, and in particular, the negotiation of the economic exchange liberalization process.

The negotiations underway did not conclude, therefore, with an Association Agreement but with a Framework Cooperation Agreement, defining as its final goal the establishment of an association of political and economic nature between the European Community, its Member States, and the Republic of Chile. The main goal of this Framework Agreement was precisely to prepare the future association. Likewise, it was agreed upon that the Agreement was bilateral and the future Association would be global, containing the political, economic and commercial scopes, and a broader, reinforced cooperation.

Consequently, the Framework Agreement incorporated the political and cooperation scopes. Thus, in the political scope it was agreed that the dialogue would be at the highest level, meaning Heads of State and Government, as well as at the

level of Ministers of Foreign Affairs, Ministers of other areas and Senior Officials. Likewise, the establishment of Interparliamentary dialogue was supported. In turn, a broad cooperation chapter and an institutional framework presided by a Joint Council was adopted at the level of Ministers of Foreign Affairs and a Joint Commission of Senior Officials.

Moreover, in the commercial and economic scopes, the compromise of “progressive and reciprocal liberalization of all exchanges” was adopted in conformity with WTO standards. The main disciplines had to contain that the future free trade zone were noted. In addition, a commercial subcommission was created as an institution of the Framework Agreement with the main goal of preparing negotiations to finalize the future liberalization of all exchanges.

It is important to emphasize the negotiation process undertaken is parallel to the ones the European Union was carrying out with the Mercosur, Mexico, Central America and the Andean Community. Consequently, the advances registered in negotiations were always present along with the possible tie that could be established, especially in the negotiations between the European Union, Chile, and the Mercosur. At no time were the decisions made by the community bodies, or the government of Chile and the Mercosur countries considered as a possibility of a joint negotiation. However, the goodwill to cooperate in the corresponding processes always existed. In the case of Chile and the European Union, this goodwill was consecrated in a Joint Declaration, issued at the closing of negotiations, through which it is established that both parties will study in joint agreement eventual formulas allowing them to bond their commercial liberalization preparation mechanisms with those foreseen by the parties with countries or regional entities, especially the Mercosur, regarding the evolution of integration in the region and as long as they contribute to the advancement of obtaining the bilateral Agreement objectives.

On June 21, 1996, in Florence, Italy, the “Framework Cooperation Agreement destined to prepare, as its final objec-

tive, an association of political and economic nature between the European Union and its Member States and the Republic of Chile”, was signed. This act had particular relevance since it was signed in the presence of the President of Chile and European Heads of State and Government of all 15 European countries, by the Ministers of Foreign Affairs of Chile and the Member States of the European Union and the European Commission President.

The Florence Agreement represented not only the firm confirmation of political will between both parties to carry out the Sao Paulo commitments but also a very important potential to strengthen mutual relations, not only within the cooperation scope but in all of its dimensions as well. Furthermore, it allowed the immediate beginning in an institutionalized way of a creation process of the most favorable conditions for the establishment of the Association, particularly mutual exchange liberalization.

For the European Union, the Agreement meant the projection of an Association with a politically solid, economically dynamic and socially stable country with an advanced regional integration process, institutionally bound with the Asia-Pacific countries and with the perspective of economically uniting itself with North America.

For Chile, the Agreement represented a transcendental step in its development strategy, particularly an open regionalism by establishing a common project of global dimensions beyond the Latin American region with the principal economic power of the world.

As foreseen, the functioning of the Framework Agreement allowed the deepening of reciprocal relations on a political, economic and cooperation scale.

Political relations intensified and institutionalized dialogues have been carried out on a regular basis in both the Latin American framework and the bilateral context of the bodies created in the 1996 Framework Agreement.

The European Union has constituted the first source of international cooperation received by Chile directly from both the European Commission and its Member States; important new projects have been created, such as the Protocol on Mutual Assistance in Customs Matters (2001) and the Agreement on Scientific and Technological Cooperation (2002).

Regarding economic matters, the European Union has become Chile's most important commercial partner as the primary export market and main source of foreign investment in the country.

On the other hand, the 1996 Agreement bodies were designed to prepare, as foreseen, second-phase negotiations destined to establish the Political and Economic Association.

During the First Summit of Heads of State and Government of Latin America, the Caribbean, and the European Union in June 1999 in Rio de Janeiro, the EU and Chile launched the negotiations destined to establish the Political and Economic Association, previously agreed in Florence.

The First Round of Negotiations was held in Santiago, in April 2000. In accordance with the methods defined in the preparatory work, the Negotiations Committee proceeded to be installed, distributing the negotiation scopes in three large areas: political, economic and cooperation. Likewise, each group went on to define its work methods, negotiation topics, information exchange, method of the adoption of principles, and specific and general objectives as well as future negotiations programs. In the economic sphere, the fact that the European Union had approved to negotiate its customs duties and services as of July 1, 2001, was taken into consideration.

During the first rounds, proposals were presented in all three negotiation scopes. In the political area, work was begun on texts pertaining to political dialogue and institutional framework; in the cooperation area, documents were presented, particularly of the economic cooperation field and in the specification of the implementation of the new status Chile would assume as an associated country; and in the economic scope,

discipline proposals were presented in all areas different from those mentioned in the previous paragraph, that is to say, competition, government procurement, intellectual property, sanitary and phytosanitary measures, market access, antidumping and countervailing rights, customs matters, rules of origin and technical standards.

As of the Fifth Round, held in early July 2001, the presentation of negotiation proposals were able to be finished, corresponding to the tariff reduction for the entirety of nomenclature products and those linked to service and investment areas.

Finally, in April 2002, in Brussels, the tenth and final round of negotiations was celebrated, culminating the elaboration process for “an agreement through which an association between the European Community and its Member States, and the Republic of Chile was established.”

The President of Chile, Ricardo Lagos, the President of Spain and the European Council, Jose Maria Aznar, and the President of the European Commission, Romano Prodi, in the presence of European Union, Latin American and Caribbean Heads of State and Government, gathered in Madrid in May 2002 for the occasion of the Second Euro-Latin American Summit, announcing the end of negotiations and approval by both parties of the EU-Chile Association Agreement.

Afterwards, once the corresponding procedures had been fulfilled in the European Commission, Council of Ministers and European Parliament, the Agreement was signed in Brussels in November 2002 by the Minister of Foreign Affairs of Chile, Soledad Alvear, the Ministers of Foreign Affairs of the 15 European Union Member States, and the Commissioner Christopher Patten, on behalf of the European Commission. In January 2003, the Chilean government immediately sent the Agreement text to the National Congress for its ratification, which was accomplished in record time and supported by all political parties. The Agreement entered into force on February 1 of that same year, in all matters not requiring the ratification of European Union Member States for its implementation. Among the

latter issues, those referring to the institutional framework and those linked to trade in goods, are highlighted. However, the remaining matters, mainly pertaining to services and investments, will enter into force once all Member States have finished their domestic agreement ratification procedures.



### III. ASSOCIATION AGREEMENT STRUCTURE

#### General Characteristics

The Agreement between Chile and the European Union presents some general characteristics that are important to know in order to gain a better understanding of its nature and meaning. Among these characteristics, the following six are important to point out: it is an association, it is a bilateral agreement, it is global, it is stable, it is evolutionary, and it is mixed.

The Association Agreement means it goes beyond the nature and reach of the Framework Cooperation Agreements generally used by the European Union for its relations with third countries or groups of countries. This was the case of the 1996 Chilean agreement and those celebrated with Latin American countries and other regions of the world. The Association Agreement has been used fundamentally by the European Union to institutionalize its relations with European countries that are candidates to become future Member States, and therefore, as a phase destined to prepare the corresponding accession. From Chile's point of view, the signing of the Association Agreement is without precedent since all of those previously signed with Latin American countries are Free Trade Agreements, limited to trade of goods and associated matters; those signed with Canada, Mexico and most recently the United States, have been named Free Trade Treaties since they include service and investment fields as well.

The Agreement is bilateral, meaning there are two parties: the Republic of Chile, and the European Community and its Member States. The fact that it is a bilateral agreement means that its implementation solely depends on the politic will of both parties and is not subject to any type of ties with third

countries or groups of countries. This framework does not impede but rather contributes towards strengthening the common goal of strategic association between the European Union, Latin America and the Caribbean. Furthermore, it does not impede upon the initiatives of the parties with other countries or groups of countries. To this end, the Agreement explicitly acknowledges this possibility and states that the parties will be able to maintain or establish customs unions, free trade zones or other commercial arrangements as long as the rights and obligations agreed upon in the Agreement are not altered.

The Agreement is global, meaning, its scope includes all relations between both parties, those specifically indicated, and those resulting from common interest in the future. These relations have been divided into three groups within the text: political, economic and commercial, and cooperation. In turn, each of these states that the respective relations are global. Thus, in the political scope, it is established that the relations to consider are the bilateral ones, as well as those sustained with third countries or in multilateral fora; in the economic and commercial scope the realm of goods, services and investment exchanges is considered in its regulatory aspects and in the reciprocal liberalization of exchanges; likewise, in the cooperation scope, an important group of activities to be developed is detailed. It is mentioned that this does not mean discarding any other opportunity. In other words, the Agreement aims to globalize, in an agreed upon way, bilateral relations, starting with fundamental values that both parties recognize for the development of nations and the international concert.

The Agreement is stable. It is stable due to its own nature of being an international agreement lasting indefinitely. However, some special characteristics granting it particular stability are worth emphasizing. It is an agreement signed by the European Community and the Member States, meaning it commits itself to the fullest extent to its fulfillment, not only by European Union bodies but also to each of its Member States individually at the same time. In turn, the Agreement is subject to the corresponding local ratification in each country;

for the majority, this means parliamentary ratification. Moreover, the Agreement stipulates specific regulations on the fulfillment of these obligations; for the economic and commercial scope, it sets out a dispute settlement mechanism. Each rule presents the maximum legal certainty feasible. In other words, the Agreement has maximum political and legal commitment, and therefore, the maximum stability an international instrument can offer.

The Agreement is evolutionary. It contains a very important group of commitments, many of which have their areas, objectives, procedures and time frames specifically defined, such as those related to the institutional framework or trade liberalization. However, at the same time, the Agreement has two more situations whose fulfillment has yet to be defined: on one hand, programmatic provisions agreed upon in the Agreement exist but whose fulfillment will be carried out as decided by the corresponding bodies; on the other hand, the Agreement explicitly establishes, in its final and general provisions as well as in each of its parts corresponding to its three scopes, that its reach may be expanded and complemented with new activities or commitments. There are also different matters where specific time tables have been set to proceed in that direction.

The Agreement is mixed. This characteristic arises from the arrangement of competences between European Union bodies and its Member States. The Agreement includes matters answering to both competences. This characteristic is important to emphasize because it means that the European Union is ready to immediately implement the matters pertaining to the community sphere as soon as a consensus is reached among the European bodies. The second instance additionally requires ratification by Member States. Thus, once the Agreement is ratified by Chile, the approval by the European Commission, the Council of Ministers and the European Parliament will have been enough to begin implementing the commitments referring to the institutional framework and trade in goods regarding the liberalization of exchanges and commercial rules regulating this liberalization, as well as the provisions of the coop-

eration scope. On the contrary, in the matters regarding trade in services, political dialogue, investments, payments and capital movements and intellectual property, the ratification is also required by the 15 Member States.

## **Main Elements**

The EU-Chile Association Agreement is considered by both parties as the broadest, deepest and most innovative bilateral agreement signed up to date. To this end, this instrument is considered to be fundamental for the expansion and deepening of mutual relations in all its scopes. The main elements included in the agreement are presented in this section.

The Association is based on reciprocity, common interest and the deepening of relations between the European Union and Chile in all its dimensions, and it will be built upon a base of three pillars: political, cooperation and economic.

Within the political scope, both parties seek to strengthen their dialogue concerning any subject considered of common interest regarding its bilateral relations or the international framework, with the goal of coordinating their positions, especially in international fora, and cooperating in its foreign and security policies. One essential objective is composed of the promotion, diffusion and defense of democratic principles, respect for human rights, freedom of the people, and the Rule of Law. The implementation of these principles constitutes an essential element of the Agreement; therefore, its observance is a condition required for its implementation.

The political dialogue will be carried out at the level of Heads of State and Government, Foreign Affairs Ministers, ministers of other areas and Senior Officials.

The dialogue between party representatives will also take place, as agreed in the institutional framework. This framework permits the wide range of participation of different civil society sectors. The Association Council, composed of the President of the Council of Ministers of the European Union

and Foreign Affairs Minister, will be the agreement's most important body. The Council will be assisted by the Association Committee, which will meet on a level of Senior Officials and will be responsible for the agreement's general implementation. Furthermore, the Association Parliamentary Committee is established, constituted by members of the National Congress of Chile and the European Parliament. The entrepreneurs and workers will meet in the Joint Consultative Committee. Lastly, regular meetings held by representatives of different sectors of the European Union and Chilean societies are anticipated.

The cooperation pillar mainly aims at contributing towards implementing the principles and objectives which resulted from the Agreement. It extends to new issues and expands cooperation included in the 1996 agreement. Five areas are emphasized: financial and economic; science, technology and information society; culture, education and audio-visual; public administration and state reform; and social cooperation. Additionally, other cooperation fields are included, such as illegal immigration matters; drugs and the fight against organized crime; participation of the civil society in cooperation; regional integration and cooperation; and bi-regional and triangular cooperation.

One aspect of the greatest relevance refers to the possibility the new association context creates, by virtue of which Chile will be able to participate in European Union programs developed with its Member States and its acceding countries, in accordance with domestic standards regarding this matter. Likewise, it is important to emphasize that the Agreement has an evolution clause through which it is set forth that the parties will be able to agree on cooperating in the future in any other sphere of mutual interest, even if it does not appear in the agreement's text, without detriment to the areas of cooperation agreed upon in the agreement's specific articles.

The agreement's third pillar is composed of the commercial and economic scope. Its purpose is to expand and diversify all the exchanges. Its main objectives are to recip-

rocallly and progressively liberalize market access for goods, services, investments, government procurement, current payments and capital movements; to establish joint standards for the most appropriate development of exchanges in each of these areas; and to establish a faster and more direct dispute settlement mechanism than the one presently in force in the WTO.

On the trade of goods, the liberalization of the nomenclature universe is pursued through the elimination of tariffs and non-tariff measures. Six categories of products were agreed upon for this in accordance to the rate of tariff reduction and individual lists with exceptions in agricultural and fisheries areas. The vast majority of goods have been liberalized since the agreement's implementation. The longest tariff elimination period is ten years. In the third year after the agreement's implementation, the feasibility of deepening tariff concessions and of the excluded products will be examined. The adopted commercial rules refer to customs matters, origin of goods, sanitary and phytosanitary measures, technical rules, safeguards and antidumping measures.

In reference to trade in services, the agreement acknowledges four modes of supplying services: trans-border supply, foreign consumption, commercial presence and the presence of natural persons in the territory of the other party. The activities and conditions of access to the respective markets have been included in individual schedules of specific commitments. Furthermore, different disciplines have been established that will guide the exchanges, such as: national treatment, domestic regulations, mutual recognition and transparency.

Likewise, special regulations were agreed for telecommunication services, international maritime transport, and financial services. These latter activities will be regulated by a complete set of standards constituting a specific chapter of the Agreement. On the other hand, audio-visual, national maritime cabotage and air transport sectors (except for certain specific

services regarding air transport) were excluded from the regulations pertaining to the services sphere.

Two years following the agreement's implementation, the free movement of people will be analyzed and, every three years, a greater deregulation in access to trade in services will be attempted.

Investment increase and diversification will be favored by the group of commitments included in the Association Agreement and specific provisions on establishment and access standards in this field. Additionally, the Association Agreement confirms the rights and obligations granted by the Agreement on Promotion and Protection of Investments that Chile has signed with all Member States of the European Union, with the exception of Ireland. These incentives will be increased when the agreements on Double Taxation Avoidance are signed. Regarding this topic, the Agreement evolution clause states that before three years, the possibility of expanding the liberalization of investment conditions shall be examined.

Moreover, it is necessary to emphasize that the Agreement also contains a set of joint standards related to trade in goods, trade in services, and investments, which will contribute to expanding and diversifying those exchanges: disciplines on payments and capital movements, competition, intellectual property and a complete agreement on government procurement.

Finally, it is necessary to consider two institutional matters the Agreement incorporates in its economic scope. There is a dispute settlement mechanism as well as the creation of Special Committees.

The dispute settlement mechanism contemplates two stages: consultation and the establishment of a panel of three arbitrators. The arbitration procedure is described in the Agreement and contains short time tables for each phase of development. The arbitration final decision is obligatory and unable to be appealed, and its method of compliance is precisely stated.

On the other hand, the Agreement creates special committees to assist the Association Council in matters pertaining to customs and rules of origin, as well as technical standards and financial services. Likewise, it establishes Joint Committees on Wines and Spirits.



PART TWO

# SYNTHESIS



## INTRODUCTION

In Part Two, a summary of the Association Agreement is presented, from its foundations to its final provisions. Its goal is to expound the most relevant issues contained in the Agreement and to facilitate an understanding of the agreed rules in each comprised scope, both individually and as a whole.

The presentation has followed the order of the five parts constituting the Agreement: General and Institutional Provisions, Political Dialogue, Cooperation, Trade and Trade Related Issues, and Final Provisions. In the presentation of the diverse matters contained in each one of its parts, the order has been carefully maintained, with the exception of when a better understanding of such matters makes it advisable for them to be joined together, even though they are not in a correlative order within the Agreement text. In turn, each of these areas is organized and presented in the following way: objectives, scope, content or main commitments, implementation and evolution. Likewise, in certain topics it has been deemed convenient to formulate appreciations contributing to a better understanding of the nature and reach of the commitments set out in the Agreement.

In this context, this part of the book seeks to incorporate the essence of what has been agreed upon in all of its 206 articles, 17 annexes and 32 declarations constituting the entire Association Agreement text.

## I. FOUNDATIONS AND NATURE

### **Foundations**

The European Union-Chile Association has solid grounds of historical, political and economic nature highlighted from the beginning of the agreement's text. Both parties share a common view of man and society, of internal development, and international, regional and bilateral relations.

Nearly 500 years of European influence in Chile have created close historical ties, a broad common cultural heritage, and a lively cultural dialogue between European and Chilean citizens.

Political foundations invoked by the agreement are of such a hierarchy that they refer to the joint commitment of fully respecting democratic principles, fundamental human rights as laid down in the Universal Declaration of Human Rights, the Rule of Law, and good governance principles.

In the social and economic scope, the agreement bases one of its main principles on the need to promote economic and social progress for their peoples taking into account the principle of sustainable development and environmental protection requirements. Both parties attach great importance to the principles and values set out in the Final Declaration of the World Summit for Social Development, held in Copenhagen in March 1995.

In this same scope, the agreement mentions the importance attached by both parties to the principles and rules governing international trade, in particular those contained in the Agreement establishing the WTO and to the need to apply them in a transparent and nondiscriminatory manner.

The agreement also highlights the high value granted by European Union and Chilean authorities for the adoption of joint initiatives in appropriate international fora, position co-

ordination and periodic political dialogue consolidation regarding international and bilateral issues of mutual interest, as established in the Joint Declaration, constituting part of the 1996 Florence Agreement.

This agreement is not an isolated initiative. On the contrary, another main political foundation is found in the desire to expand the relations' framework between the European Union and Latin American on a level of regional integration, aiming to contribute to a strategic association between both regions, as foreseen in the declaration adopted in the Summit of Heads of State and Government of Latin America, the Caribbean and the European Union, held in Rio de Janeiro, on June 28, 1999.

At the same time, the Association between the European Union and Chile is sustained by a rapprochement process with landmark achievements, such as the Cooperation Agreement between the European Economic Community and Chile signed on December 20, 1990, and the Framework Agreement signed in Florence on June 21, 1996. This agreement was specifically aimed at laying the groundwork for the establishment of an association of economic and political nature between the European Community, its Member States, and the Republic of Chile.

## **Principles**

The agreement establishes a key element: the respect for democratic principles and fundamental human rights, as laid down in the Universal Declaration of Human Rights and at the beginning of the Rule of Law.

These principles inspired the international and internal policies of Chile and the European Union. The agreement grants them the utmost importance since their failure to follow through authorizes either party to immediately adopt the appropriate measures in conformity with international law. In other words, the failure can be seen as a reason for suspending the agreement's implementation. If an alteration of these

principles were to occur, the parties would immediately meet in order to find an equally acceptable solution.

Moreover, governing principles for the agreement's implementation have been established: the promotion of sustainable economic and social development, and the equitable distribution of the Association's benefits.

Likewise, reciprocity, joint interest and the deepening of relations between the parties have been adopted as the bases of the Political and Economic Association in all areas of its application, foreseeing the possibility of expanding them in the future.

According to the aforementioned principles, the agreement establishes the following objectives and main scopes:

- a) to enhance political dialogue on international and bilateral issues of mutual interest;
- b) to intensify cooperation, particularly in political, commercial, economic and financial, scientific, technological, social and cultural fields, and achieve maximum participation from each party in framework programs, specific programs and activities pertaining to the other party; and,
- c) to expand and diversify bilateral economic and commercial relations conforming with the WTO provisions and upon what has been agreed in the agreement.

## II. INSTITUTIONAL FRAMEWORK

The institutional framework laid down for the Association between Chile and the European Union is very complete. The most important social sectors are explicitly incorporated. Each segment will have a permanent forum to discuss and contribute to the perfecting of the Association. The governments will participate in an institutionalized manner through the Association Council, the Association Committee and special committees; the parliaments, the Association Parliamentary Committee; the entrepreneurs and workers, the Joint Consultative Committee; and the civil society, through periodic meetings.

### **Government Dialogue Association Council**

The Association Council is the highest body of the agreement and responsible for supervising its implementation. In this context, it especially has to:

- a) examine all important issues arising from the agreement's framework;
- b) examine any other international, multilateral or bilateral issues of mutual interest; and,
- c) examine proposals and recommendations from the parties destined to improve the agreement.

With views of achieving the agreement objectives, the Association Council has the authority to adopt decisions and make recommendations. The decisions will be binding on the parties, who will implement them in compliance with their corresponding internal rules.

The Association Council will meet on a ministerial level. It is constituted by the European Union Council President and the Foreign Affairs Minister of Chile.

The President of the Council will be assisted by the Secretary General and the High Representative, the incoming presidency and, additionally by other members of the European Union Council and European Commission.

The Association Council will periodically meet –at least every two years– and when circumstances so require.

### **Association Committee**

The Association Committee must assist the Association Council in fulfilling its duties. It is the body responsible for the agreement's general implementation.

The Association Committee will accept decisions in the cases foreseen in the agreement or when the Association Council delegates its power to the Committee.

The Association Committee is composed of representatives of the European Union Council and the European Commission, as well as by representatives of the government of Chile. These representatives must be senior officials.

The Association Committee will generally meet once a year, and in special circumstances when a request is made by either party. An overall review of the agreement's implementation will be carried out at the annual meeting.

It is important to keep in mind that the agreement establishes a special association committee for dealing with the issues contained in Part III, on Cooperation, and in Part IV, on Trade. Set tasks or specific functions are established for the Committee when dealing with these matters; it also establishes that, in such a case, it will be composed of representatives of Chile and the Community having responsibilities in these cooperation and trade matters, respectively. Likewise, it also contemplates a specific manner to examine sanitary and phytosanitary issues, because, in such case, the Committee will not only be constituted by representatives who are authorities in these fields and with specific attributions pertaining to the same, but will also be called the Joint Management Committee for Sanitary and Phytosanitary Matters.



## **Special Committees**

The Association Council will also be assisted by special committees.

The Association Council will be able to decide on the creation of these committees and establish standards for the rules of procedure determining its composition, duties and operational method, except in those cases foreseen in the agreement in matters of customs issues and rules of origin, technical standards and financial services. In addition, the Joint Committees on Wines and Spirits Drinks are incorporated.

## **Parliamentary Dialogue**

The agreement has created the Association Parliamentary Committee as a body. This committee will be the meeting place for members of the National Congress of Chile and the European Parliament.

The Association Parliamentary Committee will be able to:

- a) request the Association Council for information regarding the agreement's implementation, and the Council will provide the requested information; and,
- b) make recommendations to the Association Council.

Moreover, the Parliamentary Committee must be informed of the decisions and recommendations set forth by the Association Council.

## **Entrepreneurs and Workers Dialogue**

The agreement has created the Joint Consultative Committee whose task is to assist the Association Council with the purpose of promoting dialogue and cooperation between different social and economic organizations of the civil societies of the European Union and Chile.

In fulfilling its functions, the committee will be able to:

- a) refer to all economic and social aspects of the bilateral relations arising from the agreement's implementation;
- b) act based on consultations posed by the Association Council;
- c) act on its own initiative to foster dialogue between the economic and social representatives; and,
- d) express its opinions on previous topics.

It will be composed of an equal number of European Economic and Social Committee members and members of the institution dealing with economic and social issues in Chile.

## **Civil Society Dialogue**

The agreement anticipates this dialogue through periodic meetings promoted by both parties between representatives of European Union and Chilean societies. The agreement particularly emphasizes the academic community, the economic and social interlocutors and non-governmental organizations.

The purposes of these dialogues will be:

- a) to remain informed on the agreement's implementation; and,
- b) to express their suggestions aimed at achieving an improvement of dialogues.

### III. POLITICAL DIALOGUE

#### **Objectives**

Beyond the complete institutional framework destined to attain better agreement implementation and development, Chile and the European Union have agreed to reinforce their dialogues regarding international, multilateral and bilateral matters of mutual interest. The parties strive to intensify and deepen political dialogue with the aim of consolidating the association.

In accordance with the agreed principles and foundations, the main objectives of political dialogue between the parties are the promotion, dissemination, development and joint defense of democratic values, such as respect for human rights, the establishment of freedom of the people, and the Rule of Law, as the foundations of a democratic society.

#### **Scopes**

The political dialogue scope has been defined in a broad manner since it is expected that dialogues may lead to information exchange, analysis, position coordination, or adopting joint initiatives. At the same time, they can refer to any issues of mutual interest and any international issue with the view of pursuing common goals, such as security, stability, democracy and regional development.

One aspect of the agreement worth citing refers to the cooperation in the fight against terrorism within the framework of what has been laid down in the international conventions and their respective legislation and regulations. To this end, the full implementation of Resolution 1373 of the United Nations Security Council, and the exchange of information on terrorist groups and support networks along with the means and methods to fight terrorism are highlighted.

## Methods

The importance attached by the parties to political dialogue is clearly demonstrated when verifying the agreed methods, highlighting the dialogue established between the European Union and Chilean Heads of State and Government.

The four agreed instances are the following:

- a) periodic meetings between Heads of State and Government;
- b) periodic meetings between Foreign Affairs Ministers;
- c) meetings between other ministers; and,
- d) annual meetings between senior officials.

These high-level dialogue instances ensure a close and systematic association of analysis and agreement between the most representative authorities of the European Union and Chilean governments in connection with a wide spectrum of international, multilateral and bilateral topics of joint interest.

## IV. COOPERATION SCOPE

Cooperation constitutes the second pillar on which the Association is based. In reviewing its objectives, scopes and implementation methods, one can see the vast perspective presented by the agreement for the most diverse domestic life activities. Consequently, the application and development of the commitments assumed in these issues must constitute an important source of benefits arising from the agreement. It must be emphasized that, the foreseen activities will permit the participation of the most varied sectors of society to be included in the fulfillment of the agreement objectives.

### **General objectives**

The agreement attaches very broad and transcendental general objectives to the cooperation field identifying themselves with its own general objectives:

- a) to strengthen institutional capacity to consolidate democracy, the Rule of Law, the respect for human rights and fundamental freedoms;
- b) to promote social development –which should go hand in hand with economic development and environmental protection– while giving special priority to respect for basic social rights;
- c) to foster productive synergies, create new trade and investment opportunities and promote innovation and competitiveness;
- d) to develop and deepen cooperation actions while taking into consideration the Association's relationship between the parties.

The aforementioned objectives give evidence that the agreement grants cooperation a relevant role in the fulfillment of its general objectives.

## Scopes

The cooperation scopes identified in the agreement are grouped in six areas, which in turn specify diverse areas: economic cooperation (19 areas); science, technology and information society (two areas); culture, education and audio-visual (three areas); state reform and public administration (three areas); social (three areas); and other sectors (five areas).

As one can see, the economic cooperation sector presents, in greater detail, the areas to be developed. Most productive goods and services activities, the disciplines composing part of the agreement's commercial and economic scope, as well as some activities of interest for the fulfillment of its goals, have been included. Among the first, the following sectors are detailed: agriculture (including phytosanitary and sanitary measures), fisheries, mining, industry, services, energy, transportation and tourism. Among the cooperation activities linked to disciplines which will regulate the exchanges, the following are mentioned: customs issues, technical regulations, investment, intellectual property and government procurement. Likewise, there is a bit of different significant economic areas, such as: small- and medium-sized enterprises, the environment, consumer protection, data protection, statistics and macroeconomic dialogue.

It is also important to highlight the diversity of issues included in other cooperation sectors, especially where most of them contain concrete actions or commitments providing greater amplex to cooperation activities: illegal immigration, drugs and the fight against organized crime, civil society participation, regional cooperation and integration, and bi-regional and triangular cooperation.

Finally, it is necessary to project this cooperation to the new "association relation framework." In this sense, it is considered that cooperation should contribute towards obtaining the aforementioned general objectives through conceiving and developing innovative cooperation programs capable

of providing added value to the new relationship as associated members. In this status, the participation of each party must be promoted in framework programs, specific programs, and other activities of the other party, to which effect the Association Committee will be able to make the appropriate recommendations.

## **Content**

In general, each one of the 35 areas identified in the agreement establishes its own specific objectives and methods that will be implemented for its development. Each one of mentioned aspects corresponds to the inherent characteristics of their respective matters. These specific objectives strive to specify their contribution to the general cooperation and agreement goals. The methods are adapted to the typical area characteristics and specific objectives of the same area. However, it is possible to illustrate some of the methods found in several of them: experience and information exchange, exchange of specialists, joint meetings, formation, contacts and ties between institutions and persons, knowledge transfer, technical assistance, research and studies, design and strategies of policies, and design and execution of common projects.

## **Implementation**

In order to better understand the implementation of cooperation activities, it is necessary to consider both the internal European cooperation rules and the specific modalities agreed upon in the agreement for the cooperation scope implementation.

In reference to the first point, it must be known that for the European Union, the Association Agreement has established the general policy pertaining to these issues and corresponding scopes. The European Union has its own regulations through which the financial conditions that will allow the implementation of general policy are established.

Due to this, the regulation established in 1992 needs to be updated in order to adjust itself to new circumstances. Likewise, both financing lines for joint activities in economic cooperation and technical and financial cooperation must be reviewed. These lines, in turn, provide financing for all the other activities.

In practical terms, in order to carry out cooperation activities in the defined areas, it is necessary that the respective initiatives specify themselves in projects and programs presented to the International Cooperation Agency. This agency is a Chilean Organization in charge of making an agreement with the European Commission on the carrying out of the approved initiatives, in the Pluriannual Programming context defined between the parties.

It is necessary to repeat that the concept of European Union cooperation does not correspond to an attendance concept, but rather that it is based on the principle of mutual interest and shared costs. Chile, considering its income level, is not eligible to receive non-reimbursable financial help. Consequently, cooperation activity development implies the need to consider financial contributions from both parties.

Moreover, the implementation of these activities will be directly supervised by the Association Committee to which end the agreement establishes that this body will be constituted by senior level officials representing the Community and Chile, holding responsibilities in cooperation issues. In this scope, the Association Committee in particular will have the function of proposing recommendations regarding strategic cooperation between the parties, which will help set long-term objectives, strategic priorities and concrete scopes of action in the indicative programs to last for several years. Said recommendations must include a description of sector priorities, specific objectives, foreseen results, estimated quantities and annual action programs.



## **Evolution**

In the cooperation scope, an evolution is expected to the effect that the provisions or areas already incorporated will not exclude the possibility of adding new initiatives. Quite on the contrary, the agreement specifies that no cooperation opportunity must be discarded beforehand and it entrusts the Association Committee to explore the possibilities of mutual interest.

## V. COMMERCIAL AND ECONOMIC SCOPE

The agreement's commercial and economic scope is global in nature, similar to the political and cooperation scopes. This means it comprises the entire group of corresponding European Union and Chilean relations. This characteristic is confirmed, in an outstanding manner, in its three main dimensions: to seek to incorporate all goods, services, capitals and payments; to pursue the liberalization of all exchanges; and to propose to establish disciplines referring to all bilateral economic relations.

The agreement seeks that the exchanges be carried out dynamically through the incorporation of all tradable activities and the reciprocal opening of the respective markets. These exchanges must be simultaneously carried out within a framework of stability and predictability through the joint establishment of known regulations.

The commercial and economic scope is evolutionary in the sense that its goals will be reached in a progressive manner and, in addition, due to additional sectors, matters and commitments may be added to those already incorporated in the agreement.

The permanent reference framework of the agreement's economic standards is composed of the group of commitments acquired in the WTO. The agreement, besides recognizing this framework, moves ahead in broader and more profound commitments and establishes shorter time periods for their fulfillment than those agreed upon in the multilateral system for similar matters.

Thus, the liberalization process in the field of goods is governed by Article XXIV of the General Agreement on Tariffs and Trade, GATT 1994. The liberalization of service exchanges has as a reference Article V of the General Agreement on

Trade in Services, GATS. Similarly, the economic disciplines included in the Association Agreement are based on the respective WTO disciplines.

Likewise, in matters concerning payments and capital movements, the agreement recognizes the existing commitment framework in the international finance organizations as well as in intellectual property matters, fostering the fulfillment of the agreed upon internationally convened agreements.

## **Objectives**

In conformity with the characteristics described in the Association Agreement, the following main objectives are established in the economic and commercial scope:

- a) the progressive and reciprocal liberalization of trade in goods;
- b) the establishment of commercial disciplines in customs matters; origin; rules; technical regulations and conformity assessment procedures; phytosanitary and sanitary measures; safeguards; and antidumping;
- c) the progressive and reciprocal liberalization of trade in services;
- d) an improvement of the investment environment and, in particular, the conditions on establishment between the parties based on a non-discrimination principle;
- e) the liberalization of current payments and capital movement, with due consideration for the stability of each party's currency;
- f) the reciprocal opening of government procurement markets;
- g) the effective protection of intellectual property rights;
- h) the adoption of adequate competition rules; and,
- i) the setting up of a dispute settlement mechanism.

We will now proceed to examine each of the previous objectives, aiming to understand how the agreement foresees the fulfillment of the same objectives. First of all, the goods liberalization program and their corresponding disciplines: customs matters, origin, technical standards, sanitary and phytosanitary measures, safeguards and antidumping will be analyzed. Afterwards, trade in services, financial services and investment will be examined. Finally, the standards common to goods and services exchange, that is to say, capital movements and payments, government procurement, intellectual property, competition and the dispute settlement mechanism will be presented.

## VI. GOODS LIBERALIZATION PROCESS

### **Objective**

The objective of the exchanges liberalization process is to obtain free movement of all goods in a progressive and reciprocal way in order to establish a transitional period that will start with the agreement's entry into force, lasting ten years. This process will be realized in conformity with the provisions of the agreement and with Article XXIV of the 1994 GATT in the context of a preferential free trade zone.

### **Scope**

The liberalization process refers to products of origin, whether they are agricultural and livestock, fisheries, mining, forestry or industrial. Consequently, in the case of both imports and exports, tariff elimination will be applied to products complying with the rules of origin agreed upon between the parties.

Moreover, liberalization refers as much to tariffs or customs duties as to non-tariff related measures. To these effects, a customs duty is understood as any duty or charge of any kind imposed in relation with the import or export of a good, including any form of surtax or surcharge in connection with such an import or export. The agreement specifically excludes from this definition antidumping or countervailing duties applied in the agreed manner; the fees or other charges effectively corresponding to the approximate cost of the supplied services; and to the internal taxes imposed equitably to similar national products. Regarding the latter, the agreement specifies different rules about national treatment for imported products in taxation matters as well as in national regulations.

In reference to non-tariff measures, it is worth highlighting that the rules on the subject will be applied to the trade in

goods between the parties without specifying their origin. Furthermore, among these measures, the agreement emphasizes the quantitative restrictions of other non-tariff measures. The latter are constituted by the instruments that will be applied to the trade in goods, except for the safeguard clauses which are considered an exception of the liberalization program. In other words, standards on customs, rules of origin, technical rules, phytosanitary and sanitary measures, and antidumping and countervailing measures are included as non-tariff measures. The quantitative restrictions and non-tariff disciplines must be applied in accordance with the commitments assumed in the agreement, as it will be analyzed in the future.

### **The Liberalization Process of Trade in Goods**

Once the agreement enters into force, five important situations worth emphasizing are generated.

In the first place, the reciprocal and progressive tariff liberalization process has begun.

This means that a group of goods was immediately liberated from custom duties, and the other group began the gradual elimination process of the same goods. The latter group of goods had a fixed starting point, a basic customs duty. According to the different categories in which the products were organized, the annual course of reduction that the tariffs would experience was defined until reaching total elimination for reciprocal trade. The mutual preferences granted by the parties were set. If a party reduces the type of applicable tariff to the most favored nation after the agreement enters into force and prior to the end of the transitional period, the Tariff Elimination Schedule of that party will be applied to the reduced rates.

It must be emphasized that for the products enjoying tariff elimination that takes place all at once, the scaled tariff reduction effect affecting them was immediately eliminated. The rest of the products will gradually reduce the effect, complying with its respective tariff reduction schedule, until reaching total liberalization of the same effect.

Second, customs duties applicable to exports between the parties were eliminated all at once.

Third, quantitative restrictions were also abolished, meaning all import or export prohibitions or restrictions, such as quotas, import or export licenses and other measures different from customs duties and taxes, were eliminated from the trade between the parties.

Fourth, new customs duties cannot be introduced, nor can those already applied to trade between the parties be increased. Likewise, no new quantitative restriction will be introduced. In other words, a status quo is established and therefore, no product subject to reciprocal trade will have a less favorable treatment than the one in existence at the time of the agreement's entry into force.

In reference to this last aspect, it is important to emphasize that the agreement makes an exception for those products within the price band system, since Chile will maintain its system as established in Article 12 of Law 18525 or the succeeding system for products covered in that Law – wheat, flour, sugar and oleaginous– if and when it is applied with due respect to Chile's rights and obligations deriving from the WTO agreement and the conditions established in the agreement.

Fifth, both parties excluded some products from the liberalization program; thus, they will not enjoy preferences, but they could be imported according to the general treatment affecting them, whomever the importing party may be.

For the purpose of establishing the tariff elimination program, the agreement classified the universe of products in three groups: agricultural and processed agricultural, fish and fisheries, and industrial. All are classified in conformity with the respective tariff nomenclatures of each party, in accordance with the Harmonized Commodity Description and Coding System, SA. The European Union nomenclature contains 10,292 items, and Chile's amounts to 5,896 items.

All three categories have a group of products immediately liberated from tariffs and another group whose tariffs will gradually be eliminated, in compliance with the agreement schedule previously agreed upon, in accordance with the determined elimination categories. Once the agreement enters into force all products shall enjoy zero tariff, or, in turn, a preference whose margin will expand in time, in an annual and progressive manner until total tariff elimination is achieved for reciprocal trade. The preferential margin, as well as the tariff reduction rhythm, is defined by the category in which each of the three products emphasized in the liberalization program was incorporated.

It is important to emphasize that in addition to customs duties elimination, the implementation of contingent tariffs under specific conditions has been agreed upon in the case of certain fish, fisheries and agricultural products. In other words, tariff elimination has been established for a specified quota of the respective product.

The tariff elimination process as well as the contingent tariffs and their implementation conditions have been included in the agreement annexes I and II. These annexes respectively register the European Union and the Chilean market opening process for their reciprocal commercial exchanges.

### **Tariff Elimination for Industrial Products**

The agreement considers industrial products, those encompassed from chapters 25 to 97 in the Harmonized System as not constituting part of agricultural products and transformed agricultural products.

The European Union will eliminate customs duties applicable to industrial imports originating in Chile through two methods: immediate elimination (Year 0 category), or gradual elimination in four stages (Year 3 category) with annual, equal and successive reductions of one-fourth of the



base tariff or tariff in effect at the time when negotiations are concluded. Thus, European Union tariffs applicable to imports originating from Chile, corresponding to Year 0 category products were completely eliminated when the agreement entered into force on February 1, 2003. In turn, the tariff elimination for goods incorporated in Year 3 category will be fulfilled on January 1, 2006, in conformity with the following indicated program.

**European Union Tariff Elimination Schedule  
for Industrial Products**

(Percentages of annual tariff reduction)

Category	Entry into force	1.1.04	1.1.05	1.1.06
Year 0	100%			
Year 3	25%	50%	75%	100%

Chile will eliminate applicable customs duties to industrial product imports originating in the European Union through three modalities: immediate elimination (Year 0 category); gradual liberalization in six 16.7% stages, (Year 5 category); and gradual liberalization in eight 12.5% stages (Year 7 category). Consequently, Chile will reduce its customs tariffs on industrial imports originating in the European Union in accordance with the schedule presented hereinafter; they will be completely eliminated on the date when the agreement enters into force, January 1, 2008, and January 2010, respectively.

### Chilean Tariff Elimination Schedule for Industrial Products

(Percentages of annual tariff reduction)

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10
Year 0	100%							
Year 5	16.7%	33.3%	50%	66.7%	83.3%	100%		
Year 7	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%

### Tariff Elimination for Fish and Fisheries' Products

The agreement defines fish and fisheries' products as those included in the Harmonized System chapter 3, in headings, 16.04 and 16.05 and sub-headings 05.11.91, 23.01.20 and HS sub-heading ex 19.02.20.

The European Union will eliminate customs duties applicable to fish and fisheries product imports originating in Chile through four modalities: immediate liberalization (Year 0 category products); gradual liberalization in five annual stages consisting of 20% each (Year 4 category); gradual liberalization in eight 12.5% stages each (Year 7 category); and gradual liberalization in eleven stages, ten 9% stages and a final 10% one (Year 10 category). Thus, European Union tariffs must be completely eliminated when the agreement enters into force on January 1, 2007, January 1, 2010 and January 1, 2013, respectively.

# European Union Tariff Elimination Schedule for Fisheries' Products

(Percentages of annual tariff reduction)

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.13
Year 0	100%										
Year 4	20%	40%	60%	80%	100%						
Year 7	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%			
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

The elimination of the previously mentioned custom duties is accompanied by the implementation of contingent tariffs, applicable to certain fish and fisheries products originating in Chile and imported by the European Union. These contingent tariffs are found in the TQ category (agreement: annex I) and they will be applied as of the agreement's entry into force and subject to the conditions mentioned in the annex.

Moreover, applicable tariffs in Chile on imports of fish and fisheries products originating in the European Union were immediately eliminated on February 1, 2003, meaning, those corresponding to Year 0 category. Chile will also apply contingent tariffs on imports of certain fish and fisheries products originating in the Community listed in the TQ category of annex II, and in accordance with the conditions mentioned in this annex.

### **Tariff Elimination for Agricultural and Livestock Products**

The agreement considers agricultural products and processed agricultural products as those defined as such in the WTO agreement on Agriculture included in chapters 1 through 24 of the Harmonized System.

The European Union tariff elimination process for agricultural and livestock products originating in Chile will be carried out by four modalities: immediate elimination (Year 0 category products); gradual elimination in five 20% annual stages (Year 4 category); gradual elimination in eight 12.5% annual stages (Year 7 category); and gradual elimination in 11 annual stages of 9% for ten years, and 10% in the last year (Year 10 category). Consequently, the elimination of customs duties applied by the European Union to imports of agricultural and processed agricultural products originating in Chile must be completed by the time the agreement enters into force on January 1, 2007, January 1, 2010 and January 1, 2013, respectively.

# European Union Tariff Elimination Schedule for Agricultural and Livestock Products

(Percentages of annual tariff reduction)

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.13
Year 0	100%										
Year 4	20%	40%	60%	80%	100%						
Year 7	12.5%	25%	37.5%	50%	62.5%	75%	87.5%	100%			
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

In addition to the tariff elimination process, the European Union will apply to imports of certain agricultural and processed agricultural products originating in Chile, five special market opening modalities included in annex 1 under the categories: EP, SP, R, CA and PN.

Chilean tariff elimination on imports of agricultural and processed agricultural products originating in the European Union will be carried out by three methods: one-time elimination, on February 1, 2003, for Year 0 category products; gradual elimination through six equal and successive annual reductions of 16.7% each, for Year 5 category products; and gradual tariff reduction in eleven stages equivalent to 9% annually for the first ten years and 10% in the last stage. Thus, total tariff elimination must be completed when the agreement enters into force, on January 1, 2008 and January 1, 2013, respectively.

## Chilean Tariff Elimination Schedule for Agricultural and Livestock Products

(Percentages of annual tariff reduction)

Category	Entry into force	1.1.04	1.1.05	1.1.06	1.1.07	1.1.08	1.1.09	1.1.10	1.1.11	1.1.12	1.1.13
Year 0	100%										
Year 5	16.7%	33.3%	50%	66.6%	83.3%	100%					
Year 10	9%	18%	27%	36%	45%	54%	63%	72%	81%	90%	100%

Chile will also apply contingent taxes on imports of certain agricultural products originating in the Community listed in annex II TQ category. These contingents will apply once the agreement enters into force, in conformity with the conditions mentioned in this annex.

### **Emergency Clause for Agricultural and Livestock Products**

Considering the particular sensitivity of the agricultural and livestock markets, the agreement considers an emergency clause for agricultural and processed agricultural products. This clause will be applied without detriment from the agreement Dispute Settlement Mechanism and safeguard established in the WTO agreement on Agriculture.

The emergency clause may be applied when a product originating in a party is imported to the other party in quantities or under conditions in which there is harm, the threat of harm or serious disturbance caused in similar market products, as well as in those directly competing with products of the other party. In such a case, the latter party may take the appropriate measures explained hereinafter.

First, prior to applying a measure, the affected party will refer the matter to the Association Committee in order to seek a mutually acceptable solution. If the other party so requests, consultations will be conducted within the Association Committee. These consultations must find a solution within 30 days. If this were not the case, safeguard measures may be applied.

In such a case, the importing party may take two measures: suspend further reduction of the tariff elimination process foreseen in the agreement regarding the products in question; or increase the tariff applicable to the product. In the latter case, the increase must be limited to a level not surpassing the one resulting to be less elevated of the following two: most favored nation customs duty or the base tariff for the corresponding tariff reduction process.



The agreement also considers the possibility of extraordinary circumstances requiring immediate reaction. In this case, the importing party may transitorily adopt the previously mentioned measures without the need to comply with the established requirements for a maximum period of 120 days and may immediately report it to the other party.

The measures taken under the safeguard clause are subject to two limitations: they should not exceed what is necessary to remedy the arisen difficulties, and the party imposing the measure will maintain “the overall level of preferences granted to the agricultural sector.”

In order to achieve this last objective, the parties will be able to hold consultations so as to agree upon compensations for the adverse effects of the measure on their trade, including the period of time in which this transitory measure will be in effect. If a mutually acceptable compensation is not reached within 30 days, the affected exporting party may suspend the application of equivalent concessions.

## **Evolution**

The agreement establishes two commitments of great importance aimed at deepening the liberalization process of mutual exchanges.

In effect, as a general rule, each party declares its willingness to reduce its tariffs more quickly than foreseen in the agreement or to improve in another way their access conditions, it may do so if the general economic situation and economic situation of the sector in question allow it. These decisions must be taken in the Association Council and will prevail over the conditions laid down in the agreement for the corresponding products.

Moreover, just as the agreement established a special safeguard method for agricultural and livestock products, it also sets a special procedure to move forward the trade liberalization process of these products. To these effects, it requests

that the parties review the situation in 2006, product by product and on a reciprocal basis, the possibility of granting further concessions with the purpose of increasing the trade liberalization of agricultural and processed agricultural products. This review must keep in mind the mutual trade structure of these products, their particular sensitivity, as well as the evolution of both parties' agricultural policies.

## VII. AGREEMENT ON TRADE IN WINE

The Association Agreement contains an agreement on Trade in Wine as an annex. Along with the Agreement on Trade on Spirits Drinks and Aromatized Drinks, these are the only productive sectors in goods which have agreed on a broad and integral group of standards, referring to the production processes as well as its trade.

### **Objectives**

The objectives set out in the agreement are to facilitate and promote the commercial exchanges of wines produced in Chile and in the European Community on a basis of non-discrimination and reciprocity under the agreed conditions.

### **Scope**

The agreement comprises wines corresponding to heading 22.04 of the Harmonized System, produced in conformity with the applicable legislation regulating the production of a particular type of wine within a party's territory.

The agreement, in essence, refers to geographical indications and commercial trademarks, traditional expressions or complementary quality mentions, to the oenological practices and processes, and product specification. Other matters refer to import certification requirements; sanitary and phytosanitary measures; mutual assistance between control authorities; and agreement management.

### **Commitments**

The commitments assumed by the parties can be summarized in the main principles set out in the following sections.

## **Commercial Trademarks and Geographical Indications**

The parties will adopt all necessary measures to ensure reciprocal protection of geographical indications used for presenting and describing wines, to which effects, both parties acknowledge the geographical indications included in their respective schedules, constituting a part of the agreement on Wines.

In the event where two protected geographical indications are homonyms, protection will be granted to both, as long as it does not mislead the consumer.

Trademarks that happen to be identical, similar or contain a protected geographical indication will not be included in the corresponding registry. In the cases where similarity was identified (36), the trademarks will be annulled within five years for the international market and 12 years for the domestic market. Champagne is the most significant case of this.

Unidentified trademarks will not be rejected in the future. These trademarks may request its registration in two years time and they will not be rejected for reasons due to geographical indication similarity. The new trademarks similar to protected geographical indications will not be registered.

## **Traditional Expressions or Complementary Quality Mentions**

The parties will adopt all necessary measures to ensure reciprocal protection of traditional expressions or complementary quality mentions used for describing and presenting wines. In reference to this, individual schedules were agreed upon where all expression or mentions recognized by the parties were registered.

When protected traditional expressions or complementary quality mentions are homonymous, both will be protected as long as the consumer is not induced to error.

In the event that a similarity between expressions, mentions and commercial brands were to exist, those brands identical to expressions or mentions would be eliminated if they were not defined and regulated. No problems regarding this aspect were found due to the latter.

Accepted trademarks will be able to sign up in the respective registry and will not be questioned due to conflict with a traditional expression.

Those traditional expressions or complementary quality mentions not included in the respective schedules may be used freely by both parties.

## **Oenological Practices and Processes**

The parties will mutually acknowledge wines originating in the European Union or Chile when they have been produced in conformity with one or several oenological practices or processes and product specifications registered in the respective schedules agreed upon for these effects. Consequently, the corresponding import and marketing of wines in their respective territories are authorized for direct human consumption. The practices and processes included in such schedules may not be subject to objections in the future.

The new practices or processes desired to be comprised in the respective schedules will comply with the acceptance criteria specified in the agreement, such as health, consumer protection, and good oenological practices. To this end, prompt procedures and time periods are established.

## **Safeguards**

The agreement establishes the possibility of incorporating additional requirements for import certificates in the event that a party detects legitimate problems, such as those related to health, consumer protection, or fraud. Prior to adopting this measure, the other party will be notified so as to permit the

fulfillment of the additional requirements. In any case, these additional requirements will be applied in a transitory manner and only for the period of time necessary to solve the particular problem.

## **Implementation**

The agreement on Trade in Wine establishes a specific body, the Joint Committee, to oversee its proper functioning and to examine all issues which may arise during its implementation.

The Joint Committee, integrated by representatives of both parties in the existence of its duties, may make recommendations, facilitate contacts and the exchange of information, and present proposals on issues of mutual interest.

Moreover, duties are established for the parties to which effect they will maintain contact either directly or through the Joint Committee. Among such duties is the modification of the Agreement Appendices where the previously described commitments are registered. Likewise, they commit themselves to report to each other regarding the intention of deciding on new regulations or amendments, and to notify each other of any legislative, administrative and judicial decisions concerning the agreement's implementation.

Regarding any problem related to the interpretation and implementation of the agreement on Wines, the agreement's Dispute Settlement Mechanism will be applied. However, in matters pertaining to oenological practices and processes, the List of Arbitrators of the Mechanism will be composed of at least ten experts on the subject.

## VIII. AGREEMENT ON TRADE IN SPIRITS DRINKS AND AROMATIZED DRINKS

The European Union and Chile signed an agreement on Spirits and Aromatized Drinks, constituting another Association Agreement annex.

This agreement pursues the same orientations, commitments and structures established in the agreement on Wines. Its scope comprises drinks from Harmonized System headings 22.05 and 22.08. It establishes a commitment on protected denominations for drinks but it does not contain regulations on traditional expressions nor on oenological practices.

Furthermore, it establishes a Joint Committee with duties similar to those of the Agreement on Wines Joint Committee.

## IX. FISH AND FISHERIES' PROVISIONS

Two important fishing industry issues arose during negotiations, aside from the market access liberalization topic: the origin of the fish and fisheries' products, and investments in the sector. These issues had a general consensus and its rules were incorporated into the Association Agreement's corresponding areas. However, with respect to wine and spirits beverages, these standards are not a part of a specific agreement for fisheries' activities.

The most relevant aspects of both indicated matters will now be highlighted.

### **Origin**

The topic arises in the definition of "wholly obtained products", whether in the European Community or Chile, for the effect of classifying them as originating within the parties.

In this scope, the products considered as wholly obtained are those fishing industry and ocean trapping products as well as other products harvested from the ocean by "their ships" and those products elaborated in "their factory ships", starting exclusively with the aforementioned products.

The agreement states that ships and factory ships are solely those licensed or registered and under a flag of a Community Member State or Chile.

In addition to these two requirements, the mentioned products are considered wholly obtained in the European Union or Chile when their ships or factory ships comply with the following conditions:

- a) belong to:
  - at least 50% to European Union Member State or Chilean nationals; or



- a collective or private corporation fulfilling the following requirements: its main office must be located in one of the European Union Member States or Chile; its manager or managers, its Council management or overseeing President and the majority of these Council members must be European Union Member State or Chilean nationals; and whose capital, at least 50%, belongs to these States or public organizations, or to nationals of the previously mentioned States; or
  - to a different business from the previously mentioned ones that fulfills the same aforementioned requirements, but without having to fulfill the final requisite regarding capital. Besides,
- b) its captain and at least 75% of its crew, including officials must be nationals of a European Union Member State or of Chile.

A specific agreement provision specifies that the origin of maritime fishing industry products and other products harvested from the sea are conditioned to the maritime space where this activity is being carried out. In the case that the ship's activity is carried out in an area where sovereign rights are exercised, product origin corresponds to the state possessing the rights. In Chile's case, these rights are exercised in the exclusive economic zone, including territorial ocean, meaning 200 miles. In the case that the ship's activity is in a place where sovereign rights are exercised by any state, meaning the high seas beyond 200 miles, product origin will correspond to the ship's flag.

In turn, it is convenient to state that Chile maintains its legislation fully in effect, especially article 155 pertaining to the General Aquiculture and Fishing Industry Law through which "fishing industry extracting labor in internal waters, territorial ocean or exclusive economic zone are forbidden by vessels or ships under foreign flags..."

Finally, it is important to emphasize that through a Joint Declaration annexed to the agreement, it is specified that the

provisions pertaining to origin are without detriment to the rights and obligations of both parties by virtue of the United Nations Convention on Ocean Rights. As signatories of this Convention, the European Community and Chile explicitly remember their recognition and acceptance of the sovereign rights of the shore state for the effects of exploring and exploiting, conserving and managing natural resources of the exclusive economic zone, as well as its jurisdiction and other rights pertaining to this zone in accordance with what is laid down in article 56 and other articles of the Convention.

## **Investments**

During negotiations, fisheries' investment issues were examined, as was the possibility of giving incentive to mutual or reciprocal investments. As a result of this, a protocol related to Fisheries Company was agreed upon.

The protocol regulates ownership and investment control, fishing ship registration and operation, fishing authorizations and permits, and confirmation of reciprocal conditions.

In short, the protocol establishes that Chile will authorize legal persons of the Community to own the largest percentage of the shareholders' equity and to exercise management control in new or existing Chilean fishery companies as long as, in a reciprocal manner, the physical/natural persons and legal persons from Chile have at their disposal the same authorization in the Member State of origin of the individual person or legal community entity in question.

It is necessary to specify that this reciprocity principle is established in the enforcement of the corresponding standard of the General Chilean Fishing Law (1991). Moreover, it must be mentioned that fishing authorizations and permits for an individual/natural person or legal entity will be governed by all regulations, management and conservation measures regulating fishery activities of the party in which they are established.

The protocol assigns the Association Committee the task, among others, of verifying and confirming that reciprocal conditions contained in it are those with which are complied.

Finally, it is important to mention that on Chile's Schedule of Specific Commitments on Establishment, the conditions to carry out activities in the Fishing Sector are registered.

## X. CUSTOMS MATTERS

### **Objectives**

The main objectives of the provisions on customs issues are to facilitate commercial exchanges by guaranteeing compliance with the agreed upon regulations pertaining to this issue, improving customs work methods, ensuring the transparency and efficiency of customs operations, providing mutual management assistance, and establishing cooperative management for the carrying out and control of the granted preferences.

### **Scopes**

The agreement incorporates all the regulations related to customs and trade-related matters, its reciprocal cooperation and management, goods valuation, tariff preference implementation, and the fight against irregularities and fraud related to the origin of goods.

### **Commitments**

In order to fulfill the indicated objectives, the agreement establishes an extensive set of commitments in the vast fields of customs matters.

Thus, in order to guarantee the fulfillment of the agreed upon regulations, the parties have made a commitment starting with exchanging customs procedures and information on legislation, enforcement of customs standards and procedures agreed on at a bilateral or multilateral level to simplify requirements and formalities, to establish coordination between customs and other control agencies, and to extend cooperation in issues related to the establishment of customs values and rules of origin.

In this last sense, it is necessary to highlight that the parties agreed to apply the Valuation Agreement, referring to 1994

GATT article VII, without the determined reserves in existence in the agreement.

With the goal of improving work methods and guaranteeing customs operation transparency and efficiency, the parties pledged to guarantee the maintenance of the highest integrity standards through the enforcement of measures reflecting the principles of the pertaining international instrument and agreements, as stated in each of the parties' legislations. In the same way, the agreement establishes the commitments of reducing, simplifying and normalizing the data in the documents required by customs, particularly the use of a sole customs document, and to enforce the international rules and standards in the customs scope, including the fundamental elements of the revised Kyoto Agreement on customs regimes simplification and harmonization.

Likewise, the possibility of adopting joint positions in the international organizations pertaining to the customs scope was incorporated, such as the WTO, the World Customs Organization (WCO), the United Nations, and the United Nations Conference on Trade and Development (UNCTAD).

Both parties agreed to establish fast and efficient procedures guaranteeing the right to appeal in front of administrative acts and decisions made by customs and other organisms, and collaborate to facilitate transfer and in-transit operations in their respective territories.

Precise orientations were established on determined matters for the implementation of commercial and customs procedures and rules, and to promote transparency of the latter.

Finally, with the agreement incorporated as an annex, the Protocol on Mutual Management Assistance pertaining to customs matters, on June 13, 2001, complements the previously emphasized standards.

## **Preferential Regime Execution and Control**

The execution and control of commercial preferences to the merchandise conceded in the agreement constitute an act

of the highest importance, to which effect it is considered an essential administrative cooperation and commitment to fight against irregularities and fraud related to origin, customs classification and value at customs.

It is particularly important to highlight that the systematic lack of management cooperation or the existence of proven fraud by one party will allow the other party to temporarily suspend the preferential treatment granted to the respective product. The agreement establishes four situations which are considered a systematic lack of management cooperation.

Prior to enforcing temporary suspension of preferential treatment, the Association Committee must receive all the information by the party having proven the systematic absence of management cooperation or presumed fraud in order to find an acceptable solution for both parties. To this end, consultations will be held within the Association Committee and they will have 30 days at their disposal to reach a solution. If an agreement is not reached, the affected party will temporarily suspend preferential treatment of the product or products in question.

The temporary suspension must be immediately reported after the Association Committee adopts it; it will be limited to the necessary period of time needed to protect the parties' financial interests. It should not exceed six renewable months and they will be subject to periodic consultations in the Association Committee, especially with the goal of suspending them as soon as the circumstances permit.

## **Implementation**

In order to be able to apply and develop the customs rules and goods origin agreed upon in the agreement, a Special Customs Cooperation and Rules of Origin Committee has been established.

The Special Committee specific functions will be the following:

- a) supervise the implementation and management of all provisions regarding customs issues and rules of origin;
- b) constitute a consultation and discussion forum on all customs issues, including those pertaining to rules of origin; and
- c) promote cooperation in the development, enforcement and execution of rules of origin and customs provisions in general.

## XI. STANDARDS, TECHNICAL REGULATIONS, AND CONFORMITY ASSESSMENT PROCEDURES

### **Objectives**

The objectives in terms of Standards, Technical Regulations and Conformity Assessment Procedures are to facilitate and increase trade in goods by eliminating unnecessary trade barriers.

Moreover, an explicit objective is established to intensify and strengthen the implementation of the rights and obligations arising from the WTO Agreement on Technical Barriers to Trade.

### **Scope**

The provisions on the matters of this section will be applied to trade in goods in the scope of standards, technical regulations and conformity evaluation procedures, as defined in the above-mentioned agreement.

The legitimate objectives of the parties, the definition, rights and obligations and non-discrimination principle agreed upon in the WTO Agreement must be kept in mind for their fulfillment.

These provisions will not be applied to Sanitary and Phytosanitary Measures nor to technical specifications prepared for government procurement. Both issues will be governed by the provisions included in the corresponding agreement chapters.

### **Specific actions**

With the goal of fulfilling the described objectives, a broad work program has been agreed upon, containing the following specific principle actions:



- to intensify bilateral cooperation in order to facilitate access to their respective markets, by increasing the knowledge, understanding and compatibility of their respective systems;
- to strive to define the mechanisms that best adapt to problems or specific sectors;
- to agree on the specific agreements with the purpose of applying the defined mechanisms; to this effect, the parties will seek common views on good regulatory practices in different aspects emphasized in the agreement.

## **Implementation**

With the purpose of carrying out the described activities, the agreement establishes a Special Committee on Technical Regulations, Standards and Conformity Assessment. To that end, it will have the following functions and authority:

- to perform the follow-up and supervision of the implementation and administration of these matters;
- to draw up a work program to achieve the agreed objectives and actions;
- to offer a forum for discussing and exchanging information on these matters;
- to be a forum for consultation and prompt solution of problems acting or possibly acting as unnecessary barriers to trade;
- to promote cooperation between the parties' public or private organisms responsible for the metrology, standardization, tests, certification, inspection and accreditation; and,
- to explore all means of improving access to the parties' markets and the functioning of the previous provisions.

## XII. SANITARY AND PHYTOSANITARY MEASURES

The Association Agreement contains, as an annex, an Agreement on Sanitary and Phytosanitary Measures Applicable to Trade in Animals, Animal Products, Plants, Plant Products and other Goods and Animal Welfare. This agreement represents a true code in the sense that it is completely comprehensive on the subject.

### Objectives

This agreement's main objectives are two: to facilitate the trade in animals and animal products, plants and plant products and other goods, meaning, any other organism, object or material that can host or spread plagues, and also to protect public, animal and plant health.

To this end, it will pursue:

- to ensure total transparency of sanitary and phytosanitary measures applicable to trade;
- to set up a recognition mechanism of equivalence in these measures;
- to recognize the parties' sanitary state and apply the regionalization principle;
- to apply the principles, rights and obligations of the WTO Agreement regarding these matters; and
- to set up mechanisms and procedures favorable to trade.

Likewise, the agreement also aims at reaching a common understanding regarding animal welfare regulations.

## **Scope**

The agreement on sanitary and phytosanitary measures will be applied to measures affecting trade included in the corresponding Agreement Appendices, referring to:

- sanitary measures applied to animal and animal products;
- phytosanitary measures applied to plants, plant products and other goods;
- expansion of animal welfare standards.

The agreement specifies the scopes to which its provisions will initially not be applied, for example, food additives, technological aid, food product labeling, animal feed and genetically modified organisms.

The Joint Management Committee will be empowered to include in the agreement's implementation scope other sanitary and phytosanitary measures affecting bilateral trade, as well as other standards related to animal welfare.

## **Basic Contents**

The agreement on Sanitary and Phytosanitary Measures establishes a very broad, significant and precise set of standards which will regulate reciprocal trade. These standards include the following main aspects:

- zoosanitary situation recognition;
- regionalization recognition;
- equivalence determination;
- trade transparency and conditions;
- certification procedures;
- verifications;
- import inspection;
- information exchange.

Furthermore, the agreement contains a consultation and notification mechanism in case of any serious or significant risk to public, animal or plant health. In these cases, the process must be very brief since two working days are needed for written notification of the situation, and a maximum of 13 working days to hold the pertinent consultations.

In the case of animal welfare, the possibility of consultation is also considered, for which effects, up to 20 working days are considered.

This agreement includes a safeguard clause, which considers the case of the exporting party taking measures to control any factor entailing an important risk to public, animal and plant health, and the case of the importing party taking provisional measures to protect these scopes for similar motives.

In such cases, the party adopting the measures must notify the other party within one working day; in the event it is considered pertinent, consultations may be held within 12 days and an effort will be made to avoid any unnecessary trade disturbance.

## **Implementation**

The agreement's institutional organization presents a specific situation regarding these matters. The Association Agreement Committee will be composed by the respective authorities on this matter when it meets to review matters of this nature, and in turn, it will be called "Joint Management Committee for Sanitary and Phytosanitary Matters."

This committee will be the main authority to supervise, study, apply and develop the undertaken commitments. It will especially have the responsibility of reviewing all twelve appendices included in the agreement and modify them as a result of the consultations and procedures established in the same; likewise, it will be able to pose recommendations to modify the agreement itself.

In addition to the Joint Management Committee, the possibility to designate technical work groups is established, integrated by specialists of the parties; when further specialized knowledge is required, ad hoc groups may be created, especially scientific ones, which may be constituted by people not acting in representation of either party.

The competent authorities to enforce the agreement are, on behalf of the European Union, Member States and European Commission and on behalf of Chile, the Agricultural Ministries, Agricultural and Livestock Service, Health Ministry and Economy Ministry, National Fishing Industry Service.

## **XIII. SAFEGUARD CLAUSES**

### **Scope**

The agreement establishes the possibility of applying safeguard measures to reciprocal trade. To these effects, the rights and obligations regarding these matters, arising from Article XIX of the GATT 1994 and the WTO Agreement on Safeguards, are recognized. In other words, the possibility of using global safeguards will be regulated by the existing multi-lateral organization's regulations.

The agreement also considers the possibility of using bilateral safeguard measures when one of the parties has a substantial interest as the exporter of a specific product. A substantial interest is recognized as such when one of the parties is found within the five largest suppliers of the imported product during the last three years, whether in absolute volume or value. In this case, stricter disciplines and procedures were taken regarding notification, consultation and implementation of the corresponding measures. Likewise, the agreement acknowledges the possibility of applying provisional measures. In all of these situations, the process of applying safeguard measures will be carried out within the Association Committee framework.

Moreover, it is important to remember that special safeguard provisions exist for agricultural products and processed agricultural products, called the emergency clause, as well as for sanitary and phytosanitary measures included in the corresponding agreement.

### **Bilateral Safeguards**

From the moment a party detects a problem, it must immediately report to the Association Committee, within seven days as a maximum, all pertaining information to the initiation of an

investigation, including all procedures and schedules, and the final results. The same procedure must be adopted when the decision is made to apply provisional safeguard measures. In such case, a notification must be received within a minimum of seven days before the application of the said measures.

Upon notification of the investigation's final results, the party having the intention of applying the safeguard measures foreseen in the WTO prior to its application will submit the matter to the Association Committee in order to hold the pertinent consultations and seek an acceptable solution for both parties.

The mentioned safeguard measure will respond to the following criteria: priority will be given to those least disturbing agreement objectives; they will be limited to what is necessary to repair the serious injury, and they will preserve the preference level or margin granted to the other party.

Once the safeguard measure is applied, the Association Committee will be immediately notified. These measures will be reviewed once a year with the purpose of attenuating or eliminating them.

During the first 18 months of the safeguard measure's application, the parties will not exercise the right to compensation foreseen in the WTO Agreement on Safeguards as long as the measure has been taken as a result of an increase of imports in absolute terms, and that the measure is in conformity with the provisions of the said agreement.

## XIV. ANTIDUMPING AND COUNTERVAILING MEASURES

The Association Agreement states again the rights and obligations on these matters in accordance with the WTO Agreement on implementation of article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures. Consequently, if a party determines that dumping or countervailing subsidies are taking place in its commercial exchanges with the other party , it may take the appropriate measures in accordance with what is established in the instruments. In the event that either the countervailing or antidumping measure is applied and does not comply with the necessary requirements to do so, the parties may have recourse to the WTO dispute settlement mechanism.



## XV. EXCEPTIONS ON FREE MOVEMENT OF GOODS

### **Objective**

The exceptions on free movement of goods aim to address special situations or circumstances that make it advisable to authorize the parties to apply measures that may contradict the commitments undertaken in the economic scope of the agreement.

### **Scope**

The scopes foreseen in the agreement refer to three aspects: general situations, safeguards, and shortage situations.

### **General Exceptions Clause**

The agreement establishes the possibility of adopting measures called general exceptions, as long as they comply with both of the following conditions: the measures are not applied in a manner which constitutes a means of unjustifiable or arbitrary discrimination, or as a disguised trade restriction between the parties. Under these conditions, the agreement specifies that no provision on the free movement of goods will be construed so as to impede a party to adopt or implement the following measures:

- a) those necessary to protect public morale;
- b) those necessary to protect human, animal or plant life or health;
- c) those necessary to secure compliance of the laws and regulations incompatible with this agreement, such as laws and regulations concerning the enforcement of customs measures, protection of intellectual property rights, and the prevention of deceptive practices;

- d) those related to the import or export of gold or silver;
- e) those imposed to protect national treasures of artistic, historical or archaeological value;
- f) those related to the conservation of exhaustible natural resources, if such measures are made effective in conjunction with restrictions on domestic production or consumption; or
- g) those related to products made in prison.

### **Safeguard clause**

The second type of situation refers to the safeguard clause for the trade in goods, set out the corresponding section.

### **Shortage clause**

The third general exception included in the agreement foresees two situations deriving from the fulfillment of provisions on the free movement of goods:

- a) an acute shortage or threat of food products or other essential products to the exporting party; or,
- b) a shortage of essential quantities of domestic materials for a domestic processing industry during periods of time when the domestic price of these products is maintained below the global price as a part of a governmental stabilization program.

When these situations cause or are likely to cause serious difficulties to the exporting party, that party may take the appropriate measures under the conditions and in conformity with the procedures laid down in the agreement.

The required conditions refer to the following:

The selected measures to be applied must be those least disturbing to the functioning of the agreement's provisions; said measures will not be applied in a manner constituting a

means of unjustifiable or arbitrary discrimination, or as a disguised trade restriction, and they will be eliminated when the circumstances cease to justify their maintenance. In the cases when the measure is based on the previous letter b), it will not increase exports or the protection granted to the domestic processing industry concerned.

The agreement details the procedure to follow in order to apply this shortage clause. Before applying it, or as soon as it is possible in those cases explained in the following paragraph, the party intending to take the measures will report all the pertaining information to the Association Committee with a view to seek an acceptable solution for both parties. If an agreement is not reached within 30 days after its presentation date before the Association Committee, the exporting party is able to implement the measures to the export product concerned, in accordance to the agreed terms.

The agreement also foresees the case of critical or exceptional circumstances requiring immediate action, thus making prior information or examination impossible. In such cases, the precautionary measures necessary to deal with the situation may be applied without delay, and the other party will immediately be informed.

Any measure applied in conformity with this shortage clause will be immediately reported to the Association Committee and it will be subject to periodic consultations within this body with the final goal of establishing a schedule for its elimination, as soon as circumstances permit.

## XVI. TRADE IN SERVICES

### **Objective**

The objective of the provisions established in the Association Agreement is the reciprocal liberalization of trade in services, in a compatible manner with Article V of the WTO General Agreement on Trade in Services.

### **Implementation scope**

Trade in services includes the supply of a service by the following modes:

- a) from the territory of one party into the territory of the other party (mode 1);
- b) in the territory of one party to the service consumer of the other party (mode 2);
- c) by a service supplier of a party through commercial presence in the other party's territory (mode 3);
- d) by a service supplier of a party through the presence of natural persons in the other party's territory (mode 4).

The provisions of the chapter corresponding to the agreement will be applied to trade in services in all sectors, including international maritime transport and telecommunications services. The agreement establishes specific rules, as we will see further ahead.

However, the following sectors will be excluded from the application of rules of the chapter on services:

- a) audio-visual services;
- b) national maritime cabotage;
- c) international and national air transportation services, whether or not they are scheduled, and services directly related to the

exercise of traffic rights. Notwithstanding, the following will be governed by the rules on service:

- i) aircraft repair and maintenance services during which an aircraft is removed from service;
  - ii) sales and marketing of air transport services; and,
  - iii) computerized reservation system services, CRS.
- d) financial services, which will be regulated by the specific chapter for this section;
- e) trade in services corresponding to government procurement which will be governed by what has been agreed in the respective agreement chapter.

The general commitments taken on mainly refer to national treatment and market access, domestic regulation, mutual recognition, and transparency.

## **Market Access and National Treatment**

The most important commitments incorporated by the parties are market access and national treatment for the process of liberalization of exchange in these activities. These commitments are registered in individual Schedules of Specific Commitments, which constitute annex VII of the agreement.

By virtue of these compromises, each party will grant treatment not less favorable than the terms, limitations and conditions agreed upon and specified in their respective schedule to the services and service suppliers of the other party.

Regarding the sectors where such commitments are undertaken, each schedule will specify:

- a) the terms, limitations and conditions regarding market access matters;
- b) conditions and exceptions in national treatment matters;
- c) other commitments in addition to the previous ones;

- d) when appropriate, the schedule for implementing commitments and their date of entry into force.

On the other hand, in the sectors where market access commitments are undertaken, neither party will be able to maintain or adopt, unless its schedule specifies the contrary, the measures defined in the following manner:

- a) number of service suppliers;
- b) total value of assets or service transactions;
- c) total number of service operations or of the total quantity of production services;
- d) total number of persons that may be employed.

In none of the preceding situations may measures such as numerical quotas or demands of proof of economic need be taken on.

Likewise, the parties may not apply the following measures:

- a) measures that restrict or require specific types of legal entities or joint ventures through which a service supplier of the other party may supply a service; and,
- b) limitations on foreign capital participation in terms of a maximum percentage limit on foreign shareholding or the total value of individual or added foreign investments.

Moreover, a national treatment commitment is established for sectors registered in their respective schedule, and in the conditions and exceptions set out therein. In this sense, each party will grant treatment not less favorable than the one given to its own similar services or similar service suppliers to services and service suppliers of the other party, regarding all the measures affecting service supply.

## **Domestic regulation**

Commitments in internal regulation matters refer to sectors where a party has undertaken commitments in its respec-

tive schedule. Its objective is to ensure that no measure related to the requirements and procedures of licensing and certification of service suppliers of the other party constitutes an unnecessary trade barrier. Consequently, it has been established that said measures must be based on the following objective and transparent criteria, not be more trade restrictive than what is strictly necessary, and not constitute a disguised restriction on the supply of a service.

The second commitment in this field refers to the case of a party recognizing unilaterally or by agreement the diplomas, experience, licenses or certifications obtained in the territory of a third country. In such a situation, that party will offer to the other party an adequate opportunity to demonstrate that the diplomas, experience, licenses or certifications obtained in the other party's territory must also be recognized, hold an agreement, or agree on an arrangement of similar effect.

### **Mutual recognition**

The parties pursue through the provisions in this section that the competent authorities of each party take their decision regarding the request of a service supplier from the other party for a license or certificate within a reasonable period of time.

Likewise, the competent organizations from each party are expected to give mutual recommendations of recognition with the purpose of enabling the service suppliers to fulfill, in part or as a whole, the criteria applied by each party for the authorization, licensing, accreditation, operation and certification of service suppliers, and in particular for professional services.

The Association Committee is in charge of deciding, within a reasonable period of time, if said recommendations will be implemented through an agreement of mutual recognition on the requirements, qualifications, diplomas and other regulations to be negotiated with the competent authorities.

Likewise, the competent bodies of the parties are encouraged to develop concession procedures for temporarily licensing professional service suppliers of the other party.

## **Transparency**

The rule on transparency obligates each party to promptly provide specific information on any of its general measures of application pertaining to the international agreements related to or affecting the chapter on services. The contact point that will provide specific information on all such matters to the service suppliers of the other party upon request is specified.

## **Evolution**

The chapter on services contains several provisions related to the evolution of commitments in different aspects of service exchange.

In general terms, the parties have agreed to review the chapter three years after the agreement enters into force with the goal of deepening liberalization even further and to reduce or eliminate the remaining restrictions on a favorable basis for both parties as a way to guarantee a global balance of rights and obligations. Furthermore, a review on how service rules are functioning is considered every three years. These reviews will be carried out by the Association Committee, who in turn will present its proposals to the Association Council.

Likewise, the agreement establishes a review in five specific aspects: movement of natural persons; citizenship and residency; national regulations; subsidies; and mutual recognition.

Regarding the movement of individuals, two years after the agreement enters into force, the parties will review the rules and conditions applicable to the movement of individuals (mode 4) with the goal of expanding liberalization. This review will also be able to re-examine the definition of an individual as established in the agreement.



Moreover, periodic consultations will be carried out with the goal of determining whether it is possible to eliminate the remaining restrictions in matters of permanent citizenship or residency pertaining to license or certification granting of their respective service suppliers.

In reference to domestic regulations, the agreement specifies that the disciplines on these matters will be reviewed within the framework of examination procedures every three years to bear in mind the agreed disciplines by virtue of article VI of the WTO General Agreement on Trade in Services in order to include them into the Association Agreement.

Even if the provisions on services are not applied to subsidies, the agreement sets forth that the parties will review the subsidies related to trade in services every three years, aiming to include the corresponding disciplines agreed in the GATS article XV framework.

The last regulation on the evolution process refers to standards on mutual recognition. In this field, the agreement establishes that the Association Committee will periodically review the implementation of the corresponding rules on a minimum basis of every three years.

Without detriment to the provisions described for trade in services, special rules were agreed upon for international maritime transport and telecommunications activities.

## **International maritime transport**

### **Implementation scope**

The special provisions on international maritime transport include intermodal and door-to-door transport operations involving a sea-leg. These provisions will be applied with respect to shipping companies established outside of the Community or Chile and controlled by Member State or Chilean citizens, respectively, if their vessels are registered in accordance with their respective legislation, in that Member State or Chile and under the flag of a Member State or Chile.

## **Market Access and National Treatment**

The regulations for this activity refer to market access and national treatment. Through them, the following is established:

- a) the parties will continue to effectively apply the principle of unrestricted access to the international maritime market traffic and on a non-discriminatory and commercial base; and,
- b) each party will continue to grant to the ships under the flag of, or operated by service suppliers of the other party treatment no less favorable than that which has been agreed for its own ships with regard to port access, the use of port auxiliary maritime services and infrastructure, the related fees and charges, customs facilities and the assignment of loading and unloading docks and facilities.

In applying the previous principles, the agreement states that the parties must consider three types of limitations:

- a) they will abstain from introducing cargo-sharing clauses in future bilateral agreements with third countries, except for exceptional circumstances where shipping companies of the affected party would not have another effective possibility of participating in traffic to and from the third party country in question;
- b) they will forbid cargo-sharing arrangements in future bilateral agreements regarding to bulk liquid and dry trade;
- c) all unilateral measures and administrative, technical and other types of obstacles that may have restrictive or discriminatory effects on the free supplying of services in international maritime transport will become void once the Agreement enters into force.

Finally, it has been agreed that each party will permit the international maritime service suppliers of the other party to have commercial presence in its territory, under establishment and operation conditions no less favorable than those granted to their own service suppliers or those of any third country,

whichever are better, in accordance with the conditions registered in its respective Schedule of Specific Commitments.

## **Telecommunications Services**

### **Scope**

The commitments refer to the transport of electromagnetic signals: sounds, data image and any other combination thereof, excluding diffusion. Therefore, they do not cover the activity consisting of the provision content required by telecommunications services for its transport. This content's provision, transported by a telecommunications service, is subject to the specific commitments undertaken by the parties in other relevant sectors.

### **Contents**

The standards for this activity refer to the following main aspects: regulatory authority, supply of services, major suppliers, interconnection, scarce resources and universal service.

The agreement specifies definitions and orientations on the standards to be implemented in said aspects, especially emphasizing objectivity, transparency, and non-discrimination.

## XVII. FINANCIAL SERVICES

### **Objective**

This chapter's main purpose is to group the set of standards that will govern the financial service activities between the parties.

### **Scope**

The chapter will apply to any adopted or maintained measure, whether as a law, regulation, rule, procedure, decision, administrative provision, or in any other manner, by central, regional or local governments and authorities, as well as non-governmental entities, in the exercise of powers delegated on them by such bodies.

The supply of a financial service is included through the four methods described in the financial services trade set out in the previous section.

The financial services comprised in the agreement are grouped in two large categories: insurance and insurance-related services, and banking services and other financial services (excluding insurance). The activities related to each one of these categories are presented in a detailed manner.

Likewise, the agreement describes the activities excluded from the standards on financial services:

- a) activities conducted by a central bank, monetary authority or by any other public entity in the pursuit of monetary or exchange policies;
- b) activities forming part of a statutory social security system or public retirement plans; and
- c) other activities conducted by a public entity for the account, or with the guarantee of using financial resources of the government.

However, in the two last cases, when a party allows one of these activities to be conducted by its financial service sup-

pliers in competition with a public entity or a financial service supplier, the rules pertaining to this subject will apply to such activities.

Furthermore, the agreement excludes two other situations:

- a) activities related to government procurement; and,
- b) subsidies related to trade in financial services granted by the parties.

## **Contents**

The issues contained in the financial services chapter include market access and national treatment; the conditions are laid down in their respective Schedules of Specific Commitments, incorporated in annex VIII of the agreement.

In general, the previous issues follow the lineaments adopted for trade general services, duly adapted to the financial services scope.

Moreover, the agreement contains the following specific standards for the sector: definitions, new financial services, data processing, regulation effectiveness and transparency, confidential information, prudential carve-out, recognition, consultations, and specific provisions on dispute settlement. These provisions are complemented with the creation of the Special Committee on Financial Services.

Among the provisions regarding the aforementioned issues we can emphasize those referring to prudential carve-out measures destined, among other aims, to:

- a) protect the investors, depositors, financial market participants, policy holders or persons to whom fiduciary duties are owed by a financial service supplier;
- b) maintain the safety, soundness, integrity or financial responsibility of financial services suppliers; and,
- c) ensure the integrity and stability of a party's financial system.

## **Implementation**

The financial services have three regular instances to dialogue about commitment, implementation and mutual exchange development: a special committee is created, a consultation mechanism is established, and specific provisions for the Mechanism on Dispute Settlement are adopted.

### **Special Committee on Financial Services**

The Special Committee on Financial Services will have the functions of supervising the implementation of the contracted commitments pertaining to the agreement chapter matter in question and consider the issue regarding financial services when requested by a party.

The main representative of each party will be an authority responsible for the financial services. The Special Committee will report the results of their meetings to the Association Committee.

### **Consultations**

One party will be able to request consultations with the other party regarding any matter arising from this chapter, and the other party will consider this request. In these consultations, financial authority officials of the parties will participate. The consultation results will be reported to the Special Committee on Financial Services.

### **Specific Provisions for the Dispute Settlement Mechanism**

The differences posed in the framework of the commitments assumed in the Financial Services chapter will be settled through the agreement Dispute Settlement Mechanism, with the variants outlined hereinafter:

The consultation phase foreseen in the Dispute Settlement Mechanism will correspond to the Consultations mode described previously unless the parties agree otherwise. If the difference is not settled within 45 days of the consultations being held, or 90 days after the consultation request presentation, whichever is shorter, the complaining party may request in writing the establishment of an arbitration panel. The parties will report their consultation results directly to the Association Committee.

The Mechanism Arbitrators List has to contain five independent individuals that will , among other characteristics, have expertise or experience in financial services law or practice. Within three days of the arbitration panel establishment request, the Association Committee chairperson will select by lot the arbitration panel chairperson among the five persons described previously. In the same manner, the Association Committee chairperson will select by lot from the Mechanism arbitrators list of the two other members of the arbitration panel, one among the individuals proposed to the Association Committee by the complaining party and the other among the individuals proposed to the Association Committee by the party against whom the complaint was made.

## **Evolution**

Three years after the agreement's entry into force, the Financial Services Special Committee will consider the possibility of facilitating and expanding financial services trade, aiming to contribute in greater measure towards achieving the agreement's objectives.

Likewise, the parties will review the disciplines pertaining to subsidies related to financial services trade, with the goal of incorporating the disciplines agreed upon by virtue of article XV of the General Agreement on Trade in Services, GATS, into the agreement.

## XVIII. RIGHT OF ESTABLISHMENT

### **Objective**

The objective is to foster mutual investments through a higher level of the existing bilateral agreements, especially in matters of establishment, pre-establishment and national treatment.

### **Implementation Scope**

The right of establishment standards will apply, in practice, to the investments in goods related activities, although the agreement specifies that they will be applied to all sectors; services sectors, including financial services, are specifically excluded. The provisions agreed upon for this sector, set out therein before, will be applied to service investments.

For the effect of these standards, the agreement considers as right of establishment:

- a) the constitution, acquisition or maintenance of a legal person, or
- b) the creation or maintenance of a branch or representative office within the territory of one party with the purpose of performing an economic activity.

In reference to natural persons, meaning all nationals of one of the Member States, the European Union or Chile according to their respective legislations, it is convenient to specify that this right does not extend to seeking or accepting employment in the labor market nor does it confer an access right to the labor market of a party.

In annex X of the agreement, the Schedule of Specific Commitments on Establishment are registered. It is important to point out that in an appendix of the said annex, the protocol related to fisheries is found, through which implementation of the right of establishment of this sector is regulated, as previously explained.

### **National Treatment**

Individual Schedules of Specific Commitments regarding es-



tablishment have been created for the European Union and Chile, as well as in the same way as those established for services and financial services.

Regarding the sectors registered in the preceding schedules subject to the conditions and exceptions foreseen in it, each party will grant legal and natural persons of the other party a treatment no less favorable than the one granted to its own legal and natural persons performing a similar economic activity.

In agreement with the above mentioned, each party will have the right to regulate the establishment of legal and natural persons.

It is important to point out that in the Schedule of Specific Commitments on Establishment, among the limitations incorporated by Chile in reference to treatment, the standards included in the Foreign Investment Statute, Decreto Ley 600 are included, in addition to those related to fisheries activities.

### **Agreements in effect**

The European Union and Chile confirm their existing rights and obligations in reference to the bilateral and multilateral agreements of which they are parties.

To this effect, the fact that Chile has signed Investment Promotion and Protection agreements with all the countries except for Ireland has to be emphasized. Likewise, it is necessary to mention that the EU Member States and Chile are currently in an active negotiation and writing process of agreements aimed at avoiding double taxation.

### **Evolution**

In a maximum period of three years after the agreement's entry into force, the parties have committed themselves to review the legal framework, environment and mutual investment flow, aiming to progressively liberalize investment conditions. This review will be performed in agreement with their commitments relating to international agreements.

## XIX. EXCEPTIONS TO THE REGULATIONS ON SERVICES, FINANCIAL SERVICES AND ESTABLISHMENT

The agreement recognizes three types of situations in which the parties will be able to apply measures constituting exceptions to the regulations agreed upon.

In the first situation one finds the following measures:

- a) those needed for moral protection or to maintain public order and public security;
- b) those necessary to protect the life or health of people, animals and plants;
- c) those related to the preservation of non-renewable resources, as long as said measures are applied in conjunction with restrictions to production, national services consumption, or national investments;
- d) those necessary to protect the national patrimony of artistic, historical or archaeological value;
- e) those necessary to secure compliance with laws and regulations that are compatible with the provisions on Services Trade and Right of Establishment, including the ones related to:
  - i) prevention of misleading and fraudulent practices or the means of confronting the effects of unfulfilled service contracts;
  - ii) the protection of individual privacy in relation to the processing and dissemination of personal information and the protection of the confidential nature of personal records and accounts; or
  - iii) security.

In any case, the agreement empowers the adoption of the above-mentioned measures as long as they are not applied in a manner constituting arbitrary or unjustifiable discrimination between the parties when similar conditions prevail, or there is a hidden restriction on services trade, financial services or establishment.

The second general exception on standards related to services, financial services and establishment refers to the social security systems of the parties and to the activities connected with the exercise of official authority in each party's territory.

Finally, the third exception refers to the application of laws, regulations and requisites in regards to the entry and permanence, work, labor conditions and establishment of natural persons, provided that, when doing so they are not applied in a manner that annuls or limits the benefits accrued by the other party by virtue of a specific provision of the Services Trade and Establishment standards.

## XX. GOVERNMENT PROCUREMENT

### Objectives

The main objective of the regulations agreed upon for this field is to ensure the effective and reciprocal opening of their respective government procurement markets in a transparent and non-discriminatory framework. Its most relevant characteristic is the legal certainty laid down for the agreed-upon set of provisions.

These features are inferred from the nature of adopted provisions as well as from the precision with which the definitions are laid out for each of the entities or related operations and of the procedures to be followed to fulfill such operations. Consequently, the corresponding title in the agreement may be considered as constituting a true public procurement code for exchanges between Chile and the European Union.

### Scope

The implementation scope or coverage of the provisions involved may be examined from four different perspectives, each complementary to the others:

- a) regarding the internal rules of both parties : they apply to all laws, regulations, procedures or practices related to all procurement engaged by public entities from the parties , with the exceptions set out in the agreement;
- b) in considering the purpose of government procurement: goods and services are incorporated as well as the works carried out by public entities with public profit purposes and public works concessions, whose counterpart includes the right to exploit the works, or to do so with an additional payment;
- c) from the public entities' point of view who will have to apply these regulations: the central, regional or local government,

municipalities, public enterprises must be considered, as well as other organisms engaging in procurement according to the standards agreed. To these effects, the agreement sets out individual schedules specifying, one by one, all public entities that will be governed by the agreed rules. These schedules compose annexes XI and XII of the agreement;

- d) the agreement has established procurement thresholds or minimum values, as of which the standards on the subject will start governing: operations in goods and services, 130,000 DEG (approximately US\$ 150,000); and for public works operations 5,000,000 DEG (approximately US\$ 6,000,000).

On the other hand, the agreement details specifically which public contracts will not be governed by the agreed provisions, such as certain contracts awarded by international agreement.

### **Transparency, National Treatment and Non-discrimination**

The government group of provisions from the government procurement code is guided by three essential principles: transparency, national treatment and non-discrimination.

Regarding these aspects, it is necessary to emphasize the commitments referring to ensuring that government procurement activities of the entities covered by the standards are performed in a transparent, reasonable and non-discriminatory manner, granting the same treatment to the suppliers from both parties, and guaranteeing the principle of open and effective competition.

In particular, with regards to all laws, regulations, procedures and practices related to the corresponding public procurement activities, each party must grant to the goods, services and suppliers of the other party a treatment no less favorable than the one granted to national goods, services and suppliers.

In transparency matters, the principal obligation refers to the prompt publication of any law, regulation, jurisprudence and administrative resolution of general application and procedure, including standard contract clauses, related to government procurement activities covered by this code, through its insertion in the appropriate publications expressly defined, including officially designated electronic means, as well as all modifications of said measures.

The agreement establishes different provisions worth underlining when the above-mentioned principles are implemented. For example, the parties must ensure that all laws, regulations, procedures and practices related to government procurement activities covered by the agreement do not give a locally established supplier less favorable treatment than the one granted to another locally established supplier, on the basis of foreign affiliation to, or ownership by a person from the other party; and that their entities do not give discriminatory treatment to a locally established supplier on the basis that the goods or services offered by such supplier for a particular government procurement are goods or services of the other party.

In another order of matters, the agreement forbids that, in the qualification and selection of the suppliers, goods or services as well as in the evaluation of bids and the awarding of contracts, the entities either take into account, consider, seek or impose offsets nor conditions regarding national preferences, such as margins allowing price preference.

## **Government Procurement Procedures**

In addition to the described provisions, the Association Agreement contains a group of 14 articles through which it regulates all government procurement procedures in order to ensure transparency and non-discrimination, and at the same time, its effectiveness and liberalization.

Thus, one finds standards on the following matters: evaluation; tendering procedures; selective tendering; other procedures; qualification of suppliers; publication of notices; ten-

der documentation; technical specifications; time limits, negotiations; submission, receipt and opening of tenders; awarding of contracts; information on contract award; and bid-challenge procedures.

Moreover, in the search for the best implementation of the standards on the issue, different provisions have also been incorporated, tending to the use of electronic means in the procurement procedure, reciprocal cooperation, technical assistance and preparation of statistical reports.

## **Implementation**

The Association Committee is the body in charge of implementing the government procurement standards. To these effects, it will perform the following activities:

- examine any aspect of its implementation;
- adopt timely measures;
- coordinate exchanges regarding implementation and development of information technology systems;
- make recommendations on cooperation; and
- adopt the decisions foreseen in this scope.

## **Evolution**

As in other parts of the agreement, government procurement foresees some provisions on the future development of the subject. Every two years, a review of the agreed regulations is emphasized along with scope or coverage modification and possible negotiations with third countries.

In reference to modifications to a coverage procedure, such possibility is foreseen only if the other party is notified; it is proposed within 30 days of the appropriate compensatory adjustments to its coverage in order to maintain a coverage level comparable to the one prior to the modification.

Regarding future negotiations with third parties, the agreement considers that the party offering a third party additional advantages concerning access to their respective government procurement markets, beyond what has been agreed in the agreement, will hold negotiations with the other party aiming to extend those advantages to the other party on a reciprocal basis, which will be decided within the Association Committee.

## **Exceptions**

Besides indicating some specific operations which will be left aside when implementing the standards on government procurement, the agreement authorizes the maintenance or adoption of specific measures to attend to certain aspects of general nature, as long as such measures are not applied in a manner that would constitute arbitrary or unjustifiable discrimination between the parties or imply a hidden restriction on mutual trade. These measures may refer to the following aspects:

- protect public morals, public order or safety;
- protect human life, health or security;
- protect the health of animal or plant life;
- protect intellectual property; or
- related to goods and services of handicapped people, philanthropic institutions or of prison labor.



## XXI. CURRENT PAYMENTS AND CAPITAL MOVEMENTS

### **Objective**

The agreed objective aims to seek the liberalization of current payments and capital movements between the parties. This objective must be achieved in conformity with the commitments undertaken in the framework of international financial institutions, and additionally with due consideration to the stability of each party's currency.

### **Scope**

All current payments and capital movements between the parties.

### **Commitments**

Payments and current account transfers will be authorized in convertible currencies and in accordance with the Articles of Agreement of the International Monetary Fund (IMF).

In reference to capital movements of the Balance of Payments, the parties will authorize the free movement of capital related to direct investments made in conformity with what has been agreed upon in the Trade in Services and Right of Establishment in the agreement. Likewise, the same liquidation or repatriation authorization for such investments and generated benefits will be granted.

Moreover, the agreement confirms the rights and obligations in effect of the European Union and Chile by virtue of the multilateral or bilateral agreements of which they are a party.

It is necessary to specify that, by virtue of what is set out in annex XIV of the agreement concerning this issue, Chile has

reserved itself the right to maintain certain time tables, in lieu of which no transfers from Chile will take place, from the sale product of all or part of an investment of a Community investor, or the total or partial liquidation of the investment. These limitations are contained in the Decreto Ley 600 and Law 18657. Likewise, the Central Bank of Chile has reserved itself the right of maintaining or adopting measures from its Organic Constitutional Law, Law 18840, or other legal rules to watch over the currency stability and the normal functioning of internal and external payments, including insertion.

### **Exceptions and Safeguard Measures**

The agreement acknowledges that, in exceptional circumstances, payments and capital movements between the parties cause, or threaten to cause, serious difficulties for the functioning of the monetary policy or exchange rate policy for either party. The affected party may adopt the safeguard measures that are strictly necessary regarding capital movements. These measures may not exceed one year, but may be renewed.

The party taking the safeguard measures will promptly inform the other party and must present a time schedule for their removal, as soon as possible.

### **Evolution**

In order to contribute to the achievement of the agreement's objectives, the parties will facilitate capital movement amongst themselves. To these effects they will hold the pertinent consultations.

## XXII. INTELLECTUAL PROPERTY RIGHTS

### **Objectives**

The principal objectives of the agreement are to grant and guarantee proper and effective protection to intellectual property rights in accordance with the highest international standards, including effective means of complying with the rights foreseen in the international treaties.

In relation to the commitments undertaken by the parties in the framework of the WTO, the standards established in the agreement also pursue a proper and effective implementation of such commitments.

### **Implementation Scope**

The agreement considers the protection of copyrights and its incidental rights as well as industrial property in a similar manner to the definitions adopted in the WTO. Consequently, the extent of intellectual property rights refers to copyrights, including copyrights in computer programs and databases, and incidental rights; and to rights related to patents, industrial designs, geographic indications, including appellations of origin, trademarks and layouts of integrated circuits (topography), as well as the protection of undisclosed information and protection against disloyal competition, as set out in the Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967).

### **Protection of Intellectual Property Rights**

In pursuit of the above-mentioned objectives, the agreement establishes three main commitments:

- to specify those agreements, arrangements, conventions, protocols and treaties, agreed upon in the WTO, especially

in the framework of the Intellectual Property World Office; regarding those, the parties deem necessary to ensure total implementation. To this effect, the standards incorporated in the Association agreement do not include commitments other than those set forth in such instruments;

- to guarantee proper and effective implementation of the obligations laid down in the mutually agreed upon instruments; and
- to indicate the time period in which the parties will implement the agreed instruments.

To this effect, four different situations are set out in the following order:

- a) continue ensuring adequate and effective implementation of the obligations arising from the following five instruments:
  - i) the Agreement on Trade-related Aspects of Intellectual Property Rights, of the WTO (1994);
  - ii) the Paris Convention for the Protection of Industrial Property (Stockholm Act, 1967);
  - iii) the Bern Convention for the Protection of Literary and Artistic Works (Paris Act, 1971);
  - iv) the Rome Convention for the Protection of Performers, Producers of Phonogram and Broadcasting Organizations (Rome, 1961);
  - v) the International Convention for the Protection of New Varieties of Plants 1978 ("1978 UPOV Convention"), or the International Convention for the Protection of New Varieties of Plants 1991 ("1991 UPOV Convention");
- b) ensure, by January 1, 2007, adequate and effective implementation of the obligations arising from the following five multilateral conventions:
  - i) the Nice Agreement Concerning the International Classification of Goods and Services for the Purpose of Registration of Marks (Geneva Act, 1977; modified in 1979);

- ii) the World Intellectual Property Organization Copyright Treaty (Geneva, 1966);
  - iii) the World Intellectual Property Organization Performances and Phonograms Treaty (Geneva, 1996);
  - iv) the Patent Cooperation Treaty (Washington 1979, amended in 1979 and modified in 1984);
  - v) the 1971 Strasbourg Agreement concerning the International Patent Classification (Strasbourg 1971, amended in 1979);
- c) ensure, by January 1, 2009, adequate and effective implementation of the obligations arising from the following four multilateral agreements:
- i) the Convention for the Protection Producers of Phonograms against the unauthorized Duplication of their Phonograms (Geneva, 1971);
  - ii) the Locarno Agreement establishing an International Classification for Industrial Designs (Locarno Union, 1968; modified in 1979);
  - iii) the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the purposes of Patent Procedures Issues (Budapest, 1977; modified in 1980);
  - iv) the Trademark Law Treaty (Geneva, 1994);
- d) endeavor to ratify and ensure, as soon as possible –meaning without a definite time period– an adequate and effective implementation of the obligations arising from the following three multilateral agreements:
- i) the Protocol to the Madrid Agreement concerning International Registration of Marks (Madrid, 1989);
  - ii) the Madrid Agreement concerning International Registration of Marks (Stockholm Act, 1967; modified in 1979);
  - iii) the Vienna Agreement establishing an International Classification of Figurative Elements of Marks (Vienna, 1973; amended in 1985).

In fulfilling the obligations arising from the aforementioned instruments, it is important to highlight that they will be of universal implementation, meaning that even though the undertaken commitment between Chile and the European Union is bilateral, the regulations of each of the aforementioned instruments will apply for all the countries that are composing said instrument.

## **Evolution**

As in other agreement issues, the Association Committee has been empowered to include new multilateral instruments when both parties deem appropriate to subject them to the disciplines of the Intellectual Property chapter and to the pertaining Association Agreement general regulations.

## XXIII. COMPETITION

### **Objectives**

The standards on competition have two main objectives: first, to avoid reducing or annulling the benefits of the liberalization process for the trade in goods and services and due to anti-competitive practices; and second, to establish a cooperation and coordination framework between their corresponding authorities on competition.

To these effects, the parties commit themselves to implementing their respective laws on competition issues in a manner compatible with the standards concerning trade and trade-related issues of the agreement, and to acknowledge the importance of embracing principles on competition issues, acceptable to both parties in multilateral fora, including the WTO.

### **Scope**

In order to prevent competition distortions or restrictions which may affect the trade of goods and services between them, the parties will pay special attention to the following situations: anti-competitive agreements, concerted practices and abusive behavior resulting from single or joint dominant positions.

The cooperation and coordination in their actions for implementing laws in competition issues will include five essential aspects: notification, coordination, consultation, exchange of non-confidential information, and technical assistance.

### **Cooperation and Coordination**

Notification constitutes the first cooperation and coordination action included in the agreement. In reference to this, it

was agreed that authorities will notify each other of a law enforcement activity if the measure:

- a) may substantially affect the other party's important interests;
- b) refers to restrictions on competition that may have a direct and substantial effect in the other party's territory;
- c) concerns anti-competitive acts that take place, mainly in the other party's territory.

Notifications are subject to the following three circumstances: the notification will take place in an early stage of the procedure; the authority may take into consideration the observations received during its decision making; and the notifications must permit an evaluation in light of the interests of the other party.

In relation to coordination possibilities, the agreement grants the authority of one party the possibility of notifying the corresponding authority of the other party of its willingness to coordinate the law enforcement activities in reference to one concrete case. This coordination will not prevent the parties from making autonomous decisions.

The agreement contemplates a third manner of cooperation: the possibility of requesting consultations when important interests of one of the parties are adversely affected in the territory of the other party.

The agreement sets out a fourth cooperation manner to improve transparency in these matters: the exchange of non-confidential information. To this effect, there are two main exchanges: information-related to sanctions and corrective measures applied in cases significantly affecting important interests of the other party, and the annual information provided by both parties on state aid.

It is important to emphasize that when party legislation provides so, confidential information may be facilitated to their respective justice courts, subject to the latter maintaining its confidentiality.



Finally, the agreement establishes mutual technical assistance as a way of strengthening the implementation of competition laws and policies.

### **Public Enterprises and Enterprises Entrusted with Special or Exclusive Rights, Including Designated Monopolies**

The Competition chapter also sets standards on these enterprises. Three of its provisions are particularly meaningful:

- the parties will be able to designate or maintain public or private monopolies according to their respective legislation;
- the Association Committee will ensure that no measure is either taken on or maintained, distorting trade in goods and services between the parties to an extent contrary to the interests of the parties ; and
- the Association Committee will ensure that the aforementioned enterprises are subject to the rules of competition insofar that the application of these rules does not hinder the fulfillment of the assigned tasks.

### **Dispute Settlement**

Considering the complexity of these issues in the sense that future disputes may involve not only the parties or governments, but also the corresponding legal powers, the agreement establishes that neither of the parties may resort to a dispute settlement procedure deriving from the rules on competition.

### **Implementation**

To the effects of implementing these rules, competition authorities from Chile are the National Office of the Treasurer and the Settlement Commission, and the corresponding authority of the European Union is the Commission of the European Communities.

## XXIV. DISPUTE SETTLEMENT

### Objectives

The fundamental objectives of the Dispute Settlement Mechanism are two: to avoid and settle disputes on the application of Part IV of the agreement, concerning Trade and Trade related Issues, and to arrive at a mutually satisfactory resolution of any problem that might affect the functioning of the agreement.

### Scope

The Dispute Settlement Mechanism will be applied to any matter arising from the interpretation and application of Part IV of the Agreement on Trade and Trade Related Issues, except in those cases expressly indicated. In other words, the parties may not resort to this mechanism for disputes arising from other agreement matters, such as the General and Institutional Provisions (Part I), Political Dialogue (Part II), Cooperation (Part III) and Final Provisions (Part V).

In turn, in Part IV, the agreement sets out specific standards to attend to the differences arising in the case of financial services and oenological practices of wines, due to the specialized nature of such activities. Likewise, the agreement excludes implementing this mechanism in the competition area.

Moreover, the mechanism scope is defined according to whether the corresponding matters refer to commitments undertaken by virtue of the Association Agreement, or by the framework of the WTO. The agreement acknowledges three situations:

- a) when a commitment arising from Part IV of the agreement is unfulfilled, the parties may resort to the Dispute Settlement Mechanism of the agreement;

- b) when a commitment arising from Part IV of the agreement is unfulfilled but equivalent to a commitment undertaken in the WTO, the parties may resort to the Dispute Settlement Agreement of the WTO unless the parties agree otherwise;
- c) when a commitment is unfulfilled by virtue of the WTO Agreement, the parties may resort to the WTO's corresponding agreement.

Once dispute settlement procedures are initiated, the parties will recourse either to the agreement or to the WTO forum, whichever has been elected, with the exclusion of the other unless its jurisdiction has been declined. All aspects on arbitration panel jurisdiction established in the agreement must be settled through a preliminary ruling of the chosen panel within 30 days of its establishment.

The Dispute Settlement Mechanism is complemented by annexes XVI and XVII of the Association Agreement, referring to the Model Rules of Procedures and Code of Conduct for the Arbitrators of the System.

The mechanism set forth in the agreement refers to two essential modes: Dispute Avoidance and Dispute Settlement.

## **Dispute Avoidance**

This method is based on the good faith of the parties to reach an agreement on the interpretation and application of Part IV of the agreement, and, through the mechanism of consultation and cooperation, avoid and settle disputes between themselves and arrive at a mutually satisfactory resolution on any matter that might affect its operation.

To these effects, each party may request consultations within the Association Committee, the body responsible for this procedure and having to act within very precise timetables. The dispute has to be settled within 15 days of the Association Committee having convened or within 45 days of the consultation request delivery, whichever is shorter.

## **Dispute Settlement Procedure**

The dispute settlement procedure may begin once the time-tables mentioned in the consultation phase have expired without arriving at a satisfactory agreement on the dispute. In such a case, the complaining party may request the Association Committee and the other party for the establishment of an arbitration panel. The request must specify the existing measure or practice it considers in breach of Part IV of the agreement and indicate the provisions it considers relevant.

Once the procedure has been initiated, three main stages are foreseen: the arbitrators designation, the arbitration panel ruling, and the implementation of the panel ruling. The agreement establishes, in a detailed manner, the rules, procedures and timetables for each of these stages.

The Association Committee, by the latest on August 1, 2003, must establish a list of at least 15 individuals who are willing and able to serve as arbitrators, a third of whom are not nationals of any of the parties, and will be identified to serve as chairperson of the arbitration panels. Among other characteristics, the arbitrators are required to be independent, have specialized knowledge, and respect the Code of Conduct set out in the agreement. The list may be amended every three years.

The arbitration panels will be composed of three arbitrators. The Association Committee chairperson will constitute the arbitration panel within three days of the corresponding request presentation. The arbitrators will be selected by lot from the persons included in the list; one among the individuals proposed by the complaining party, a second one among the individuals proposed by the party against whom the complaint was made, and the third one among non-nationals of any of the parties who will serve as the chairperson of the panel.

The arbitration panel ruling will be adopted by majority vote. It must include its respective findings, conclusions and reasons. It must be delivered to the parties and the Association Committee no later than three months from the date of panel es-

tablishment, and in no case will it do so later than five months from this date. In a qualified urgency case, the time period will be reduced to 75 days and four months, respectively. The ruling will be final and available to the public.

The agreement has the commitment of each party to take all necessary measures to comply with the arbitration panel ruling. The panel and the Association Committee will accompany the entire enforcement process of the corresponding ruling.

The parties will attempt to agree on the specific measures required for complying with the ruling, to which effects, within 30 days after the arbitration panel ruling has been transmitted to the parties and the Association Committee, the party complained against will notify the other party of the specific measures, a compliance timeframe, and a compensation proposal.

If a satisfactory implementation of these aspects is not achieved, the agreement entitles the affected party to suspend the application of the benefits granted, by virtue of Part IV of the agreement, equivalent to the level of nullification and impairment caused by the measure found to violate this part of the agreement.

To these effects, the complaining party will notify the other party and the Association Committee of the benefits it intends to suspend. No benefits may be suspended until the arbitration panel has issued its ruling within 45 days following the request presentation.

In principle, the benefits to be suspended should concern the same title of Part IV found in violation. In the event that the complaining party considers it to be non-feasible or effective to suspend benefits in the same title, it will be able to suspend benefits in other titles. The suspension of benefits will be temporary and applied until the dispute has been settled.

## XXV. TRANSPARENCY

The agreement establishes four types of commitments in order to ensure maximum transparency in the implementation of the agreement:

- a) to designate a contact point for communication between the parties;
- b) to exchange information on existing or proposed measures that might substantially affect the functioning of the commercial regulations;
- c) to cooperate in multilateral and bilateral fora; and,
- d) to promptly publish any commercial matter included in the agreement.

## XXVI. EXCEPTIONS IN THE AREA OF TRADE

The agreement establishes certain exceptions aimed at attending special situations demanding the adoption of measures that do not correspond or may affect commitments undertaken in the agreement. These exceptions apply to all agreement provisions, as in the case of the national security clause, or all commercial and economic scope regulations, meaning what has been laid down in Part IV. These last exceptions relate to balance of payments difficulties and taxation, which complement the special cases on the trade in goods and services previously presented.

### **National security**

By virtue of the national security clause, the agreement sets forth that no clause may be construed as:

- a) requiring one party to furnish information whose disclosure is considered contrary to its essential security interests;
- b) preventing one party from taking measures deemed necessary for the protection of its essential security interests:
  - i) pertaining to fissionable and fusionable materials, or those from which they are derived;
  - ii) relating to arms trafficking, ammunitions and war instruments, and the trafficking of other goods and materials of this type, or relating to the supply of services, conducted directly or indirectly with the purpose of supplying or provisioning a military establishment;
  - iii) relating to government procurement procedures indispensable for national security or national defense purposes; or

- iv) taken in time of war or in the case of a serious international relations emergency;
- c) preventing one party from taking any action in pursuit of the obligations undertaken by virtue of the United Nations Charter for the maintenance of international peace and security.

The agreement sets forth that the measures taken regarding the matters contained in letters b) and c), as well as their end date, must be reported by the parties to the Association Committee.

### **Balance of Payments Difficulties**

The agreement authorizes a party undergoing serious balance of payments problems and external financial difficulties, or under threat of experiencing them, to adopt or maintain restrictive measures with regard to trade in goods and services and in reference to payments and capital movements, including those related to direct investment.

However, the conditions are established under which said measures may be taken. As a general orientation, the parties should try to avoid the application of the restrictive measures. If they must be adopted, the restrictive measures will be non-discriminatory, of a limited duration, and will not go beyond what is necessary to resolve the problems regarding balance of payments and external financial situation. Furthermore, they will be in conformity with the WTO agreements and compatible with the IMF Agreement, if applicable.

The party maintaining or having taken restrictive measures, or having modified them, will immediately inform the other party and present a schedule for their elimination. Likewise, it will immediately hold consultations with the Association Committee.

In these consultations, the balance of payments situation of the party concerned and the adopted or maintained restrictions will be assessed, taking into consideration:



- a) the nature and extent of the balance of payments and the external financial difficulties;
- b) the external economic and trading environment of the consulting party;
- c) other possible corrective measures.

The consultations will address the compliance of any restrictive measure with the above-described conditions. All statistical findings and other facts presented by the IMF relating to foreign exchange, monetary reserves and balance of payments will be accepted. The conclusions will be based on the assessment by the IMF of the balance of payments and external financial situation of the consulting party.

## **Taxation**

In taxation matters, the agreement considers three aspects as exceptions to the regulations contained in the trade and economic ambit. By virtue of the first two, the parties will be able to:

- a) make a distinction between tax payers who are not in the same situation, in particular with regard to their place of residence or the place where their capital is invested;
- b) adopt or apply any measure destined to prevent fiscal evasion by virtue of fiscal provisions on agreements to avoid double taxation, other taxation agreements, or of the domestic tax legislation.

Lastly, the agreement establishes its provisions on Trade and Trade-Related Issues will not affect the rights and obligations of either party by virtue of a taxation agreement. Moreover, in an incompatibility case between the agreement and a convention of this nature, the provisions of the latter will prevail.



PART THREE

FUTURE



## I. AGREEMENT IMPLEMENTATION

### **Initiation of the Agreement's Implementation**

On February 1, 2003, the Association Agreement between Chile and the European Union was initiated. This event became possible after the agreement's approval by the Commission and the Council of Ministers of the European Union, in October and November of the previous year, respectively; both parties signed it in Brussels on November 18, and it was ratified by Chile, once approved by the National Congress in January 2003.

Afterwards, two relevant events took place: during the month of February, the European Parliament approved the Association Agreement, concluding the procedure within the community bodies. Moreover, the Association Council was constituted as the maximum body of the agreement in March. In this meeting the regulations of the Association Committee and Special Committees were approved, allowing the functioning of these bodies which compose the association's institutional framework beginning in 2003.

It is important to emphasize that just as the agreement in its negotiation and approval phase had the permanent support of all governments and corresponding European institutions, in its ratification phase it attained unanimous support of all political parties represented in the European Parliament as well as in the National Congress of Chile. Thus, the agreement initiated its implementation with the broadest support by both parties' citizens.

Due to the association nature of the agreement and distribution of competences between the community bodies and the Member States, the implementation of the agreement was partial due to the fact that the European Union only entered into force those provisions of Community competence. The remaining regulations set forth in the agreement will apply once all

of the European Union Member States have fulfilled the corresponding internal procedures for its ratification, which implies the approval of the respective national parliaments.

In conformity with the above-mentioned, the regulations mainly referring to institutional framework, trade in goods, government procurement and final provisions on different general aspects of the agreement, have started to apply.

Regarding the institutional framework, the Association Committee and Special Committees are set to begin their activities, in addition to the previously mentioned Association Council. Likewise, the Association Parliamentary Committee, the Joint Consultative Committee that will bring together entrepreneurs and workers, and the fora for the different civil society levels, may initiate their activities.

In the cooperation scope, the activities foreseen by the agreement, mainly in the sectors related to goods, can begin. It is also important to mention that it is already possible to develop activities in other areas, such as the participation of civil society, triangular and bi-regional cooperation, and regional integration.

In the economic scope it is fundamental to emphasize that, as of February 1, the set of matters agreed upon concerning trade in goods became effective; in particular, the liberalization process for exchanges in all sectors, meaning in agricultural and agro-industrial, fish and fisheries products, forestry, mining and industrial. Likewise, the agreement on Wines and Spirits drinks entered into force. Furthermore, the commercial disciplines related to goods also came into effect: non-tariff measures, customs matters, technical standards, sanitary and phytosanitary measures, anti-dumping and countervailing measures, and competition measures. The chapter on government procurement and the dispute settlement mechanism are already being applied. Finally, it should be mentioned that, also on February 1, the exception clauses in matters of safeguard, shortage, national security, balance of payments and taxes entered into force.

Consequently, the agreement's main aspects that must wait for ratification by the Member States to initiate the implementation of the pertaining regulations are: in the political scope, political dialogue; cooperation on science and technology, culture, education, audio-visual sector, public and inter-institutional administration, and social matters; finally, in the economic scope, all the rules on trade in services, right of establishment, current payments and capital movements, and intellectual property.

In a correlative manner, the annexes and declarations contained in the agreement entered into force or must wait for ratification by the Member States, according to the situation of the matters previously described.

Furthermore, it is necessary to remember that the 1996 Framework Agreement contains the political dialogue and an extensive cooperation spectrum. Until these matters fully enter into force in conformity to what has been established in the Association Agreement, they will continue to be carried out in accordance with what has been stipulated in the Framework Agreement. Moreover, it is necessary to remember that the Protocol on Mutual Assistance in Customs Matters, annexed to the 1996 Framework Agreement, has become an integral part of the Association Agreement and, therefore, remains in effect.

## **Enlargement of the European Union**

The European Union will undergo an important enlargement process when it incorporates ten Central European countries: the Czech Republic, Cyprus, Slovenia, Slovakia, Estonia, Hungary, Latvia, Lithuania, Malta and Poland. The accession is foreseen to be concluded on May 1, 2004. Consequently, the Association Agreement will become an agreement between Chile and the 25 Member States of the European Union.

The Association Agreement will not undergo modifications with this enlargement. The new members of the Union must assume all the rights and obligations foreseen in the agreement

because it constitutes a Community patrimony. In a reciprocal way, Chile must extend the rights and obligations undertaken with the 15 Member States that were in the Union when the agreement was originally signed to the ten new European Union adherents.

However, one should bear in mind that the implementation of the assumed commitments means a special consideration of certain aspects of the agreement that may not be automatically incorporated. In effect, there are specific commitments on market opening requiring a previous, precise definition with each new Member State; such is the case, for example, with the opening of markets in services, financial services, investments and government procurement; geographical indications in wines; or the situation of the agreements on Promotion and Protection of Investments, whose rights and obligation are confirmed in the Association Agreement since such instruments are only in force between Chile and the Czech Republic and Poland.

In order to address this situation, the agreement indicates the consultation method within the Association Committee.

It is obvious that the incorporation of the ten new members will cause a significant change in reference to the original situation. Although Chile's exchanges with these countries are quite low in numbers, only reaching 69 million dollars –20 million in Chilean exports and 49 million in imports– the European Union population will increase by 75 million, meaning it will reach a total of 450 million people. Moreover, one must consider the Gross Domestic Product (GDP) of the Ten, estimated at 430 billion dollars, exports totaling 160 billion dollars, and imports surpassing 180 billion dollars.

## **Negotiations with Turkey**

Once the Association Agreement was signed, the European Union, through a declaration, invited Chile to start negotiations with Turkey as soon as possible.



The grounds for this petition are based on the Customs Union in force between the Community and Turkey. By virtue of that, Turkey has the obligation of aligning itself with the Common External Tariffs in its relationship with non-member countries of the Community and, progressively, with the Community's preferential customs regime. To that effect, Turkey must negotiate agreements on the basis of mutual advantages, in this case, with Chile. Mexico is currently in a similar situation.

This Declaration of the European Union is not a commitment for Chile. Nevertheless, it is obvious that it must be kept in mind and seek its fulfillment. There is no set timetable. The pertaining technical work and talks with Turkish authorities to assess the feasibility and nature of a bilateral agreement correspond in due course to begin.

For Chile, a Free Trade Agreement with Turkey would mean a new expansion of its markets derived from the agreement with the European Union. This expansion can be seen when considering that Turkey has a population of 67 million inhabitants, a GDP of 170 billion dollars, and a per capita income of 2,500 dollars; it carries out exports of 40 billion dollars and it has an import market in excess of 45 billion dollars. In the same manner as in the case of the ten new Community members, the exchanges between Chile and Turkey are quite small, since they only reach 104 million dollars, of which 82 million correspond to Chilean exports and 22 million to imports.

### **Chile - EFTA Free Trade Agreement**

In a more extensive framework than the one pertaining to the European Union, one must bear in mind that Chile has agreed to a Free Trade Agreement with the Member States of the European Free Trade Association, EFTA: Iceland, Liechtenstein, Norway and Switzerland. It is expected to enter into force in January 2004.

This agreement includes the same elements corresponding to the economic scope of the agreement with the European Union meaning, on one hand, it considers the liberalization of ex-

changes in goods, services, investments and government procurement and, on the other hand, the related disciplines allow the proper competition conditions between the parties.

It is necessary to take the agreement into consideration due to three principal reasons. First, the European Union constitutes an ample space of economic freedom with EFTA, where openness and disciplines exist for their reciprocal exchanges in similar ambits to those of the agreement with Chile; second, the free trade zone established between Chile and EFTA also refers to goods, services and capitals, and the agreed commercial regulations had as their main reference the same ones incorporated in the European Union-Chile agreement, or, in some cases, those disciplines existing between EFTA and the Union; third, the liberalization of exchanges agreed between Chile and EFTA is as advanced as the one incorporated in the Association Agreement.

In other words, for Chile the agreement with EFTA allows it to complete a European area of openness on exchanges and economic disciplines presenting a significant homogeneity degree with those included in the agreement with the European Union. Consequently, in the future, it is possible to foresee an interaction between the developments of the agreement between Chile and EFTA and the one signed with the European Union.

Although the countries of the European Free Trade Association have a reduced population of twelve million inhabitants, they are of considerable economical importance. The GDP reaches 400 billion dollars, the per capita income is 33 thousand dollars, exports reach 170 billion dollars and purchases abroad surpass 145 billion dollars. The exchanges of Chile and EFTA are small, although in values superior to those in existence with the ten new European Union adherents: the total value reaches 260 million dollars, divided in similar parts of exports and imports. In addition, it should be emphasized that EFTA's Member States have made investments in Chile worth over 900 million dollars, mainly coming from Switzerland and Norway.

In short, the implementation of the agreement with the European Union will bring Chile, in the short term, into an association with 25 countries and 450 million inhabitants, and eventually to a market expanded by Turkey, totaling 520 million people. If we add the four Member States of EFTA, we may conclude that Chile will have available a preferential economic space in Europe of 530 million persons, with a GDP of over 10 trillion dollars and purchases in the rest of the world, outside of Europe, in excess of 1.2 trillion dollars.

## II. MUTUAL RELATIONS DEVELOPMENT

The future evolution of relations between Chile and the European Union will reach new dynamics with the implementation and development of the Association Agreement.

In order to have a proper perspective for considering the new possibilities arising from the agreement, it is necessary to consider the recent situation of relations between both parties, especially bearing in mind the new conditions created with the 1996 Framework Agreement and the advances registered in relations between the European Union and Latin America.

### **Political Dialogue**

The regional dimension is particularly necessary to emphasize when reviewing the development of relations in the political scope. As presented before, the institutionalized Ministerial Dialogue between the Rio Group and the European Union has been held each year, almost uninterruptedly, in a Latin American or European city, and in New York, with occasion of the United Nations General Assembly. Likewise, in 1999 and 2002, the Summit Meetings of the 48 Presidents and Heads of State and Government of Latin America, the Caribbean and the European Union have been held. Chile has actively participated in such dialogues and has permanently fostered the strengthening of relations between both regions and the advancement towards the fulfillment of the common project of bi-regional Strategic Association.

As of the 1996 Framework Agreement, when each of the previous events has been held, bilateral political dialogue between Chile and the European Union has systematically been conducted. On some occasions, these meetings have taken place jointly with the Mercosur and Bolivia.

Bilateral political dialogue, at the ministerial level, has been a key factor in the preparation and development of negotiations between both parties, and the dialogue, on the level of the Heads of State and Government of the parties, has been decisive in the launching and culmination of the negotiations to establish the association between Chile and the European Union.

Likewise, the functioning of the institutional framework established in the 1996 Framework Agreement should be mentioned: Joint Council, Joint Commission and Trade Subcommission. These institutions have allowed us to regularly review the development of mutual relations, settle disputes arising from reciprocal exchanges, and prepare and support the negotiation process, which led to the elaboration of the Association Agreement.

In brief, in recent years it has been possible to have bilateral and regional institutionalism allowing the parties to carry on an ongoing political dialogue. This dialogue has been able to systematically analyze regional and bilateral relations and to coordinate positions on subjects of great relevance for mutual relations with third countries and in international fora.

## **Cooperation**

The 1990 Cooperation Agreement and the 1996 Framework Agreement have facilitated cooperation between both parties, and established solid political and technical support which has allowed the start of a wide and varied range of cooperation activities.

Thus, important activities foreseen in such agreements have been developed, and a program agreed upon in 2001 is scheduled until 2006. By virtue of the same, an economic cooperation program is being carried out, destined to create and develop innovating enterprises and a financial and technical cooperation program aimed at modernizing the State. This program includes a wide variety of activities, such as the reform

and modernization of urban management capabilities, women, infancy, health, culture and social dialogue. In addition, a program on environmental recovery and socio-productive development in rural and indigenous areas of the Araucania region is ready to be initiated. Considering the agreements on customs issues and science and technology previously mentioned, we have proof of the amplexness of the agreed activities within the cooperation area.

Moreover, we must emphasize the active participation of Chile in the European Union Programs for Latin America, such as AI-Invest, targeting to help small- and medium-sized enterprises operate internationally, and ALFA and Alban, destined to promote cooperation in higher education.

The experience gathered in the last years will be of great importance in order to tackle the new dimensions and challenges assigned by the agreement to the cooperation activities, since they now have to be undertaken together with all the other agreement scopes, serving the common objective of contributing to the fulfillment of the Association's objectives.

## **Economic Scope**

With the purpose of considering the agreement's future development in the economic scope, it is necessary to emphasize some of the most relevant aspects of the European Union, Chile, and the mutual relations and the potential that results from the Association Agreement. Each of these aspects constitutes a base or starting point, of vital consideration, so as to project the agreement's future development.

## **The European Union, Chile and Mutual Exchanges**

The European Union is the world's foremost economic power; its Internal Gross Product exceeds 9 trillion dollars. That is to say, its economic activity level is superior to the United

States alone. Likewise, it is the first commercial power, considering the Community as a group, in its exchanges with the rest of the world. The sum of its import and export goods exceeds 20% of the GDP.

The European Union of 15 Member States has a population of 375 million inhabitants, and, as mentioned earlier, with 25 countries will reach 450 million people. After China and India, the European Union constitutes the third-most populated conglomerate on Earth.

Chile is a country with 15 million persons, a GDP of 70 billion dollars, and foreign trade in goods of 35 billion. Nevertheless, the network of Free Trade Agreements, made with all South American, Central American and North American countries, brings Chilean production to have a free market availability of 450 million inhabitants; this market will reach 700 million consumers once the Free Trade Agreement with the United States enters into force.

The relations with the European Union are of the utmost importance for Chile. It is the main commercial partner since bilateral currents reach 7.3 billion dollars. Likewise, it is the most important export market, worth 4.3 billion dollars. These values represent 22% and 24%, respectively, of the total corresponding trade flow from Chile with the exterior. In the same manner, the countries of the European Union constitute foreign investments main origin, with an accumulated value up to 2002, of 19.3 billion dollars, meaning 37% of the total of the foreign investments carried out in Chile. The flow of Chile with the United States for the same previous concepts correspond, respectively, to 6.2, 3.7 and 15.9 billion. Moreover, it is possible to mention that the first source of international cooperation Chile receives also corresponds to the European Union.

Similarly to the evolution of international exchanges of Chile from 1997 on, the values previously described show stagnation as a general characteristic because they are relatively similar to the ones achieved that year in spite of presenting variations in some of the periods reviewed.

Bilateral trade is mainly concentrated in three countries, which represent half of it: France, Italy and Germany. If we add another five countries –the United Kingdom, Spain, Holland, Belgium and Sweden– over 90% of the exchanges between Chile and the European Union are included.

The trade structure is quite unbalanced since Chile has an export basket concentrated in natural resources and the European Union in manufactured products. The mining trade, in which only copper surpasses 40% of the total, represents 60% of Chile's exports. At the other end, Chile sells only 5% of industrial products: chemicals, papers and metal-mechanics. In turn, the European Union exports to Chile a great proportion of elaborated products, half of which are final products, mainly, capital goods.

In other words, the review of the tendencies registered in the years prior to the agreement's implementation allows to conclude that mutual trade, following the general stagnation tendency of Chile's foreign trade, does not show increases; the Chilean export current is based on a few primary products and is concentrated in a few countries of the Community.

Moreover, the European Union investments in Chile have shown great dynamism in recent years, directing themselves to different sectors of the economy, in which the following stand out: electricity, gas and water (6.0 billion dollars), services (4.9 billion), mining (2.9 billion), transport and communications (2.8 billion), industry (1.5 billion) and construction (1.0 billion). Small investments are found in agriculture, fisheries and forestry. In general, they are found distributed in sectors of greater internal ties, and therefore, capable of participating more directly in national productive development.

An elevated concentration exists in the countries of origin of Chilean investments since Spain represents half of the total (9.6 billion). In addition, if we consider the United Kingdom investments, 70% (4.9 billion) is reached. There are other countries with significant investments: Italy (1.5 billion), Holland (1.4 billion) and France (1.2 billion). These five countries comprise over 90% of European Union investments in Chile.



Chile does not register investments in the European Union, with the exception of minor activities, although an important investment flow exists, mainly to the Mercosur and Andean Community countries. The investments of Chile abroad are approximately 25 billion dollars.

In synthesis, investment movements only have their origin in the European Union; they present an interesting sectorial diversification even though the sectors that stand out the most are electricity, water, light and services; a concentration of the source of these investments marked by the high participation of two countries and to a lesser degree, by another three.

## The Liberalization of Exchanges between Chile and the European Union

It is possible to foresee that one of the most significant impacts in the implementation of the agreement will be reflected in the economic exchanges between both parties. The extensive process of reciprocal market opening and the establishment of common disciplines to ensure equitable competition conditions and greater stability for investments will turn into an increase and diversification of trade in goods and services, and in an investment expansion with the consequent technology transfer. The tariff elimination program and the specific commitments assumed to provide access to services, investments and government procurement give solid grounds to the previous projection.

### EUROPEAN UNION LIBERALIZATION PROGRAM

(Numbers in thousands of euros and 1998 – 2000 average)

CATEGORY	NOMENCLATURE ITEMS			EU IMPORTS FROM CHILE		
	Nº	%	Accumulated	Value	%	Accumulated
Immediate elimination	7,794	75.7%	75.7%	3,286,113	85.1%	85.1%
Tariff elimination 3 years	942	9.2%	84.9%	5,559	0.1%	85.2%
Tariff elimination 4 years	482	4.7%	89.6%	424,611	11.0%	96.2%
Tariff elimination 7 years	213	2.1%	91.6%	87,443	2.3%	98.5%
Tariff elimination 10 years	245	2.4%	94.0%	46,040	1.2%	99.7%
Exception	616	6.0%	100.0%	13,241	0.3%	100.0%
Total	10,292	100%		3,863,007	100%	

The most visible case refers to tariff elimination on mutual exchanges in the area of goods.

When examining the tariff liberalization program agreed upon in the Association Agreement, it can be verified that the European Union has divided all of the products into six categories: immediate tariff elimination, gradual tariff elimination in 3, 4, 7 and 10 years and, finally, a group of products excluded from the liberalization for now.

According to this program, 85% of the imports coming from Chile have been liberated from all tariffs, all at once, from the initiation of the agreement's implementation on February 1, 2003. In turn, as of this moment, the automatic, lineal and gradual reduction process begins for the remaining products included in the liberalization program. As a consequence of this process, as of January 1, 2007, the percentage of Chilean imports completely tariff-free will rise to 96% and, as of January 1, 2013, to 99.7%. Consequently, the products excluded from tariff elimination represent only 0.3% of the purchases the Community makes from Chile.

The European Union tariff liberalization process has been differentiated according to whether the products are: agricultural, processed agricultural, fisheries or industrial.

Tariff elimination for agricultural products, considering those of primary nature as well as the processed ones has a slower process than the average. The immediate tariff liberalization comprises 47% of imports coming from Chile. This percentage will increase significantly on January 1, 2007, since it will reach 89% and, afterwards, 99.6%, as of January 1, 2010.

A significant number of Chile's main agricultural activities enjoy the elimination of tariffs as of February 1, 2003. Apples, pears and fresh plums, poultry products, seeds, raisins and other dehydrated fruit, hip rose, fresh onions and bulbs stand out. The principal product of the sector, wine, will experience a gradual tariff elimination over a four-year period.

As a special modality, the European Union granted quotas for a significant group of agricultural products: meats (beef,

pork, lamb, goat and poultry), cheese, garlic, cereal flakes, mushrooms, preserved cherries and grapes; in the same manner, it granted quotas for some processed products: bonbons, candies and cookies. These quotas will automatically increase, 10% annually for meats and 5% for all other products. The products imported by the Community within these quotas will enter completely tariff free. In general, the quotas granted are more extensive than Chile's current export capacity, a reason why they will contribute to expand and diversify the exportable agricultural and livestock products basket.

In the case of agricultural products two situations must be specified. In the first place, the exceptions presented by the Community's tariff elimination program refers almost exclusively to fields from this sector. Even if in terms of trade these exceptions correspond to only 0.4% of imports from Chile, the number of nomenclature items is considerable: 614. The possibility of reducing this number, as well as the deepening of the preferences already granted, will be reviewed at the latest in 2005.

Secondly, it must be highlighted that the liberalization of exchanges in Chilean agricultural and livestock fields is conducted within the framework of the Common Agricultural Policy of the European Union.

The fisheries' products are those with the slowest tariff elimination on behalf of the Community. Only 35% of its purchases in Chile were totally liberated from tariffs this past February 1. As of January 1, 2007, the full liberalization will reach 74%; when year 10 of the liberalization program is reached, Chilean fisheries products entering the European Union totally tariff-free will be achieved. Within this process, quotas for hake, salmon and canned tuna were also considered.

In the Community, most of the fisheries trades are subject to relatively high tariffs: 10%, 15%, 22% and 28%. These products, in general, will become tariff-free in 10 years; nevertheless, goods such as other frozen fish meats (15%) and salted anchovies (10%) were completely freed from tariffs as of

February 1, 2003, similarly to frozen salmon fillet, the principal fisheries' export to the European Union.

In contrast with the fisheries sector situation, goods from the industrial sector, including mining and forestry trades, are the most favored by the liberalization of exchange. As of February 1, 2003, 99.8% of Chilean sales were freed of all tariffs for the European Union market. Only 0.2% remained subject to annual tariff elimination, which will conclude on January 1, 2006. In addition, no product of Chilean origin pertaining to chapters 25 to 97 of the Tariff Nomenclature has been exempted from the Community's liberalization program.

In the tariff elimination program for industrial products, including those of the mining and forestry industries, it can be highlighted that, for all practical purposes, level 0 by all mining exports already had been consolidated; the same was true for cellulose and other important products of the forestry sector. In this last sector, the 3.5% tariff affecting counter-veneered wood and the different boards of wood fiber was also eliminated. In the industrial sector, tariff level 0 was also consolidated for important trades and it was possible to eliminate, all at once, the tariffs for methanol (3.5%), elaborated copper (1.3%), other fertilizers (6.5%), and polypropylene (4.5%).

The Chilean tariff elimination program has grouped all of the tariffs into five categories: immediate tariff elimination, gradual tariff elimination in 5, 7 and 10 years, and exceptions.

## LIBERALIZATION PROGRAM OF CHILE

(Numbers in thousands of dollars year 2000)

CATEGORY	NOMENCLATURE ITEMS			IMPORTS OF CHILE FROM EU		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	5,434	92.8%	92.8%	2,562,663	91.6%	91.6%
Tariff elimination 5 years	184	3.1%	95.9%	148,124	5.3%	96.9%
Tariff elimination 7 years	83	1.4%	97.4%	80,366	2.9%	99.7%
Tariff elimination 10 years	75	1.3%	98.6%	1,065	0.0%	99.8%
Exception	80	1.4%	100.0%	6,697	0.2%	100.0%
Total proposed	5,856	100%		2,798,915	100%	

Chile's immediate tariff elimination is very broad, since it reached 92% of the purchases made in the European Union at the time of the initiation of the agreement liberalization program. This liberalization will increase to 97%, on January 1, 2007, and to 99.7%, on January 1, 2010. Chile's exclusions only comprise 0.2% of product imports from the European Union.

The differentiation in tariff elimination according to the sectorial origin of the goods is less than the one applied by the Community, as much as in the tariff elimination categories in the three sectors as in the tariff elimination speed.

In reference to agricultural goods, Chile immediately eliminated its tariffs for 79% of purchases carried out in the European Union. As of January 1, 2008, this proportion will increase to 93%, and total liberalization will be completed on January 1 of year 2013, reaching 94%. Consequently, the exceptions represent almost 6% of the imports from the Community. Chilean purchases of these goods only reach around 100 million dollars.

The import situation of the fisheries is found in the two possible extremes: 98% has been liberated at the initiation of the agreement implementation and the remaining 2% has been left in the exceptions. This situation can be explained because Chilean purchases from Europe in products from this sector are minimal: five million dollars.

Finally, the liberalization agreed by Chile for industrial imports from the European Union will take place in three phases: as of February 1, 2003, 92% will have had no tariffs, an additional 5% will reach the same level as of February 1, 2008, and the remaining 3%, at the beginning of 2010.

It should be reminded that for all products not completely liberalized on January 1, 2003, the establishment process of a preferential margin for said products was contracted through the implementation of an annual, gradual liberalization process, starting from 6% of the general tariffs for Chile's imports. In a reciprocal manner, the European Union has initiated the creation of a preferential margin in favor of the imports of products originating in Chile.

### III. NEW HORIZONS

The nature of the Association Agreement projects new and ample horizons for the future of the relations between Chile and the European Union; it will also contribute to the strengthening of relations between Latin America, the Caribbean and the European Union.

Its global character ensures the strengthening of the ties in all scopes; it will especially promote the extension, deepening and stability of the bonds between the institutions, enterprises and persons from both parties. Likewise, the activities to be developed will refer as much to the reciprocal relations as to the joint actions that may be undertaken with regards to third countries and international fora.

The evolutionary nature of the agreement grants dynamic projection to mutual relations since it highlights the fact that the important commitments already undertaken in the same must go further, as long as the experience of its implementation generates new initiatives and reciprocal interests.

The bilateral nature of the association will not be a barrier; on the contrary, it constitutes an incentive to advance in the fulfillment of the common goal of creating a Euro-Latin American Association.

#### **Political Scope**

The political scope is at the core of the agreement because it includes the group of common principles and values that sustain the Association and contemplates, in a very special manner, the respect for democratic principles, fundamental human rights and the Rule of Law. These principles constitute an essential element of the latter, and without them being into force, the agreement cannot be applied.

The objectives and modalities established ensure that the European Union and Chile will continue actively propelling the defense, the promotion and strengthening of such values, as well as peace, security and international stability. Likewise, the agreement ensures mutual cooperation in the fight against terrorism, illegal immigration, drugs and organized crime.

Moreover, when raising the promotion of sustainable economic and social development and equitable distribution of the benefits to the status of governing principles for the agreement's implementation, the matters are assigned a transcendent political nature.

The support for regional integration, for the strategic association between the two regions, and for multilateralism will have a special importance.

The modalities established for joint dialogue ensure that those principles, values and objectives will not only have a general orientation nature, but also will be part of the permanent action in the agreement implementation and development in each of its scopes, and they will inspire the policies of the parties, domestically as well as internationally, for their mutual relations and their orchestrated actions before third countries and international fora.

In this last perspective, the actions that can be undertaken by the bodies and institutions of the United Nations, and in multilateral organizations such as the WTO, the IMF and the World Bank carry a particular importance. The possibility of joint action within the Security Council is especially important to highlight, due to the fact that the European Union participates with two Permanent Members, France and the United Kingdom and, between 2003 and 2004, also with Germany. In this same period, Chile will also be a member of the Security Council.

The agreement has institutionalized the dialogue and propels cooperation on all strata of society, starting with the Heads of State and Government and parliamentary representatives, but incorporating entrepreneurs, workers, economic and social

interlocutors, the academic community, non-governmental organizations and other civil society representatives. In brief, the agreement convokes the participation of all citizens and therefore has found a new route for opening, interdependence and globalization processes, to which it belongs, to be carried out in a democratic framework.

## **Cooperation Scope**

Cooperation will be constituted through an instrument destined to strengthen the institutional capacity consolidating democracy, the respect for human rights, and the Rule of Law; to foster opportunities in trade, investment, competitiveness and innovation; to promote social development; to intensify educational, technological and scientific activities; to deepen cultural bonds and establish the possibilities of carrying out joint programs or projects considering the new condition as associated parties.

The cooperation between Chile and the European Union will be expanded and strengthened since it must contribute to the achievement of the general objectives of political, economic and social nature of the agreement; it must comprise new activities not foreseen before; it will adopt new modalities, and will be able to refer itself to activities included in framework programs, specific programs, or other activities of the other party.

In addition to the ample field of cooperation in existence, the agreement initiates activities in new areas such as those directed towards small- and medium-sized enterprises, social dialogue, in matters of gender, illegal immigration, and the participation of the civil society in the cooperation. Likewise, the Science and Technology Agreement will enter into force, through which the Chilean scientific community will be able to participate, in an institutional way, in technological development and research projects pertaining to the European Union Framework Program, which refer to transcendental fields for national development.



It is important to point out that, in general, the cooperation will be conducted on the basis of mutual interests, shared costs and reciprocal benefits.

### **Economic Scope**

The economic space of 390 million people created by the European Union and Chile is practically free for the access of a considerable part of the mutual exports of goods and services. Furthermore, the commercial disciplines have already been implemented, granting legal certainty to the rules for competing in the markets of both parties. In other words, the exchanges between Chile and the European Union already have at their disposal markets that are ample, open and predictable and, consequently, dynamic and stable.

The potential impact of the Association Agreement is enormous. The European Union economy means multiplying by 130 times the current dimension of the Chilean economy. The import market of goods of the Fifteen, supplied by third countries, is equivalent to over 60 times the amount of Chile's foreign sales. To these dimensions one must add the Community's considerable services' import, surpassing 20% of the purchase of goods, and also the transactions pertaining to government procurement, which are estimated at 14% of the GDP of the European Union.

These indicators show the Chilean economy is being offered opportunities of such immeasurable reach that it is possible to assure, without a doubt, that it is facing the greatest challenge of its history, meaning, to convert such vast potential and opportunities into concrete realities in order to improve the welfare of its inhabitants. In the past, Chile has experienced the challenge of the general opening of its own market, illustrated through the current level of a single 6% tariff for its imports. Now, this opening has to reach tariff zero for all its purchases from the European Union. But, above all, the new challenge, never experienced before, is to arrange the opening of such a broad, profound and fast process for the development of its exports.

This is a fundamental fact since it determines the concrete possibility of increasing exports and, especially to diversify them. The immediate tariff and quantitative restrictions elimination, and therefore, tariff scales for all the industrial products, allow to foresee not only an export expansion but, above all, a diversification, as much by way of increasing the reduced sales that were taking place as by new product incorporation. Likewise, it will contribute to attain a greater diversification of the markets of origin and destiny of mutual trade and overcome the concentration characterizing it.

In order to attain the latter it is obvious that Chile will have to increase and diversify production and investment. It is possible that some installed capacities exist allowing to confront moderate demand increases of certain products. However, it is reasonable to think that, depending on the activities, in relatively short time periods new investments will take place, new technologies be introduced and, of course, new work sources created. The agreement will contribute directly to it, not only through market opening for national productions, but also by attracting new investments directly from Europe or other nations, with the resulting new technologies contribution. The opportunities will arise to especially carry out joint projects or enterprises between investors of both parties and to be able to develop them in different regions of the country.

The most attractive perspectives for national development will be in those activities allowing to go over primary products exports of reduced transformation processes, which currently constitute most Chilean sales to the European markets; likewise, those activities of greater interest will be generating a greater impact on the regions' development and strengthening small- and medium-sized enterprises.

Among the universe of goods and services, it will be necessary to detect opportunities for developing activities that incorporate and disseminate new technologies as well as to generate better-qualified jobs with higher salaries.

In order to fulfill this last concept, it is necessary to improve productivity and quality of production for it to be accepted and demanded in Europe; in turn, these conditions are necessary for improving competitiveness in the corresponding markets.

The foreseen activities destined to promote technological creation and transfer, work force training, and professional perfecting and the impulse to small- and medium-sized enterprises will contribute to achieve the previous objectives.

Tariff elimination for Chilean imports in goods and services will directly contribute to improve productivity and competitiveness when allowing the import of goods and capital goods in more favorable conditions than the ones existing prior to the agreement. These possibilities will not only benefit the activities destined to produce for European markets or to compete in the domestic market with the productions of Union members, but they will also give benefits to the enterprises orienting their activities to other markets.

It is fundamental that public policies also contribute to improve competitiveness, as it does not depend solely on the factors handled at company level, whether it is a goods or services producer. That is to say, the government has the responsibility of creating the macroeconomic conditions and, when pertinent, of establishing microeconomic conditions assuring the companies they will be able to compete in the best conditions, as much in foreign markets as in the domestic one.

Agreement projections will present themselves in other broader scopes than those linked to the activities destined to increase and diversify commercial goods and services exchanges. The sole existence of the agreement has placed the country in a special situation because it constitutes the broadest and deepest agreement signed by Chile and the European Union in reference to agreements signed with other countries or group of countries. This will translate, among other aspects, in the improvement of the negotiation capacity in bilateral and international scopes, thus obtaining and achieving a better in-

sertion in the international economy and, especially, in the globalization process.

Chile has the opportunity of starting a qualitatively different development process to the one it has been carrying out until the establishment of its association with the European Union. The Association may become a powerful force of modernization and political, economic and social progress, and therefore, contribute in a decisive manner to reach a dynamic, stable and sustainable development. A necessary condition for this is that national mobilization be fostered with a program and a national organization destined to transform opportunities and potential into concrete realities for the welfare of the people.

It is obvious to the European Union that the sole dimension of the Chilean economy does not represent a significant factor for its development. It would be different if the national reality were considered as a whole, since Chile has managed to establish a fully working democracy with total respect for human rights and the Rule of Law, and a stable economic development, with the permanent quest of social equity and environmental protection. Its policy of openness to international relations is guaranteed by the Constitution, laws and solid institutions. Its policy of open regionalism has taken the country to sign economic agreements with the Mercosur, the countries of the Andean Community, Central America and Mexico, which have extended to Canada, and recently, the United States. It has signed a free trade agreement with the countries of the European Free Trade Association, is an active party of the Asia-Pacific Economic Cooperation Forum (APEC) and has just signed a free trade agreement with Korea. The sum of all these characteristics makes Chile a safe, stable, open and transparent country, contributing to the stability and integration of Latin America, in which it is possible to undertake solid activities with views on the international, national and regional market.

## **The Regional Perspective**

The European Union and Chile both consider that regional integration is fundamental in carrying out a sustainable, equi-

table and dynamic development process. Likewise, they agree that an association between the Latin American and European regions will significantly contribute towards reaching that objective and facilitate an answer to confront the global challenges better.

The Association Agreement between Chile and the European Union is a demonstration of the degree of commitment and institutionalization that is possible to be reached when mutual relations are maintained ample and stable, based on principles and common values; ambitious objectives are projected and a political will exists to adopt a joint project with a long-term vision.

Likewise, it reflects of the parties' will to go after a common objective, agreed upon in the Rio de Janeiro Declaration, of establishing an association between the two regions.

The Association Agreement between Chile and the European Union contributes to the advancement towards this ambitious objective in demonstrating that a concrete possibility exists, that it is feasible, that it is a path through which it is possible to transit, naturally adjusting it to the true realities of the advances which the future awaits.



# ANNEXES





## ANNEX I

### EVOLUTION OF THE RELATIONS BETWEEN CHILE AND THE EUROPEAN UNION



## EVOLUTION OF THE RELATIONS BETWEEN CHILE AND THE EUROPEAN UNION

### **1990**

December 20:                      Signing of the Cooperation Agreement  
of 1990 (Brussels)

### **1991**

June:                                The Cooperation Agreement of 1990  
enters into effect

### **1992**

July 16:                            Visit to Brussels by the President of  
Chile, Patricio Aylwin

### **1993**

March 10 – 13:                  Visit to Chile of the President of the  
European Commission, Jacques Delors

March 12:                          Creation of Chile-European Economic  
Community Entrepreneurial Foundation  
(Santiago)

### **1994**

November/December:        The Council of Ministers and Council  
of Presidents and Heads of State and  
Government of the European Union  
invite Chile to held negotiations for a  
new bilateral agreement (Essen)

### **1995**

March:                              Visit to Brussels by the President of  
Chile, Eduardo Frei

July 17:                            The European Union Council of Min-  
isters approves the strategy to expand

relations with Chile and requests the Commission to prepare the corresponding Negotiation Guidelines (Brussels)

December 18: Signing of the Declaration on Political Dialogue between Chile and the European Union (Madrid)

## **1996**

January 19: A resolution of the European Parliament sustains the deepening of relations process with Chile through the establishment of an Economic and Political Association (Strasbourg)

January 21: The European Commission and the Council of Ministers approve the Negotiation Guidelines for a new agreement with Chile

April 26: The negotiations end with the implementation of the new agreement between the European Union and Chile (Brussels)

June 21: The Framework Agreement is signed “destined to prepare, as the final objective, an association of Political and Economic nature, between the European Community and its Member States on the one part and, the Republic of Chile, on the other part” (Florence)

## **1997**

March 10: First Meeting of the 1996 Agreement Joint Council

## **1999**

February 1: The 1996 Framework Agreement enters into force

June 29: Meeting of the President of Chile,

Eduardo Frei and the Presidents and Heads of State and Government of the European Union; they agree to launch the negotiations destined to establish an Economic and Political Association between Chile and the European Union (Rio de Janeiro)

November 24: The Second Meeting of the 1996 Agreement Joint Council approves the Structure, Method and Schedule of Negotiations to elaborate the Association Agreement

## **2000**

April 10 – 11: First Round of Negotiations (Santiago)

June 20 – 23: Second Round of Negotiations (Brussels)

November 13 – 16: Third Round of Negotiations (Santiago)

## **2001**

March 12 – 15: Fourth Round of Negotiations (Brussels)

June 26: Third Meeting of the 1996 Agreement Joint Council (Luxembourg)

July 09 – 12: Fifth Round of Negotiations (Santiago)

October 01 – 14: Sixth Round of Negotiations (Brussels)

December 10 – 14: Seventh Round of Negotiations (Santiago)

## **2002**

January 20 – February 01: Eighth Round of Negotiations (Brussels)

March 04 – 08: Ninth Round of Negotiations (Santiago)

April 15 – 26:	Tenth Round of Negotiations (Brussels)
April 26:	End of the negotiations to elaborate an Association Agreement (Brussels)
May 17:	Meeting of the President of Chile and the Presidents and Heads of State and Government of the European Union: announcement of the conclusion of negotiations for the Association Agreement (Madrid)
June 10:	Initialing of the Association Agreement (Brussels)
October 3:	Approval of the Agreement by the European Commission
November 18:	Approval of the Agreement by the Council of Ministers of the European Union (Brussels)
November 18:	Signing of the Association Agreement between the European Union and its Member States and the Republic of Chile (Brussels)
December 17:	Approval of the Association Agreement by the House of Representatives of Chile
<b>2003</b>	
January 14:	Approval of the Association Agreement by the Senate of Chile  Published in the Official Journal of Chile
February 1:	Entry into force of the Association Agreement (Institutional Framework and Trade in Goods)

- February 12: Approval of the Association Agreement  
by the European Parliament
- March 27: First Meeting of the Association Council  
(Vouliagmeni, Greece)





## ANNEX II

### MATTERS CONTAINED IN THE EU – CHILE ASSOCIATION AGREEMENT ACCORDING TO THEIR ENTRY INTO FORCE

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**NOTE:** The provisions presented in bold type went into effect on February 1st, 2003



# I. MATTERS CONTAINED IN THE ASSOCIATION AGREEMENT BETWEEN CHILE AND THE EUROPEAN UNION ACCORDING TO THEIR ENTRY INTO FORCE

## PART I

### GENERAL AND INSTITUTIONAL PROVISIONS

#### TITLE I

##### NATURE AND IMPLEMENTATION SCOPE OF THE AGREEMENT

- |            |                      |
|------------|----------------------|
| Article 1: | Principles           |
| Article 2: | Objectives and scope |

#### TITLE II

##### INSTITUTIONAL FRAMEWORK

- |                    |  |
|--------------------|--|
| <b>Article 3:</b>  | <b>Association Council</b>                 |
| <b>Article 4:</b>  | <b>Composition and rules of procedure</b>  |
| <b>Article 5:</b>  | <b>Decision making powers</b>              |
| <b>Article 6:</b>  | <b>Association Committee</b>               |
| <b>Article 7:</b>  | <b>Special Committees</b>                  |
| <b>Article 8:</b>  | <b>Political Dialogue</b>                  |
| <b>Article 9:</b>  | <b>Association Parliamentary Committee</b> |
| <b>Article 10:</b> | <b>Joint Consultative Committee</b>        |
| <b>Article 11:</b> | <b>Civil Society</b>                       |

## PART II

### POLITICAL DIALOGUE

Article 12:	Objectives
Article 13:	Mechanisms
Article 14:	Cooperation in the field of foreign and security policy
Article 15:	Cooperation against terrorism

## PART III

### COOPERATION

Article 16:	General objectives
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#### TITLE I

#### ECONOMIC COOPERATION

Article 17:	Industrial cooperation
<b>Article 18:</b>	<b>Cooperation on standards, technical regulations and conformity assessment procedures</b>
Article 19:	Cooperation on small- and medium-sized enterprises
Article 20:	Cooperation on services
Article 21:	Promoting investment
Article 22:	Cooperation on energy
Article 23:	Transport
<b>Article 24:</b>	<b>Cooperation on agriculture and rural sectors and sanitary and phytosanitary measures</b>

<b>Article 25:</b>	<b>Fisheries</b>
<b>Article 26:</b>	<b>Customs cooperation</b>
<b>Article 27:</b>	<b>Cooperation on statistics</b>
Article 28:	Cooperation on the environment
Article 29:	Consumer protection
Article 30:	Data protection
Article 31:	Macroeconomic dialogue
Article 32:	Intellectual property rights
Article 33:	Public procurement
Article 34:	Cooperation on tourism
Article 35:	Cooperation on mining

## TITLE II

### SCIENCE, TECHNOLOGY, AND INFORMATION SOCIETY

Article 36:	Cooperation on science and technology
Article 37:	Information society, information technology and telecommunications

## TITLE III

### CULTURE, EDUCATION AND AUDIO-VISUAL

Article 38:	Education and training
Article 39:	Cooperation in the audio-visual field
Article 40:	Exchange of information and cultural cooperation

#### TITLE IV

#### PUBLIC ADMINISTRATION AND INTER-INSTITUTIONAL COOPERATION

Article 41: Public administration

Article 42: Inter-institutional cooperation

#### TITLE V

#### SOCIAL COOPERATION

Article 43: Social dialogue

Article 44: Social cooperation

Article 45: Cooperation related to gender

#### TITLE VI

#### OTHER COOPERATION AREAS

Article 46: Cooperation on illegal immigration

Article 47: Cooperation on drugs and combating organized crime

#### TITLE VII

#### GENERAL PROVISIONS

**Article 48: Participation of civil society in cooperation**

**Article 49: Regional cooperation and regional integration**

**Article 50: Triangular and bi-regional cooperation**

**Article 51: Future developments clause**

<b>Article 52:</b>	<b>Cooperation within the Association relationship</b>
<b>Article 53:</b>	<b>Resources</b>
<b>Article 54:</b>	<b>Specific tasks of the Association Committee in cooperation matters</b>

## **PART IV**

### **TRADE AND TRADE-RELATED MATTERS**

#### **TITLE I**

##### **GENERAL PROVISIONS**

<b>Article 55:</b>	<b>Objectives (letters a, b, f, h, i)</b>
<b>Article 56:</b>	<b>Customs unions and free-trade areas</b>

#### **TITLE II**

##### **FREE MOVEMENT OF GOODS**

<b>Article 57:</b>	<b>Objective</b>
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#### **CHAPTER I**

##### **ELIMINATION OF CUSTOM DUTIES**

- **(Annex I Community's tariff-elimination schedule, mentioned in articles 60, 61, 69 and 72)**
- **(Annex II Chile's tariff-elimination schedule, mentioned in articles 60, 61, 69 and 72)**

## SECTION 1

### COMMON PROVISIONS

- |                    |  |
|--------------------|--|
| <b>Article 58:</b> | <b>Scope</b><br><br><b>(Annex III Definition of the concept of originating products and methods of administrative cooperation)</b> |
| <b>Article 59:</b> | <b>Customs duties</b>  |
| <b>Article 60:</b> | <b>Elimination of customs duties</b>   |
| <b>Article 61:</b> | <b>Status quo / Stand still</b>  |
| <b>Article 62:</b> | <b>Classification of goods</b>   |
| <b>Article 63:</b> | <b>Fees and other charges</b>  |

## SECTION 2

### ELIMINATION OF CUSTOMS DUTIES

#### SUB-SECTION 2.1

##### INDUSTRIAL PRODUCTS

- |                    |  |
|--------------------|--|
| <b>Article 64:</b> | <b>Scope</b>   |
| <b>Article 65:</b> | <b>Customs duties on industrial imports originating in Chile</b>         |
| <b>Article 66:</b> | <b>Customs duties on industrial imports originating in the Community</b> |

#### SUB-SECTION 2.2

##### FISH AND FISHERIES PRODUCTS

- |                    |   |
|--------------------|---|
| <b>Article 67:</b> | <b>Scope</b>  |
| <b>Article 68:</b> | <b>Customs duties on fish and fisheries' imports originating in Chile</b>         |
| <b>Article 69:</b> | <b>Customs duties on fish and fisheries' imports originating in the Community</b> |



## SUB-SECTION 2.3

### AGRICULTURAL AND PROCESSED AGRICULTURAL PRODUCTS

<b>Article 70:</b>	<b>Scope</b>
<b>Article 71:</b>	<b>Customs duties on agricultural and processed agricultural imports originating in Chile</b>
<b>Article 72:</b>	<b>Customs duties on agricultural and processed agricultural imports originating in the Community</b>
<b>Article 73:</b>	<b>Emergency clause for agricultural and processed agricultural products</b>
<b>Article 74:</b>	<b>Evolution clause</b>

## CHAPTER II

### NON-TARIFF MEASURES

#### SECTION I

##### GENERAL PROVISIONS

<b>Article 75:</b>	<b>Scope</b>
<b>Article 76:</b>	<b>Prohibition of quantitative restrictions</b>
<b>Article 77:</b>	<b>National treatment on internal regulation and taxation</b>

#### SECTION 2

##### ANTIDUMPING AND COUNTERVAILING MEASURES

Article 78:	Antidumping and countervailing measures
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#### SECTION 3

##### CUSTOMS AND RELATED MATTERS

<b>Article 79:</b>	<b>Customs and related trade matters</b>
<b>Article 80:</b>	<b>Customs valuation</b>

**Article 81:**                      **Special Committee on Customs Cooperation and Rules of Origin**

**Article 82:**                      **Enforcement of preferential treatment**

#### SECTION 4

#### STANDARDS, TECHNICAL REGULATIONS AND CONFORMITY ASSESSMENT PROCEDURES

**Article 83:**                      **Objective**

**Article 84:**                      **Scope and coverage**

**Article 85:**                      **Definitions**

**Article 86:**                      **Basic rights and obligations**

**Article 87:**                      **Specific actions to be pursued under this agreement**

**Article 88:**                      **Committee on Standards, Technical Regulations and Conformity Assessment**

#### SECTION 5

#### SANITARY AND PHYTOSANITARY MEASURES

**Article 89:**                      **Sanitary and phytosanitary measures  
(Annex IV, Agreement on Sanitary and Phytosanitary Measures Applicable to Trade in Animals and Animal Products, Plants, Plant Products and other Goods and Animal Welfare)**

#### SECTION 6

#### WINES AND SPIRITS

**Article 90:**                      **Wines and spirits  
(Annex V, Agreement on Trade in Wines)  
(Annex VI, Agreement on Trade in Spirits Drinks and Aromatized Drinks)**

## CHAPTER III

### EXCEPTIONS

**Article 91:**                      **General exception clause**

**Article 92:**                      **Safeguard clause**

**Article 93:**                      **Shortage clause**

## TITLE III

### TRADE IN SERVICES AND RIGHT OF ESTABLISHMENT

Article 94:                      Objectives

## CHAPTER I

### SERVICES

#### SECTION 1

##### GENERAL PROVISIONS

Article 95:                      Scope

Article 96:                      Definitions

Article 97:                      Market access

Article 98:                      National treatment

Article 99:                      Schedule of specific commitments  
(Annex VII, Schedule of specific commitments on services)

Article 100:                      Review

Article 101:                      Movement of natural persons

Article 102:                      Domestic regulations

Article 103:                      Mutual recognition

Article 104:                      Electronic commerce

Article 105:                      Transparency

## SECTION 2

### INTERNATIONAL MARITIME TRANSPORT

Article 106:	Scope
Article 107:	Definitions
Article 108:	Market access and national treatment

## SECTION 3

### TELECOMMUNICATIONS SERVICES

Article 109:	Definitions
Article 110:	Regulatory authority
Article 111:	Supply of services
Article 112:	Major suppliers
Article 113:	Interconnection
Article 114:	Scarce resources
Article 115:	Universal service

## CHAPTER II

### FINANCIAL SERVICES

Article 116:	Scope
Article 117:	Definitions
Article 118:	Market access
Article 119:	National treatment
Article 120:	Schedule of specific commitments (Annex VIII, Schedule of specific commitments)
Article 121:	New financial services
Article 122:	Data processing in the financial services sector

Article 123:	Effective and transparent regulation in the financial services sector
Article 124:	Confidential information
Article 125:	Prudential carve-out
Article 126:	Recognition
Article 127:	Special Committee on Financial Services (Annex IX, Authorities responsible for financial services)
Article 128:	Consultations
Article 129:	Specific provisions on dispute settlement

### CHAPTER III RIGHT OF ESTABLISHMENT

Article 130:	Scope
Article 131:	Definitions
Article 132:	National treatment (Annex X, Schedule of specific commitments on establishment)
Article 133:	Right to regulate
Article 134:	Final provisions

### CHAPTER IV EXCEPTIONS

Article 135:	Exceptions
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### TITLE IV GOVERNMENT PROCUREMENT

**(Annex XIII Government Procurement, implementation of some provisions of Part IV, Title IV)**

<b>Article 136:</b>	<b>Objectives</b>
<b>Article 137:</b>	<b>Scope and coverage</b> <b>(Annex XI Community's Coverage on Government Procurement)</b> <b>(Annex XII Chile's Coverage on Government Procurement)</b>
<b>Article 138:</b>	<b>Definitions</b>
<b>Article 139:</b>	<b>National treatment and non-discrimination</b>
<b>Article 140:</b>	<b>Prohibition of offsets and national preference</b>
<b>Article 141:</b>	<b>Valuation rules</b>
<b>Article 142:</b>	<b>Transparency</b>
<b>Article 143:</b>	<b>Tendering procedures</b>
<b>Article 144:</b>	<b>Selective tendering</b>
<b>Article 145:</b>	<b>Other procedures</b>
<b>Article 146:</b>	<b>Qualification of suppliers</b>
<b>Article 147:</b>	<b>Publication of notices</b>
<b>Article 148:</b>	<b>Tender documentation</b>
<b>Article 149:</b>	<b>Technical specifications</b>
<b>Article 150:</b>	<b>Time limits</b>
<b>Article 151:</b>	<b>Negotiations</b>
<b>Article 152:</b>	<b>Submission, reception and opening of tender</b>
<b>Article 153:</b>	<b>Awarding of contracts</b>
<b>Article 154:</b>	<b>Information on contract award</b>
<b>Article 155:</b>	<b>Bid challenges</b>
<b>Article 156:</b>	<b>Information technology</b>

<b>Article 157:</b>	<b>Cooperation and assistance</b>
<b>Article 158:</b>	<b>Statistical reports</b>
<b>Article 159:</b>	<b>Modifications to coverage</b>
<b>Article 160:</b>	<b>Further negotiations</b>
<b>Article 161:</b>	<b>Exceptions</b>
<b>Article 162:</b>	<b>Review and implementation</b>

## TITLE V

### CURRENT PAYMENTS AND CAPITAL MOVEMENTS

Article 163:	Objective and scope
Article 164:	Current account (Annex XIV, Regarding current payments and capital movement, regarding articles 163 and 164)
Article 165:	Capital account
Article 166:	Exceptions and safeguard measures
Article 167:	Final provisions

## TITLE VI

### INTELLECTUAL PROPERTY RIGHTS

Article 168:	Objective
Article 169:	Scope
Article 170:	Protection of intellectual property rights
Article 171:	Review

## TITLE VII

### COMPETITION

Article 172:	Objectives
Article 173:	Definitions
Article 174:	Notifications

Article 175:	Coordination of enforcement activities
Article 176:	Consultations when important interests of one party are adversely affected in the territory of the other party
Article 177:	Exchange of information and confidentiality
Article 178:	Technical assistance
Article 179:	Public enterprises and enterprises entrusted with special or exclusive rights, including designated monopolies.
Article 180:	Dispute settlement

## TITLE VIII

### DISPUTE SETTLEMENT

#### CHAPTER 1

##### OBJECTIVE AND SCOPE

**Article 181:**                      **Objective**

**Article 182:**                      **Scope**

#### CHAPTER II

##### DISPUTE AVOIDANCE

**Article 183:**                      **Consultations**

#### CHAPTER III

##### DISPUTE SETTLEMENT PROCEDURE

**Article 184:**                      **Initiation of the procedure**

**Article 185:**                      **Appointment of arbitrators**

**Article 186:**                      **Information and technical advice**

**Article 187:**                      **Arbitration panel ruling**

**Article 188:**                      **Compliance**



CHAPTER IV  
GENERAL PROVISIONS

- Article 189:**                      **General provisions**  
  
   **(Annex XV, Model rules of procedure for the conduct of arbitration panels)**  
  
   **(Annex XVI, Code of conduct for members of arbitration panel, referring to articles 185 and 189)**

TITLE IX  
TRANSPARENCY

- Article 190:**                      **Contact points and exchange of information**
- Article 191:**                      **Cooperation on increased transparency**
- Article 192:**                      **Publication**

TITLE X  
SPECIFIC TASKS IN TRADE MATTERS OF THE BODIES  
ESTABLISHED UNDER THIS AGREEMENT

- Article 193:**                      **Specific tasks**  
  
   **(Annex XVIII, Implementation of certain decisions of Part IV)**

TITLE XI  
EXCEPTIONS IN THE TRADE AREA

- Article 194:**                      **National security clause**
- Article 195:**                      **Balance of payments difficulties**
- Article 196:**                      **Taxation**

## **PART V**

### **FINAL PROVISIONS**

<b>Article 197:</b>	<b>Definition of the parties</b>
<b>Article 198:</b>	<b>Entry into force</b>
<b>Article 199:</b>	<b>Duration</b>
<b>Article 200:</b>	<b>Fulfillment of the obligations</b>
<b>Article 201:</b>	<b>Future developments</b>
<b>Article 202:</b>	<b>Data protection</b>
<b>Article 203:</b>	<b>National security clause</b>
<b>Article 204:</b>	<b>Territorial application</b>
<b>Article 205:</b>	<b>Authentic texts</b>
<b>Article 206:</b>	<b>The Annexes, Appendices, Protocols and Notes</b>

## II. MATTERS CONTAINED IN THE ANNEXES OF THE ASSOCIATION AGREEMENT BETWEEN CHILE AND THE EUROPEAN UNION

<b>ANNEX I</b>	<b>Community's Tariff Elimination Schedule</b>
<b>ANNEX II</b>	<b>Chile's Tariff Elimination Schedule</b>
<b>ANNEX III</b>	<b>Definition of the Concept of Originating Products and Methods of Administrative Cooperation</b>
<b>ANNEX IV</b>	<b>Agreement on Sanitary and Phytosanitary Measures Applicable to Trade of Animals and Animal Products, Plants, Plant Products and other Goods; Animal Welfare</b>
<b>ANNEX V</b>	<b>Agreement on Trade in Wines</b>
<b>ANNEX VI</b>	<b>Agreement on Trade in Spirits Drinks and Aromatized Drinks</b>
<b>ANNEX VII</b>	<b>Schedule of Specific Commitments on Services</b>
<b>ANNEX VIII</b>	<b>Schedule of Specific Commitments on Financial Services</b>
<b>ANNEX IX</b>	<b>Authorities Responsible for Financial Services</b>
<b>ANNEX X</b>	<b>Schedule of Specific Commitments on Establishment</b>
<b>ANNEX XI</b>	<b>Community's Coverage on Government Procurement</b>
<b>ANNEX XII</b>	<b>Chile's Coverage on Government Procurement</b>

<b>ANNEX XIII</b>	<b>Government Procurement</b>
<b>ANNEX XIV</b>	Regarding Current Payments and Capital Movement
<b>ANNEX XV</b>	<b>Model Rules of Procedure for Arbitration Panels</b>
<b>ANNEX XVI</b>	<b>Code of Conduct for Members of Arbitration Panels</b>
<b>ANNEX XVII</b>	<b>Implementation of Certain Decisions of Part IV</b>

### III. MATTERS CONTAINED IN THE DECLARATIONS OF ASSOCIATION AGREEMENT BETWEEN CHILE AND THE EUROPEAN UNION

#### JOINT DECLARATIONS

Joint Declaration Regarding Article 46

**Joint Declaration Concerning Article 1 from Annex III**

**Joint Declaration Concerning Article 4 from Annex III**

**Joint Declaration Concerning Article 6 from Annex III**

**Joint Declaration Concerning Articles 16 and 20 from Annex III**

**Joint Declaration Concerning the Principality of Andorra**

**Joint Declaration Concerning the Republic of San Marino**

**Joint Declaration Related to Oenological Practices**

**Joint Declaration Related to the requirements in relation to the Oenological Practices and Processes included in Annex V, Appendix V at the date of entry into force of this agreement**

**Joint Declaration Related to Article 24 Paragraph 1 of the TRIPS**

**Joint Declaration on the substitute name for “Champagne” or “Champaña”**

**Joint Declaration Regarding Article 8, Paragraph 5, letter c) of Annex V**

**Joint Declaration Regarding Articles 10 and 11 of Annex V**

**Joint Declaration on Particular Trademarks**

**Joint Declaration Related to Article 24, Paragraph 1 of the WTO TRIPS Agreement**

**Joint Declaration on “Pisco”**

**Joint Declaration Concerning Financial Responsibility**

**Joint Declaration Concerning to Investors**

**Joint Declaration Concerning Article 189, Paragraph 3**

**Joint Declaration Regarding Article 196**

## **DECLARATIONS BY THE COMMUNITY**

Declaration Concerning Article 13 on Political Dialogue

Declaration (Concerning Part III of Title IV)

**Declaration Regarding Turkey**

**Declaration of the Community regarding the use of the names of the vine varieties authorized in Chile**

**Declaration Regarding the Recognition of Wine with Designations of Origin of Chile**

## **DECLARATIONS BY CHILE**

**Declaration Concerning Customary Terms**

**Declaration Related to Generic Products**

**Declaration Related to Enforcement**

**Declaration Related to Customary Terms**

**Declaration Pertaining to Generic Products**

**Declaration Related to Enforcement**

**Declaration Concerning Fish**

## ANNEX III

### SCHEDULE OF GENERAL AND SECTORIAL LIBERALIZATION OF THE EUROPEAN UNION AND CHILE





**TABLE 1**  
**EUROPEAN UNION'S LIBERALIZATION SCHEDULE**  
*(Numbers in thousands of euros and 1998 – 2000 average)*

Category	Nomenclature Items			EU Imports from Chile		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	7,794	75.7%	75.7%	3,286,113	85.1%	85.1%
Tariff elimination 3 years	942	9.2%	84.9%	5,559	0.1%	85.2%
Tariff elimination 4 years	482	4.7%	89.6%	424,611	11.0%	96.2%
Tariff elimination 7 years	213	2.1%	91.6%	87,443	2.3%	98.5%
Tariff elimination 10 years	245	2.4%	94.0%	46,040	1.2%	99.7%
Exception	616	6.0%	100.0%	13,241	0.3%	100.0%
<b>Total</b>	<b>10,292</b>	<b>100%</b>		<b>3,863,007</b>	<b>100%</b>	

**TABLE 2**  
**EUROPEAN UNION'S LIBERALIZATION SCHEDULE BY PRODUCTIVE SECTORS**  
*(Numbers in thousands of euros and 1998 – 2000 average)*

**PRIMARY AND PROCESSED AGRICULTURE SECTOR**

Category	Nomenclature Items			EU Imports from Chile		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	833	39.6%	39.6%	365,286	47.2%	47.2%
Tariff elimination 4 years	335	15.9%	55.5%	325,155	42.0%	89.2%
Tariff elimination 7 years	202	9.6%	65.1%	79,784	10.3%	99.6%
Tariff elimination 10 years	121	5.7%	70.9%	392	0.1%	99.6%
RC	614	29.2%	100.0%	3,080	0.4%	100.0%
<b>Total sector</b>	<b>2,105</b>	<b>100%</b>		<b>773,697</b>	<b>100%</b>	

**FISHERIES' SECTOR**

Category	Nomenclature Items			EU Imports from Chile		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	74	20.7%	20.7%	87,459	34.9%	34.7%
Tariff elimination 4 years	147	41.1%	61.8%	99,456	39.7%	74.4%
Tariff elimination 7 years	11	3.1%	64.8%	7,659	3.1%	77.5%
Tariff elimination 10 years	124	34.6%	99.5%	45,648	18.2%	95.7%
Exception	2	0.6%	100.0%	10,161	4.1%	100.0%
<b>Total sector</b>	<b>358</b>	<b>100%</b>		<b>250,383</b>	<b>100%</b>	

**INDUSTRIAL SECTOR**

Category	Nomenclature Items			EU Imports from Chile		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	6,887	88.0%	88.0%	2,833,368	99.8%	99.8%
Tariff elimination 3 years	942	12.0%	100.0%	5,559	0.2%	100.0%
<b>Total sector</b>	<b>7,829</b>	<b>100%</b>		<b>2,838,927</b>	<b>100%</b>	

Source: DIRECON

**TABLE 3**  
**CHILE'S LIBERALIZATION SCHEDULE**

*(Numbers in thousands of dollars- year 2000)*

Category	Nomenclature Items			Imports of Chile from EU		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	5,434	92.8%	92.8%	2,562,663	91.6%	91.6%
Tariff elimination 5 years	184	3.1%	95.9%	148,124	5.3%	96.9%
Tariff elimination 7 years	83	1.4%	97.4%	80,366	2.9%	99.7%
Tariff elimination 10 years	75	1.3%	98.6%	1,065	0.0%	99.8%
Exception	80	1.4%	100.0%	6,697	0.2%	100.0%
<b>Total proposal</b>	<b>5,856</b>	<b>100%</b>		<b>2,798,915</b>	<b>100%</b>	

**TABLE 4**  
**LIBERALIZATION SCHEDULE OF CHILE BY PRODUCTIVE SECTORS**

*(Numbers in thousands of dollars year- 2000)*

**PRIMARY AND PROCESSED AGRICULTURE SECTOR**

Category	Nomenclature Items			Imports of Chile from EU		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	568	75.5%	75.5%	89,514	78.7%	78.7%
Tariff elimination 5 years	37	4.9%	80.4%	16,605	14.6%	93.3%
Tariff elimination 10 years	75	10.0%	90.4%	1,065	0.9%	94.2%
RC	72	9.6%	100.0%	6,569	5.8%	100.0%
<b>Total sector</b>	<b>752</b>	<b>100%</b>		<b>113,753</b>	<b>100%</b>	

**FISHERIES' SECTOR**

Category	Nomenclature Items			Imports of Chile from EU		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	177	95.7%	95.7%	5,501	97.7%	97.7%
Exception	8	4.3%	100.0%	128	2.3%	100.0%
<b>Total sector</b>	<b>185</b>	<b>100%</b>		<b>5,629</b>	<b>100%</b>	

**INDUSTRIAL SECTOR**

Category	Nomenclature Items			Imports of Chile from EU		
	Nº	%	Accumulated	Value	%	Accumulated
Imm. tariff elimination	4,689	95.3%	95.3%	2,467,648	92.1%	92.1%
Tariff elimination 5 years	147	3.0%	98.3%	131,519	4.9%	97.0%
Tariff elimination 7 years	83	1.7%	100.0%	80,366	3.0%	100.0%
<b>Total sector</b>	<b>4,919</b>	<b>100%</b>		<b>2,679,533</b>	<b>100%</b>	

Source: DIRECON

**TABLE 5**  
**QUOTAS GRANTED BY THE EUROPEAN UNION TO CHILE, IN**  
**AGRICULTURAL AND LIVESTOCK PRODUCTS, AND FROM**  
**FISHERIES**

*(In annual tons)*

	QUOTA	OBSERVATIONS
<b>AGRICULTURAL PRODUCTS</b>		<b>Tariff Free</b>
Bovine Meat	1,000	Annual Growth 10%
Pork Meat	3,500	Annual Growth 10%
Ovine and Caprine Meat*	2,000	Annual Growth 10%
Poultry Meat	7,250	Annual Growth 10%
Cheese and Cheese Curd	1,500	Annual Growth 5%
Garlic	500	Annual Growth 5%
Cereal Flakes	1,000	Annual Growth 5%
Mushrooms	500	Annual Growth 5%
Preserved Cherries	1,000	Annual Growth 5%
Fresh Grapes	37,000	Annual Growth 5%
Table Grapes	3,000	Annual Growth 5%
<b>PROCESSED AGRICULTURAL</b>		<b>Tariff Free</b>
Bon-bons	400	
Candies	400	
Cookies	500	
<b>FISHERIES</b>		
Hake	5,000	Gradual Tariff Elimination 10 years
Salmon	40	Gradual Tariff Elimination 10 years
Canned Tuna	150	Tariff Reduction One Third MFN

\* Should be added to the annual 3,000 tons granted by the EU in the framework of the WTO  
Source DIRECON

**TABLE 6**  
**QUOTAS GRANTED BY CHILE TO THE EUROPEAN UNION IN**  
**AGRICULTURAL AND LIVESTOCK PRODUCTS, AND FROM**  
**FISHERIES**

*(In annual tons)*

	QUOTA	OBSERVATIONS
<b>AGRICULTURAL PRODUCTS</b>		<b>Tariff Free</b>
Cheese and Cheese Curd	1,500	Annual Growth 5%
Olive Oil	3,000	Annual Growth 5%
<b>FISHERIES</b>		
Hake	5,000	Gradual Tariff Elimination in 10 years
Salmon	40	Gradual Tariff Elimination in 10 years
Tuna and others, excluding fillets	150	Tariff Reduction One Third MFN

Source DIRECON



## ANNEX IV

### THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE PRINCIPAL EXPORTS OF CHILE



**TABLE 1**  
**THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE**  
**AGRICULTURAL AND AGRO-INDUSTRIAL MAIN EXPORTS FROM CHILE TO THE EU, 2001**  
*(Numbers in thousands of dollars FOB and percentages)*

SACH	GLOSSARY	CATEGORY	BASE	EU	WORLD	PARTICIPATION
22042110	WINES WITH APPELLATIONS OF ORIGIN	Year 4	32 Euro HL	229,382	453,764	50.6%
8061000	FRESH GRAPES	Year 4	14.4	96,985	575,184	16.9%
8081000	FRESH APPLES	Year 0	6.4	60,598	230,026	26.3%
22042990	OTHER MUSTS OF PARTIALLY FERMENT. GRAPES AND PUT OUT WITH ALCOHOL	Year 4	15.4 Euro hl	39,737	69,193	57.4%
8105000	FRESH KIWIS	Year 7	8.8	28,642	63,896	44.8%
8082010	FRESH PEARS	Year 0		19,604	58,449	33.5%
8094010	FRESH PLUMS	Year 0		17,132	70,610	24.3%
8112090	ALL OTHER FROZEN RASPBERRIES, BLACKBERRIES, RED CURRANTS	Year 7	6.4	16,418	29,341	56.0%
16023100	TURKEY PREPARATIONS AND PRESERVES	Year 0	TQ (1ld)	13,946	14,785	94.3%
10051000	CORN SEEDS (ZEAS MAYS L)	Year 0	TQ (1ld)	11,433	65,802	17.4%
8132000	DRIED OR DEHYDRATED PLUMS	Year 0		10,109	32,640	31.0%
2071400	FROZEN PIECES AND GIBLETS FROM ROOSTER OR HEN	Year 0	TQ (1ld)	9,959	23,993	41.5%
12119040	ROSE HIP, FRESH OR DRIED, EVEN CUT, BROKEN OR PULVERIZED	Year 0		9,242	10,461	88.3%
12099190	ALL OTHER GARDEN PRODUCE SEEDS	Year 0		8,050	29,475	27.3%
8062000	RAISINS	Year 0	2.4	7,150	35,297	20.3%
22042190	ALL OTHER WINES	Year 4	32 Euro HL	6,560	61,571	10.7%
718000	ALL OTHER LEGUMES AND GARDEN VEGETABLES	Year 7	14.4	6,509	14,293	45.5%
41042900	ALL OTHER HIDES AND PETTS. OF CATTLE AND EQUINE, TANNED/ RETANNED	Year 4	36.5	6,432	14,360	44.8%
7031010	FRESH OR REFRIGERATED ONIONS	Year 0	9.6	6,395	10,786	59.3%
8092010	FRESH NECTARINES	Year 7	17.6	6,113	43,107	14.2%
12093000	HERBACEOUS PLANT SEEDS, USED MAINLY FOR ITS FLOWERS	Year 0		5,506	17,863	30.8%
8112010	FROZEN BLACKBERRIES	Year 4	12	5,306	6,474	82.0%
4090000	NATURAL BEE HONEY	Year 7	17.3	5,083	6,480	78.4%
8133000	DRIED OR DEHYDRATED APPLES	Year 0	3.2	4,921	13,216	37.2%
8023200	WALNUTS, WITHOUT SHELL, FRESH OR DRIED	Year 0	5.15	4,133	15,995	25.8%
6011000	BULBS, ONIONS, TUBERCLES, TUBEROUS ROOTS RHIZOMES, IN VEG. REST	Year 0	5.1	4,043	7,014	57.6%
8052000	TANGERINES, CLEMENTINES, WILKINGS AND SIMILAR HYBRIDS, FRESH/DRIED	Year 7	16	3,582	7,118	50.3%
2044200	ALL OTHER CUTS OF OVINE MEAT, FROZEN, NOT DEBONED	Year 0	TQ (1lc)	3,385	5,085	66.6%
8119000	OTHER FROZEN FRUITS	Year 0	13+5.3Euro/(100kg/net)	2,610	7,341	35.6%
7133110	BEAN SEEDS (PHASEOLUS VULGARIS)	Year 0	0	2,566	3,196	80.3%
TOTAL MAIN EXPORTS				651,531	1,996,815	32.6%
TOTAL EXPORTS				706,048	3,058,903	23.10%
MAIN EXPORTS PARTICIPATION				92%	65%	

Source: DIRECON

**TABLE 2**  
**THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE OF FISHERIES'**  
**MAIN EXPORTS FROM CHILE TO THE EU, 2001**  
*(Numbers in thousands of dollars FOB and percentages)*

SACH	GLOSSARY	CATEGORY	QUOTA	BASE	EU	WORLD	PARTICIPATION
3042050	FROZEN SALMON FILLETS	Year 0		2.0	51,152	133,104	38.4%
23012010	FISH MEAL	Year 0		0.0	37,463	254,622	14.7%
3072910	OTHER NORTH SCALLOPS, ALIVE, FRESH OR REFRIGERATED	Year 4		2.8	25,498	25,770	98.9%
3037800	FROZEN HAKE, EXCLUDING FILLETS, LIVERS, ROE	Year 10		1.8	23,484	24,616	95.4%
3026920	FRESH OR REFRIGERATED HAKE, EXCLUDING FILLETS, LIVERS,	-	TQ (4a)	0.0	21,529	22,610	95.2%
3042040	FROZEN HAKE FILLETS	Year 4		4.0	20,633	57,128	36.1%
3049050	OTHER FROZEN SALMON MEAT, EXCEPT FILLETS	Year 4		8.0	15,941	38,095	38.8%
16059090	OTHER PREPARED CRUSTACEANS, MOLLUSK, AND INVERTEBRATES	Year 4		7.0	11,629	29,434	39.5%
16059070	SMALL, MEDIUM, AND LARGE MUSSELS, PREPARED OR CANNED	Year 4		7.0	9,769	12,964	75.4%
3049040	OTHER FROZEN HAKE MEAT, EXCEPT FILLETS	Year 7		4.0	8,834	10,316	85.6%
3037930	FROZEN CONGER EEL, CHILEAN SEA BASS, BROTLIUD AND OCEAN SMELT	Year 4		2.6	7,624	9,814	77.7%
16059020	PREPARED OR PRESERVED CLAMS	Year 4		7.0	6,655	7,755	85.8%
3042090	ALL OTHER FROZEN FISH FILLETS	Year 10		1.50	5,409	19,524	27.7%
12122090	OTHER ALGAE (INCLUDES: DRUVILLAE, FLAVICANS, GIGARTII)	Year 0		0.0	5,333	11,429	46.7%
16051013	SPIDER AND KING CRAB, PRESERVED IN AIRTIGHT CONTAINERS	Year 4		2.8	4,677	4,760	98.3%
16052012	FROZEN, PRESERVED SHRIMP	Year 4		7.0	4,414	5,848	75.5%
16051014	PRESERVED, FROZEN SPIDER AND KING CRAB	Year 4		28.0	4,151	9,320	44.5%
16041100	CANNED SALMON, WHOLE OR IN PIECES	Year 4		2.0	3,760	5,800	64.8%
3026990	OTHER FRESH OR REFRIGERATED FISH, EXCLUDING FILLETS	Year 10		22.0	3,732	13,540	27.6%
3061420	FROZEN SPIDER AND KING CRABS	Year 0		2.6	3,539	10,288	34.4%
3032200	FROZEN SALMON FROM THE ATLANTIC AND DANUBE EX.	Year 0		2.0	3,159	26,073	12.1%
3037990	OTHER FROZEN FISH, EXCLUDING FILLETS, LIVERS	Year 10		22.0	2,046	11,158	18.3%
12122010	GRACILIARY ALGAE, LESSONIA, IRIDAE, FRESH OR DRIED	Year 0		0.0	1,983	11,307	17.5%
3056300	SALTED ANCHOVIES NOT DRIED OR SMOKED OR IN BRINE	Year 0		10.0	1,794	2,100	85.4%
3049090	OTHER FROZEN FISH MEAT, EXCEPT FILLETS	Year 0		1.50	1,621	2,484	65.5%
3075900	OCTOPUS, FROZEN, DRIED, SALTED OR IN BRINE	Year 0		2.8	1,621	3,916	41.4%
16042040	SARDINES AND JUREL OTHER PREPARATIONS AND PRESERVES	Year 10		25.0	1,548	6,680	23.2%
3073900	LARGE MUSSELS, FROZEN, DRIED, SALTED OR IN BRINE	Year 4		6.5	1,485	1,814	81.9%
16052090	OTHER SHRIMPS, BABY SHRIMP, AND PRAWNS	Year 4		7.0	1,469	7,584	19.4%
3031000	FROZEN PACIFIC SALMON, EXCLUDING FILLETS, LIVER	Year 0		2.0	1,378	214,121	0.6%
TOTAL EXPORTS							1,819,132
MAIN EXPORTS PARTICIPATION							55%
					95%		

Source: DIRECON



**TABLE 3**  
**THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE OF MINING MAIN EXPORTS**  
**FROM CHILE TO THE EU, 2001**  
*(Numbers in thousands of dollars FOB and percentages)*

SACH	GLOSSARY	CATEGORY	QUOTA	BASE	EU	WORLD	PARTICIPATION
74031100	CATHODES AND CATHODE SECTIONS OF REFINED COPPER	Year 0		0.0	1,960,080	4,067,056	48.2%
26030000	COPPER MINERALS AND ITS CONCENTRATES	Year 0		0.0	292,896	2,088,997	14.0%
71081200	GOLD IN THE ROUGH, EXCEPT DUST, FOR NON-MONETARY USE	Year 0		0.0	169,523	235,036	72.1%
74031900	ALL OTHER REFINED COPPER, IN THE ROUGH	Year 0		0.0	107,140	211,848	50.6%
28012000	IODINE	Year 0		0.0	67,771	133,019	50.9%
26131010	MOLYBDENUM CONCENTRATES, TOASTED	Year 0		0.0	63,057	128,240	49.2%
71069120	ALLOYED SILVER IN THE ROUGH (METAL DORE)	Year 0		0.0	59,500	77,226	77.0%
74020010	COPPER FOR REFINING (BLISTER)	Year 0		0.0	42,631	250,912	17.0%
28369100	LITHIUM CARBONATE	Year 0		0.0	15,680	51,610	30.4%
26139010	MOLYBDENUM CONCENTRATES, NOT TOASTED	Year 0		0.0	14,143	35,768	39.5%
31025000	SODIUM NITRATE	Year 0		0.0	7,399	31,216	23.7%
72027000	FERROMOLYBDENUM	Year 0		0.0	5,836	11,193	52.1%
71081100	GOLD DUST FOR NON-MONETARY USE	Year 0		0.0	3,926	3,926	100.0%
31059010	SODIUM POTASSIUM NITRATE	Year 0		0.0	1,425	32,436	4.4%
68131000	FITTINGS FOR BRAKES, BASED ON AMIANTHUS	Year 0		0.0	749	1,699	44.1%
25289000	ALL OTHER NATURAL BORATES AND THEIR CONCENTRATES	Year 0		0.0	328	7,732	4.2%
25010010	ROCK SALT, MINE SALT, OCEAN SALT AND TABLE SALT	Year 0		0.0	315	37,831	0.8%
71069110	SILVER, NOT ALLOYED, IN THE ROUGH	Year 0		0.0	292	17,355	1.7%
25161200	GRANITE, SIMPLY CUT, BY SAWING	Year 0		0.0	224	224	100.0%
25151200	MARBLE AND TRAVERTINES, SIMPLY CUT BY SAWING	Year 0		0.0	143	532	26.9%
71061000	SILVER DUST	Year 0		0.0	46	46	100.0%
68022100	MARBLE, TRAVERTINES AND ALABASTER	Year 0		0.0	40	52	76.9%
68159900	ALL OTHER MANUFACTURES FROM STONE OR OTHER MAT.	Year 0		0.0	20	1,047	1.9%
68042100	OTHER MOLARS AND SIMILAR ARTICLES, FROM NAT. DIAMOND	Year 0		0.0	13	68	19.1%
26210010	BONE ASHES	Year 0		0.0	10	54	18.5%
68029900	ALL OTHER STONES, TO CARVE OR FOR CONSTRUCTION	Year 0		0.0	10	10	100.0%
25281000	NATURAL SODIUM BORATES	Year 0		0.0	7	247	2.8%
26190000	SCORIA (EXCEPT GRANULAR ONES) BAITER AND DEM	Year 0		0.0	7	7	100.0%
31010000	FERTILIZERS OF ANIMAL OR VEGETAL ORIGIN, EVEN A MIX	Year 0		0.0	7	226	3.1%
68022900	ALL OTHER CARVING STONES OR FOR CONSTRUCTION	Year 0		0.0	6	14	42.9%
TOTAL MAIN EXPORTS							37.9%
TOTAL EXPORTS							36.9%
MAIN EXPORTS PARTICIPATION							97%
							100%

Source: DIRECON

**TABLE 4**  
**THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE OF FORESTRY MAIN EXPORTS FROM CHILE TO THE EU, 2001**  
*(Numbers in thousands of dollars FOB and percentages)*

SACH	GLOSSARY	CATEGORY	QUOTA	BASE	EU	WORLD	PARTICIPATION
47032100	CHEMICAL LUMBER PASTE OF SEMI-SOFT CONIFERS	Year-0		0.0	226,815	545,784	41.6%
47032900	CHEMICAL PASTE OF SEMI-BLEACHED OR BLEACHED LUMBER	Year-0		0.0	78,839	165,237	47.7%
44121910	COUNTER VENEERED WOOD CONSTITUTED WITH	Year-0		3.5	12,976	58,104	22.3%
44071019	ALL OTHER SAWED PLANKS FROM INSIGNE PINE	Year-0		0.0	12,851	312,992	4.1%
48109100	ALL OTHER PAPERS AND CARDBOARDS, MULTICOATED	Year-0		0.0	11,577	70,227	16.5%
44039990	ALL OTHER LUMBER IN THE ROUGH, DEBARKED, DES	Year-0		0.0	9,159	18,652	49.1%
44079990	ALL OTHER SAWED LUMBER OR PROFILED LENGTHWISE	Year-0		0.0	5,382	10,738	50.1%
44111900	BOARDS OF LUMBER FIBER WITH VOLUME MASS	Year-0		3.5	4,283	21,268	20.1%
47031100	CHEMICAL PASTE OF RAW LUMBER FROM CONIFERS	Year-0		0.0	4,180	137,918	3.0%
44081010	SHEETS FOR VENEER AND COUNTER VENEER OF INSIGNE PINE	Year-0		0.0	2,571	9,755	26.4%
441113100	BOARDS OF FIBER, VOLUME MASS OVER 0.35 G/CM3 E	Year-0		3.5	2,099	9,888	21.2%
44039910	LOGS TO BE SAWED AND MAKE VENEERS	Year-0		0.0	1,260	1,746	72.2%
44091090	ALL OTHER LUMBER PROFILED LENGTHWISE	Year-0		0.0	1,207	16,253	7.4%
94039000	PARTS AND PIECES OF WOOD FOR FURNITURE	Year-0		0.0	893	14,486	6.2%
44160000	BARRELS, CASKS, TUBS AND OTHER TON MANUFACTURES	Year-0		0.0	784	2,762	28.4%
45031000	CORK STOPPERS	Year 0/3		1.2	586	647	90.6%
44112100	BOARDS OF LUMBER FIBER WITH SUP. VOLUME MASS	Year-0		3.5	567	35,296	1.6%
44183000	WOOD BOARDS FOR PARQUET	Year-0		0.0	565	747	75.6%
94060000	PREFABRICATED CONSTRUCTIONS	Year-0		0.0	546	5,246	10.4%
14049090	ALL OTHER VEGETAL PRODUCTS NOT EXP. NOR COMPREN.	Year-0		0.0	542	3,388	16.0%
44111100	BOARDS OF WOOD FIBER WITH SUP VOLUME MASS	Year-0		3.5	508	13,757	3.7%
44201000	WOOD SMALL STATUES AND OTHER ORNAMENTAL OBJECTS	Year-0		0.0	418	778	53.7%
44101900	ALL OTHER PARTICLE BOARDS AND SIMIL. BOARDS	Year-0		3.5	308	9,025	3.4%
94014000	SEATS TRANSFORMABLE INTO BEDS, EXCEPT THE MATER	Year-0		0.0	293	379	77.3%
14049010	BARK OF QUILLAY (NATIVE TREE)	Year-0		0.0	209	1,086	19.2%
44189000	ALL OTHER CARPENTRY WORKS FOR CONSTRUCTION	Year-0		0.0	154	5,933	2.6%
44089090	ALL OTHER SHEETS FOR VENEER AND COUNTER VENEER	Year-0		0.0	130	4,845	2.7%
44079910	SAWED LUMBER OR PLANED LENGTHWISE	Year-0		0.0	123	1,113	11.1%
44091020	CONIFER STRIPS OF WOOD AND MOLDINGS, TO	Year-0		0.0	117	133,002	0.1%
440979100	SAWED LUMBER OR PLANED LENGTHWISE	Year-0		0.0	114	236	48.3%
TOTAL MAIN EXPORTS							1,611,288
TOTAL EXPORTS							2,162,419
MAIN EXPORTS PARTICIPATION							75%
					380,056	1,611,288	23.6%
					380,884	2,162,419	17.6%
					100%		

Source: DIRECON

**TABLE 5**  
**THE EUROPEAN UNION'S LIBERALIZATION SCHEDULE OF INDUSTRIAL MAIN EXPORTS FROM CHILE TO THE EU, 2001**  
*(Numbers in thousands of dollars FOB and percentages)*

SACH	GLOSSARY	CATEGORY	BASE	EU	WORLD	PARTICIPATION
29081100	METHYLIC ALCOHOL	Year 0	3.5	168,356	361,955	46.5%
26209000	OTHER ASHES AND RESIDUES (EXC. FROM SIDERURGY) CONTAINING METALS	Year 0	0.0	46,237	74,525	62.0%
28342100	POTASSIUM NITRATE FERTILIZER	Year 0	0.0	38,138	105,471	36.2%
28257000	MOLYBDENUM OXIDE AND HYDROXIDE	Year 0	0.0	20,833	24,530	84.9%
74199919	ALL OTHER ALLOYS COSEPLES	Year 0	0.0	9,598	9,666	99.3%
13023900	OTHER MUCILAGES AND THICKENERS, MODIFIED/DERIVED FROM VEGETABLES	Year 0	0.0	8,404	21,386	39.3%
74091100	REFINED COPPER, PLATES, SHEETS AND STRIPS ROLLED UNDER 0.15MM THICK	Year 0	1.3	6,843	15,400	44.4%
96091000	PENCILS	Year 0	0.0	5,526	7,025	78.7%
51052900	OTHER COMBED WOOL, EXCEPT BULK	Year 0	0.0	5,298	6,652	79.6%
38083090	OTHER HERBICIDES, GERMINATION INHIBITORS/ PLANT GROWTH REGULATORS	Year 0	0.0	2,495	2,827	88.3%
13023100	AGAR-AGAR	Year 0	0.0	2,332	33,790	6.9%
31059090	ALL OTHER FERTILIZERS	Year 0	6.5	2,145	13,779	15.6%
72029900	ALL OTHER FERROALLOYS	Year 0	0.0	2,034	2,902	70.1%
28417000	MOLYBDATE	Year 0	0.0	1,902	9,775	19.5%
74091900	UNROLLED REFINED COPPER SHEETS AND BANDS LESS THAN 0.15MM THICK	Year 0	0.0	1,567	6,292	24.9%
39021000	POLYPROPYLENE, IN PRIMARY FORMS	Year 0	1.3	1,346	28,787	4.7%
38082010	FUNGICIDES FOR RETAIL SALES, IN CONTAINERS UP TO 5 KG / 5 L NET WEIGHT	Year 0	4.2	1,328	4,410	30.1%
85243100	LASER DISKS TO REPRODUCE PHENOMENA OTHER THAN SOUND OR IMAGE	Year 0	0.0	1,280	7,995	16.0%
74040000	COPPER RESIDUES AND WASTE	Year 0	0.0	1,211	9,708	12.5%
72042100	STAINLESS STEEL SMELTING RESIDUES AND WASTE	Year 0	0.0	1,198	1,721	69.6%
76002000	ALUMINUM, RESIDUES AND WASTE	Year 0	0.0	1,174	7,930	14.8%
95069900	ALL OTHER SPORT ARTICLES	Year 0	0.0	1,135	1,143	99.3%
28419010	AMMONIA PERENATE	Year 0	0.0	1,112	1,112	100.0%
28480000	PHOSPHIDES, EVEN W/O A DEFINED CHEMICAL CONST. EXC. FERROPHOSPHIDES	Year 0	0.0	1,105	1,160	95.3%
28276000	IODIDES AND OXY IODIDES	Year 0	0.0	1,099	4,020	27.3%
84295900	ALL OTHER POWER SHOVELS, EXCAVATORS, LOADERS AND LOADING SHOVELS	Year 0	0.0	1,089	3,180	34.2%
28100000	BORIC ACID, BORIC ACIDS	Year 0	0.0	1,074	17,422	6.2%
31043000	POTASSIUM SULPHATE	Year 0	0.0	973	24,017	4.1%
71129000	OTHER RESIDUES AND WASTE OF PRECIOUS METALS OR PLATED METALS	Year 0	0.0	949	3,674	25.8%
85245300	ALL OTHER MAGNETIC TAPES WIDER THAN 6.5 MM	Year 0	0.0	909	11,028	8.0%
	TOTAL MAIN EXPORTS			170,334	461,327	36.9%
	TOTAL EXPORTS			365,145	2,871,711	12.7%
	MAIN EXPORTS PARTICIPATION			47%	16%	

Source: DIRECON



ANNEX V

EUROPEAN UNION AND CHILEAN  
EXCHANGES

- TRADE  
- INVESTMENTS



**TABLE 1**  
**CHILE'S TRADE WITH THE EUROPEAN UNION 1992 - 2002**  
(Numbers in million of dollars, of each year)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	3,017.1	2,544.9	2,829.2	4,448.0	3,885.3	4,144.1	4,148.3	4,123.0	4,540.9	4,594.1	4,284.2
Imports (CIF)	2,025.6	2,312.1	2,396.0	3,155.4	3,537.9	3,937.8	3,850.3	2,848.5	2,880.0	3,064.0	3,023.3
Commercial Exchange	5,042.7	4,857.0	5,225.2	7,603.4	7,223.2	8,102.0	7,998.6	6,971.5	7,420.8	7,658.1	7,309.5
Commercial Balance	991.5	232.8	433.2	1,292.6	1,47.4	1,86.3	297.9	1,274.5	1,660.9	1,530.1	1,262.9

**TABLE 1.A**  
**TRADE PARTICIPATION OF THE EUROPEAN UNION IN THE TOTAL OF CHILE 1992 - 2002**  
(Numbers in percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	30.4	27.0	24.3	27.0	23.9	24.4	28.1	25.9	24.6	26.0	24.2
Imports (CIF)	21.4	21.9	21.5	21.2	21.0	21.9	22.5	20.3	17.1	18.9	19.3
Commercial Exchange	26.0	24.3	22.9	24.2	22.4	23.1	25.1	23.3	21.0	22.6	21.9

**TABLE 1.B**  
**TRADE GROWTH FROM CHILE WITH THE EUROPEAN UNION 1992 - 2002**  
(Numbers in percentages)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	-15.6	11.2	57.2	-17.1	12.5	0.1	-0.6	10.1	1.2	-6.7
Imports (CIF)	14.1	3.6	31.7	12.1	11.9	-2.7	-26.0	1.1	6.4	-1.3
Commercial Exchange	-3.7	7.6	45.5	-5.0	12.2	-1.3	-12.8	6.4	3.2	-4.6

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 2**  
**EXPORTS FROM CHILE TO THE EUROPEAN UNION MEMBER STATES AND TO THE WORLD 1992 - 2002**  
*(Numbers in million of dollars FOB, of each year)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>1. European Union</b>	<b>3,017.3</b>	<b>2,545.8</b>	<b>2,830.1</b>	<b>4,448.2</b>	<b>3,685.4</b>	<b>4,144.3</b>	<b>4,148.3</b>	<b>4,123.0</b>	<b>4,540.9</b>	<b>4,594.1</b>	<b>4,286.2</b>
Germany	611.5	484.3	383.7	837.6	743.6	745.4	538.5	557.0	457.8	528.2	428.7
Austria	12.4	9.4	9.3	11.6	9.7	5.8	3.8	8.6	11.3	13.5	10.3
Belgium	185.3	130.0	203.7	391.2	247.1	271.9	345.1	280.2	375.1	242.2	226.9
Denmark	11.9	15.8	20.4	27.1	29.2	43.2	40.7	45.8	49.1	57.0	58.9
Spain	360.8	240.6	219.0	319.5	281.9	345.1	274.9	328.1	386.2	345.2	398.2
Finland	46.1	26.7	37.6	66.5	85.1	108.7	39.8	50.8	61.5	37.5	50.8
France	380.8	373.8	403.9	508.3	392.8	458.0	443.8	495.4	633.1	610.9	640.2
Greece	36.0	41.5	40.4	51.8	39.2	57.6	71.6	25.1	47.8	42.5	65.1
Holland	263.2	262.2	345.5	438.2	398.2	423.3	432.7	511.1	452.7	545.1	543.2
Ireland	1.8	1.7	2.8	5.8	6.7	8.2	10.5	15.7	20.6	24.5	30.1
Italy	377.0	331.0	358.7	608.8	475.3	499.4	668.5	636.7	825.5	812.5	862.8
Luxembourg	0.0	0.2	3.2	0.0	0.1	0.2	0.5	0.2	0.3	1.0	0.1
Portugal	35.8	9.1	12.3	16.3	16.7	11.1	13.4	19.7	20.0	20.0	16.0
United Kingdom	619.3	557.0	522.5	1,075.6	886.3	1,061.8	1,161.1	1,085.2	1,075.9	1,232.0	808.7
Sweden	75.3	62.5	67.0	89.8	73.7	104.6	103.6	63.4	123.8	82.1	146.2
<b>2. World Total</b>	<b>9,927.0</b>	<b>9,414.4</b>	<b>11,644.7</b>	<b>16,453.6</b>	<b>15,394.6</b>	<b>17,017.0</b>	<b>14,753.9</b>	<b>15,914.6</b>	<b>18,425.0</b>	<b>17,668.1</b>	<b>17,676.3</b>

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON



**TABLE 3**  
**IMPORTS BY CHILE FROM THE EUROPEAN UNION MEMBER STATES AND THE WORLD 1992 - 2002**  
*(Numbers in million of dollars FOB, of each year)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>1. European Union</b>	<b>2,026.4</b>	<b>2,312.6</b>	<b>2,396.1</b>	<b>3,155.5</b>	<b>3,537.9</b>	<b>3,957.9</b>	<b>3,850.3</b>	<b>2,848.5</b>	<b>2,880.0</b>	<b>3,064.1</b>	<b>3,023.3</b>
Germany	630.1	620.1	555.0	789.6	729.9	843.6	811.7	626.6	622.1	692.2	738.8
Austria	33.2	37.3	33.6	41.8	38.4	54.5	34.2	35.4	48.2	40.6	38.9
Belgium	80.0	101.3	110.5	121.0	135.8	132.3	110.7	97.7	98.1	109.8	126.4
Denmark	40.2	56.5	56.3	87.3	94.4	79.9	66.3	50.1	74.0	66.3	66.9
Spain	223.5	277.9	340.8	445.0	530.3	621.1	656.0	406.8	428.0	466.1	417.3
Finland	24.4	77.1	71.3	90.3	103.7	140.4	97.8	71.1	88.2	84.3	106.8
France	282.1	345.6	362.5	445.9	581.9	502.1	680.5	417.4	447.8	575.3	623.3
Greece	1.2	0.9	0.6	2.2	1.7	5.7	7.0	1.6	2.9	5.1	10.4
Holland	88.0	88.2	91.2	106.4	123.9	108.6	109.3	82.7	94.4	107.6	101.7
Ireland	25.2	27.1	35.7	40.1	50.1	46.1	45.6	41.4	42.2	43.1	39.2
Italy	273.2	335.5	350.5	508.6	550.7	699.7	680.3	514.8	419.0	436.5	356.1
Luxembourg	5.5	4.1	4.6	4.6	7.5	6.4	2.1	1.8	2.5	6.6	13.1
Portugal	11.9	13.5	21.5	32.7	36.5	45.3	45.8	48.8	50.6	53.6	46.4
United Kingdom	187.1	214.8	243.0	247.0	281.7	320.2	256.3	181.8	177.7	194.9	185.6
Sweden	100.7	112.9	119.1	193.2	271.3	352.0	246.7	270.7	284.4	182.3	152.4
<b>2. World Total</b>	<b>9,456.0</b>	<b>10,543.6</b>	<b>11,149.1</b>	<b>14,903.1</b>	<b>16,810.0</b>	<b>18,111.6</b>	<b>17,087.4</b>	<b>14,022.0</b>	<b>16,842.5</b>	<b>16,233.9</b>	<b>15,753.2</b>

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 4**  
**CHILE'S BALANCE OF TRADE WITH THE EUROPEAN UNION MEMBER STATES AND THE WORLD 1992 - 2002**  
*(Numbers in million of dollars, from each year)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>1. European Union</b>	<b>990.9</b>	<b>232.2</b>	<b>433.9</b>	<b>1,292.7</b>	<b>147.5</b>	<b>186.5</b>	<b>297.9</b>	<b>1,274.5</b>	<b>1,660.9</b>	<b>1,530.0</b>	<b>1,262.9</b>
Germany	-18.6	-135.7	28.7	48.0	13.7	-98.2	-273.3	-69.6	-164.3	-164.0	-310.1
Austria	-20.8	-27.9	-24.3	-30.2	-28.8	-48.6	-30.4	-26.8	-36.9	-27.1	-28.6
Belgium	105.2	28.7	93.2	270.3	11.3	139.6	234.4	182.5	277.0	132.5	100.5
Denmark	-28.3	-40.7	-35.9	-60.2	-65.1	-36.7	-25.6	-4.2	-24.9	-9.3	-8.0
Spain	137.3	-37.3	-121.7	-125.4	-248.5	-276.0	-381.2	-78.7	-41.9	-120.9	-19.1
Finland	1.6	-50.3	-33.7	-23.8	-18.6	-31.7	-58.0	-20.2	-26.7	-46.8	-56.0
France	98.1	28.1	41.4	62.4	-189.1	-44.1	-236.7	78.0	185.3	35.6	16.9
Greece	34.8	40.7	39.8	49.5	37.6	51.8	64.6	23.5	44.9	37.4	54.7
Holland	175.2	174.1	254.3	331.8	274.3	314.7	323.5	428.4	358.3	437.5	441.5
Ireland	-23.4	-25.4	-32.9	-34.3	-43.5	-37.9	-35.2	-25.7	-21.5	-18.6	-9.1
Italy	103.7	-4.5	8.2	100.2	-75.5	-200.3	-11.8	121.9	406.5	376.0	506.7
Luxembourg	-5.4	-3.9	-1.4	-4.5	-7.4	-6.2	-1.7	-1.5	-2.1	-5.6	-13.0
Portugal	23.9	-4.4	-9.2	-16.4	-19.9	-34.2	-32.5	-29.1	-30.6	-33.6	-30.4
United Kingdom	432.2	342.2	279.5	828.6	604.6	741.6	904.8	903.4	898.2	1,037.1	623.1
Sweden	-25.4	-50.4	-52.1	-103.3	-197.6	-247.4	-143.1	-207.3	-160.6	-100.2	-6.2
<b>2. World Total</b>	<b>471.0</b>	<b>-1,129.2</b>	<b>495.6</b>	<b>1,550.6</b>	<b>-1,415.4</b>	<b>-1,094.6</b>	<b>-2,333.5</b>	<b>1,892.6</b>	<b>1,582.5</b>	<b>1,434.1</b>	<b>1,923.1</b>

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 5**  
**EXPORTS FROM CHILE TO THE EUROPEAN UNION ACCORDING TO ELABORATION DEGREE**  
(Numbers in million of dollars FOB, from each year)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>I. Natural Resources</b>	<b>802.8</b>	<b>665.3</b>	<b>780.5</b>	<b>1,108.8</b>	<b>1,213.0</b>	<b>1,232.7</b>	<b>923.3</b>	<b>970.5</b>	<b>1,039.3</b>	<b>946.1</b>	<b>957.9</b>
Mining	476.6	393.6	479.1	727.2	789.0	882.4	538.1	587.4	736.1	624.8	614.6
Forestry*	4.1	0.4	2.0	15.4	0.9	0.8	2.8	17.2	19.5	11.3	6.4
Agriculture and Livestock	316.7	266.1	291.2	356.7	415.7	342.9	364.3	358.6	275.8	301.4	329.4
Agriculture and Livestock	40.2	39.0	36.7	45.8	41.4	39.9	35.1	45.6	51.1	53.2	56.1
Fruit Cultivation	276.5	227.2	254.5	310.9	374.3	303.0	309.2	313.0	224.7	248.3	273.3
Fisheries**	5.5	5.1	8.3	9.6	7.4	6.6	7.2	7.3	8.0	8.5	7.5
<b>II. Processed Natural Resources</b>	<b>2,124.1</b>	<b>1,789.8</b>	<b>1,950.5</b>	<b>3,209.0</b>	<b>2,346.3</b>	<b>2,770.0</b>	<b>3,041.6</b>	<b>2,985.9</b>	<b>3,331.8</b>	<b>3,473.8</b>	<b>3,111.1</b>
Mining	1,315.8	1,202.2	1,211.5	2,073.0	1,565.3	1,833.1	2,092.0	2,058.8	2,065.9	2,251.3	1,938.3
Mining	18.8	13.7	18.5	32.4	22.4	32.8	52.5	46.9	59.7	63.7	49.8
Refined Copper	1,194.0	1,129.0	1,093.3	1,814.7	1,461.2	1,675.4	1,927.9	1,909.2	1,920.2	2,109.9	1,777.6
Bulk Iron and others	85.4	44.3	88.1	213.4	64.4	107.7	96.6	86.1	75.2	68.9	102.1
Nitrate	17.6	15.2	11.6	12.5	17.0	16.8	13.8	15.9	9.8	8.8	6.6
Iron & Steel first transformation	0.1	0.0	0.0	0.3	0.3	0.5	1.2	0.7	1.0	0.0	2.3
Forestry	286.7	189.4	269.2	572.4	231.0	286.9	308.7	265.0	510.7	355.1	331.5
Cellulose	241.0	170.3	239.2	541.0	206.9	236.4	270.1	214.7	467.3	309.8	282.0
Wood	45.7	19.1	30.0	31.4	24.1	30.5	38.6	50.3	43.3	45.3	49.5
Agro-Industry	139.1	119.4	140.2	210.3	257.5	270.3	327.9	362.8	364.0	397.6	418.2
Agro-Industry	104.4	86.9	101.2	149.0	153.1	116.8	145.1	120.5	106.4	120.8	124.1
Wines	34.6	32.5	39.0	61.4	104.5	153.5	182.9	242.3	257.6	276.8	294.1
Fisheries***	354.2	246.7	247.7	293.8	293.1	268.9	243.7	243.7	246.2	299.2	296.8
Other	28.4	32.0	81.8	59.5	28.7	86.6	44.0	55.6	144.2	170.7	126.3
Agar-agar	2.6	2.1	2.3	4.5	5.4	4.9	2.6	2.8	2.7	2.3	2.0
Methanol	25.8	29.9	79.5	55.0	23.3	81.8	41.4	52.9	141.5	168.4	124.2
<b>III. Other Industrial Products</b>	<b>90.3</b>	<b>90.8</b>	<b>99.1</b>	<b>130.3</b>	<b>126.1</b>	<b>141.6</b>	<b>174.4</b>	<b>166.6</b>	<b>170.6</b>	<b>174.2</b>	<b>217.1</b>
Textiles and Clothing	10.9	15.7	16.8	16.0	14.3	11.6	8.3	7.9	6.4	8.0	7.7
Papers and Printing	3.3	3.7	3.2	2.4	2.7	3.3	1.4	5.8	6.7	12.3	19.6
Furniture & other forestry products	7.1	6.1	4.1	3.8	3.4	3.6	3.6	3.3	4.0	2.8	2.3
Chemicals	41.5	35.2	44.7	74.6	75.7	84.2	115.4	90.3	79.8	89.4	89.3
Chemicals	39.0	34.2	44.3	74.4	75.2	83.6	114.9	89.5	78.9	88.4	86.2
Rubber and Plastics	2.5	1.0	0.4	0.3	0.5	0.5	0.4	0.8	0.9	1.0	3.1
Metal-mechanic	17.8	20.2	19.5	19.0	15.0	14.1	22.3	27.2	39.4	24.7	20.7
Others****	9.7	9.8	10.7	14.5	15.1	25.0	23.4	32.0	34.2	36.9	77.4
<b>IV. Total Exports</b>	<b>3,017.2</b>	<b>2,545.8</b>	<b>2,830.1</b>	<b>4,448.2</b>	<b>3,685.4</b>	<b>4,144.3</b>	<b>4,148.3</b>	<b>4,123.0</b>	<b>4,540.9</b>	<b>4,594.1</b>	<b>4,286.1</b>

(\*) Includes silvicultural products and raw wood  
(\*\*) Includes craftsmen algae and fish extraction  
(\*\*\*) Includes salmon, fresh, frozen and canned ocean products  
(\*\*\*\*) Includes musical instruments, jewelry, toys, housewares, among others

Sources: Central Bank from Chile, based on Customs Reports.

Elaboration: DIRECON

**TABLE 5.A**  
**STRUCTURE OF EXPORTS FROM CHILE TO THE EUROPEAN UNION ACCORDING TO**  
**ELABORATION DEGREE OF THE GOOD 1992 - 2002**  
*(Numbers in percentages)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>I. Natural Resources</b>	<b>26.6</b>	<b>26.1</b>	<b>27.6</b>	<b>24.9</b>	<b>32.9</b>	<b>29.7</b>	<b>22.5</b>	<b>23.5</b>	<b>22.9</b>	<b>20.6</b>	<b>22.3</b>
Mining	13.8	13.5	13.9	16.3	21.4	21.3	13.5	14.2	16.2	13.6	14.3
Forestry*	0.1	0.0	0.1	0.3	0.0	0.0	0.1	0.4	0.4	0.6	0.1
Agriculture and Livestock	10.5	10.5	10.3	8.0	11.3	8.3	8.8	8.7	6.1	6.2	7.7
Agriculture and Livestock	1.3	1.5	1.3	1.0	1.1	1.0	1.3	1.1	1.1	1.2	1.3
Fruit Cultivation	9.2	8.9	9.0	7.0	10.2	7.3	7.5	7.6	4.9	5.4	6.4
Fisheries**	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
<b>II. Processed Natural Resources</b>	<b>70.4</b>	<b>70.3</b>	<b>68.9</b>	<b>72.1</b>	<b>63.7</b>	<b>66.8</b>	<b>73.3</b>	<b>72.4</b>	<b>73.4</b>	<b>75.6</b>	<b>72.6</b>
Mining	43.6	47.2	42.8	46.6	42.5	44.2	50.4	49.9	45.5	49.0	45.2
Mining	0.6	0.5	0.7	0.7	0.6	0.8	1.3	1.1	1.3	1.4	1.2
Refined Copper	39.6	44.3	38.6	40.8	39.6	40.4	46.5	46.3	42.3	45.9	41.5
Bulk Iron and others	2.8	1.7	3.1	4.8	1.7	2.6	2.3	2.1	1.7	1.5	2.4
Nitrate	0.6	0.6	0.4	0.3	0.5	0.4	0.3	0.4	0.2	0.2	0.2
Iron & Steel first transformation	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Forestry	9.5	7.4	9.5	12.9	6.3	6.9	7.4	6.4	11.2	7.7	7.7
Cellulose	8.0	6.7	8.5	12.2	5.6	6.2	6.5	5.2	10.3	6.7	6.6
Wood	1.5	0.8	1.1	0.7	0.7	0.7	0.9	1.2	1.0	1.0	1.2
Agro-Industry	4.6	4.7	5.0	4.7	7.0	6.5	7.9	8.8	8.0	8.7	9.8
Agro-Industry	3.5	3.4	3.6	3.3	4.2	3.8	3.5	2.9	2.3	2.6	2.9
Wines	1.1	1.3	1.4	1.4	2.8	2.7	4.4	5.9	5.7	6.0	6.9
Fisheries***	11.7	9.7	8.8	6.6	7.2	7.1	6.5	5.9	5.4	6.5	6.9
Other	0.9	1.3	2.9	1.3	0.8	2.1	1.1	1.3	3.2	3.7	2.9
Agar-agar	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Methanol	0.9	1.2	2.8	1.2	0.6	2.0	1.0	1.3	3.1	3.7	2.9
<b>III. Other Industrial Products</b>	<b>3.0</b>	<b>3.6</b>	<b>3.5</b>	<b>2.9</b>	<b>3.4</b>	<b>3.4</b>	<b>4.2</b>	<b>4.0</b>	<b>3.8</b>	<b>3.8</b>	<b>5.1</b>
Textiles and Clothing	0.4	0.6	0.6	0.4	0.4	0.3	0.2	0.2	0.1	0.2	0.2
Papers and Printing	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.3	0.5
Furniture & other forestry products	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Chemicals	1.4	1.4	1.4	1.7	2.1	2.0	2.8	2.2	1.8	1.9	2.1
Chemicals	1.3	1.3	1.6	1.7	2.0	2.0	2.8	2.2	1.7	1.9	2.0
Rubber and Plastics	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Metal-mechanic	0.6	0.8	0.7	0.4	0.4	0.3	0.5	0.7	0.9	0.5	0.5
Others****	0.3	0.4	0.4	0.3	0.4	0.6	0.6	0.8	0.8	0.8	1.8
<b>IV. Total Exports</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(\*\*) Includes silvicultural products and raw wood  
 (\*\*\*) Includes salmon, fresh, frozen and canned ocean products  
 (\*\*\*\*) Includes craftsmen's products, jewelry, toys, housewares, among others  
 Source: Central Bank from Chile, based on Customs Reports  
 Elaboration: DIRECON

**TABLE 6**  
**CHILE'S IMPORTS FROM THE EUROPEAN UNION, ACCORDING TO TYPE OF GOOD 1992 - 2002**  
*(Numbers in million of dollars CIF, from each year)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
I. Consumer Goods	259.7	307.3	354.1	480.7	517.7	550.6	545.9	433.2	464.1	530.1	461.1
II. Intermediate Goods	1,121.4	1,220.2	1,244.1	1,570.3	1,688.1	1,865.9	1,811.4	1,506.2	1,604.2	1,583.8	1,523.8
Oil	-	-	-	-	-	-	-	0.0	-	-	-
Other fuels and lubricants	24.8	29.2	32.2	46.6	45.0	53.3	34.7	20.4	22.8	17.7	18.4
III. Capital Goods	645.3	785.1	797.9	1,104.4	1,332.1	1,541.4	1,493.0	909.1	811.8	950.2	1,036.5
Total Imports	2,026.4	2,312.6	2,396.1	3,155.5	3,537.9	3,957.9	3,850.3	2,848.5	2,880.0	3,064.1	3,023.4

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 6. A**  
**CHILE'S STRUCTURE OF IMPORTS FROM THE EUROPEAN UNION, ACCORDING TO TYPE OF GOOD 1992 - 2002**  
*(Numbers in percentages)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
I. Consumer Goods	12.8	13.3	14.8	15.2	14.6	13.9	14.2	15.2	16.1	17.3	15.3
II. Intermediate Goods	55.3	52.8	51.9	49.8	47.7	47.1	47.0	52.9	55.7	51.7	50.5
Oil	-	-	-	-	-	-	-	0.0	-	-	-
Other fuels and lubricants	1.2	1.3	1.3	1.5	1.3	1.3	0.9	0.7	0.8	0.6	0.6
III. Capital Goods	31.8	33.9	33.3	35.0	37.7	38.9	38.8	31.9	28.2	31.0	34.3
Total Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank from Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 7**  
**AUTHORIZED FOREIGN INVESTMENT OF THE EUROPEAN UNION IN CHILE (D.L. 600) 1974 - 2002**  
*(Thousands of dollars)*

Country/Sector	1974-1994	1995	1996	1997	1998	1999	2000	2001	2002	Total per country
Germany	159,727	7,669	218,685	25,433	166,368	80,992	20,030	11,615	62,660	753,179
Austria	17,795	7,680	2,372	7,745	1,640	3,243	1,000	-	-	41,475
Belgium	25,406	-4,775	80,808	550	191,126	138,200	6,000	825	150,000	588,140
Denmark	11,015	10,000	475	-	-	-	1,225	5,000	6,650	34,365
Spain	865,767	67,784	1,065,845	1,682,685	701,925	5,685,696	813,516	499,167	353,515	11,735,900
Finland	447,445	255,000	14,945	139,200	14,000	10,000	3,300	-	10,400	894,290
France	266,564	35,154	69,094	162,043	99,102	703,075	78,226	30,990	61,599	1,505,847
Greece	-	-	-	-	-	-	-	4,900	10,100	15,000
Ireland	21,020	-	500	100	-100	-	-	5,000	-	26,520
Italy	67,166	18,000	406,893	19,150	10,852	150,000	1,081,765	2,810	80,345	1,836,981
Luxembourg	199,377	60	-	2,300	15,350	20,193	-	-	-	237,280
Low Countries	318,105	40,147	185,314	326,787	439,131	56,134	102,100	35,860	80,576	1,584,154
Portugal	-	100	400	200	-	1,100	3,000	-	-	4,800
United Kingdom	1,838,377	80,997	225,427	1,746,695	170,177	38,471	249,800	983,950	1,722,777	7,056,671
Sweden	48,313	3,400	274	17,800	150	-	3,300	115,000	5,950	194,187
<b>TOTAL EU</b>	<b>4,286,077</b>	<b>521,216</b>	<b>2,271,032</b>	<b>4,130,688</b>	<b>1,809,721</b>	<b>6,887,104</b>	<b>2,363,262</b>	<b>1,695,117</b>	<b>2,544,572</b>	<b>26,508,789</b>

**TABLE 8**  
**MATERIALIZED FOREIGN INVESTMENT OF THE EUROPEAN UNION IN CHILE (D.L. 600) 1974 - 2002**  
(Thousands of dollars)

Country/Sedor	1974-1994	1995	1996	1997	1998	1999	2000	2001	2002	Total per Country
Germany	115,871	56,313	-6,631	25,800	146,922	69,050	10,633	30,922	7,902	456,782
Austria	10,080	4,959	4,487	3,784	1,899	999	327	18	13	26,566
Belgium	17,494	-750	79,954	100	103,166	104,808	20,230	22,445	132,000	479,447
Denmark	8,888	-	217	223	-	-	-774	4,000	1,650	14,204
Spain	734,436	55,391	487,751	1,497,716	896,076	4,582,751	723,401	388,496	241,604	9,607,622
Finland	237,182	121,933	59,390	12,964	83,776	2,998	-28,021	-	1,500	491,722
France	203,532	26,561	65,771	62,615	150,152	608,019	43,033	57,458	20,235	1,237,376
Greece	-	-	-	-	-	-	-	200	4,547	4,747
Ireland	17,222	-	500	100	-100	-	-	-	-	17,722
Italy	48,299	5,173	324,897	18,547	5,639	51,190	96,130	919,994	29,664	1,499,533
Luxembourg	110,358	640	2,383	340	13,573	16,441	-921	-	-	142,814
Low Countries	263,679	39,671	121,173	362,777	168,972	181,084	104,374	88,472	40,731	1,370,933
Portugal	-	21	345	195	-	1,000	1,048	-	-	2,609
United Kingdom	801,791	90,265	231,716	200,599	411,581	310,927	180,265	423,632	1,499,207	4,149,983
Sweden	38,763	1,069	251	17,592	189	-	1,276	78,817	27,785	165,742
<b>TOTAL EU</b>	<b>2,607,595</b>	<b>401,246</b>	<b>1,372,204</b>	<b>2,203,352</b>	<b>1,981,845</b>	<b>5,929,267</b>	<b>1,151,001</b>	<b>2,014,454</b>	<b>2,006,838</b>	<b>19,667,802</b>

Source: DIRECON

**TABLE 9**  
**MATERIALIZED FOREIGN INVESTMENT OF THE EU IN CHILE, D.I.L. 600, ACCORDING TO SECTORS 1974 - 2002**  
*(Thousands of dollars)*

Country/Sector	Agriculture	Construction	Electricity, gas & water	Fisheries	Forestry	Industry	Mining	Services	Transport & Communications	Total per country
Germany	25,227	27,959	0	2,400	6,340	111,295	5,925	261,058	16,578	456,782
Austria	1,898	0	0	0	21,693	2,794	0	181	0	26,566
Belgium	1,102	294	423,566	0	0	23,409	0	27,737	3,339	479,447
Denmark	0	0	0	0	0	8,756	0	645	4,803	14,204
Spain	1,298	723,695	4,747,425	997	130	168,304	2,194	2,843,546	1,120,033	9,607,622
Finland	0	0	0	62,675	0	2,875	423,789	2,383	0	491,722
France	6,623	115,458	554,831	0	0	187,093	0	357,843	15,528	1,237,376
Greece	0	0	0	0	0	0	0	4,747	0	4,747
Ireland	0	0	0	0	0	8,522	0	9,200	0	17,722
Italy	7,961	40,374	0	0	0	65,742	7	14,315	1,371,134	1,499,533
Luxembourg	33,545	227	0	0	0	7,025	20	101,997	0	142,814
Low Countries	7,359	349	0	1,365	0	432,254	16,026	910,199	3,381	1,370,933
Portugal	0	0	0	0	0	0	0	2,609	0	2,609
United Kingdom	16,769	2,973	297,919	7,044	675	438,545	2,812,238	354,710	219,110	4,149,983
Sweden	0	98,773	0	408	6,000	43,215	0	16,024	1,322	165,742
<b>TOTAL</b>	<b>101,782</b>	<b>1,010,102</b>	<b>6,023,741</b>	<b>74,889</b>	<b>34,838</b>	<b>1,499,829</b>	<b>3,260,199</b>	<b>4,907,194</b>	<b>2,755,228</b>	<b>19,667,802</b>



**TABLE 9. A**  
**STRUCTURE OF THE MATERIALIZED FOREIGN INVESTMENT OF THE EU IN CHILE, D.L. 600,**  
**ACCORDING TO SECTORS 1974 - 2002**  
*(Amounts in percentages)*

Country/Sector	Agriculture	Construction	Electricity, gas and water	Fisheries	Forestry	Industry	Mining	Services	Transport and Communications	Total per country
Germany	24.8	2.8	0.0	3.2	18.2	7.4	0.2	5.3	0.6	2.3
Austria	1.9	0.0	0.0	0.0	62.3	0.2	0.0	0.0	0.0	0.1
Belgium	1.1	0.0	7.0	0.0	0.0	1.6	0.0	0.6	0.1	2.4
Denmark	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.2	0.1
Spain	1.3	71.6	78.8	1.3	0.4	11.2	0.1	57.9	40.7	48.8
Finland	0.0	0.0	0.0	83.7	0.0	0.2	13.0	0.0	0.0	2.5
France	6.5	11.4	9.2	0.0	0.0	12.5	0.0	7.3	0.6	6.3
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.2	0.0	0.1
Italy	7.8	4.0	0.0	0.0	0.0	4.4	0.0	0.3	49.8	7.6
Luxembourg	33.0	0.0	0.0	0.0	0.0	0.5	0.0	2.1	0.0	0.7
Low Countries	7.2	0.0	0.0	1.8	0.0	28.8	0.5	18.5	0.1	7.0
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
United Kingdom	16.5	0.3	4.9	9.4	1.9	29.2	86.3	7.2	8.0	21.1
Sweden	0.0	9.8	0.0	0.5	17.2	2.9	0.0	0.3	0.0	0.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: DIRECON

**TABLE 10**  
**CHILE'S PROMOTION AND INVESTMENT PROTECTION AGREEMENTS**  
**WITH EUROPEAN COUNTRIES**  
**2002**

GROUP	IN FORCE	APPROVED LEGISLATIVE POWER	CURRENTLY IN LEGISLATIVE POWER	SIGNED	TEXTS AGREED ON	PENDING
<b>EUROPEAN UNION</b>						
<b>Member States</b>						
	Germany (06-18-99) Austria (11-17-00) Belgium, Luxembourg (08-05-99) Denmark (11-30-95) Spain (04-27-94) Finland (06-14-96) France (12-05-94) Italy (06-23-95) Portugal (02-24-98) United Kingdom (06-23-97) Sweden (02-13-96)	Greece	Netherlands	Germany (10-21-91) Austria (09-08-97) Belgium, Luxembourg (07-15-92) Denmark (05-28-93) Spain (10-02-91) Finland (05-27-93) France (07-14-92) Greece (07-10-96) Italy (03-08-93) Low Countries (11-30-98) Portugal (04-28-95) United Kingdom (01-08-96) Sweden (05-24-93)		Ireland
<b>Acceding Countries</b>						
	Poland (09-22-00) Czech Rep. (12-02-96) Romania (08-27-97)		Hungary	Hungary (03-10-97) Poland (07-05-95) Czech Republic (04-24-95) Romania (07-04-95)	Latvia	Bulgaria Slovenia Republic of Slovakia
<b>EFTA</b>						
	Norway (11-04-94) Switzerland (08-22-02)			Norway (06-01-93) Switzerland (09-24-99)		
<b>Others</b>						
	Croatia (07-31-96) Ukraine (08-29-97)		Turkey	Croatia (11-28-94) Turkey (08-21-98) Ukraine (10-30-95)		Russian Federation

Source: DIRECON

**TABLE 11**  
**AGREEMENTS TO AVOID DOUBLE TAXATION**  
**OF CHILE WITH COUNTRIES FROM EUROPE**  
**2002**

GROUP	IN LEGISLATIVE CHAMBER	SIGNED	TEXTS AGREED ON	PENDING
<b>EUROPEAN UNION</b>				
MEMBER STATES		DENMARK (09-21-01)	GERMANY (March 2002)	SPAIN FINLAND FRANCE HOLLAND UNITED KINGDOM SWEDEN
ACCEDING COUNTRIES	POLAND (03-10-00)			
EFTA		NORWAY (10-26-01)		SWITZERLAND

Source: DIRECON



## ANNEX VI

### CHILEAN TRADE WITH THE TEN COUNTRIES ACCEDING THE EUROPEAN UNION, THE EFTA MEMBER STATES AND TURKEY



**TABLE 1**  
**CHILE'S TRADE WITH THE TEN COUNTRIES ACCEDING TO THE EU 1992 - 2002**  
(Numbers in million of dollars; yearly)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	57.3	12.3	5.0	70.9	34.4	13.7	18.3	8.5	15.5	26.5	20.2
Imports (CIF)	15.2	15.3	16.6	33.7	49.0	32.6	56.0	42.9	41.3	44.4	49.1
Commercial Exchange	72.6	27.6	21.6	104.6	8305	46.2	74.3	51.4	56.8	71.2	69.3
Commercial Balance	42.1	-3.0	-11.6	37.2	-14.6	-18.9	-37.7	-34.4	-25.8	-18.0	-28.9

**TABLE 1.A**  
**TRADE PARTICIPATION WITH THE TEN COUNTRIES ADHERING TO THE EU IN CHILE'S TOTAL 1992 - 2002**  
(Numbers in percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	0.7	0.1	0.1	0.8	0.3	0.1	0.1	0.0	0.1	0.2	0.1
Imports (CIF)	0.2	0.2	0.2	0.3	0.4	0.2	0.3	0.2	0.2	0.3	0.3
Commercial Exchange	0.5	0.2	0.1	0.5	0.4	0.1	0.2	0.1	0.2	0.2	0.2

**TABLE 1.B**  
**GROWTH OF CHILE'S TRADE WITH THE TEN COUNTRIES ADHERING TO THE EU 1992 - 2002**  
(Numbers in percentages)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	-78.6	-59.2	1,315.5	-51.5	-60.3	33.9	-53.7	83.2	70.6	-23.7
Imports (CIF)	0.3	8.7	103.0	45.5	-33.6	72.1	-23.5	-3.7	7.6	10.5
Commercial Exchange	-62.0	-21.6	384.0	-20.2	-44.6	60.8	-30.9	10.7	25.3	-2.7

Source: Central Bank of Chile, based on Customs Reports

Elaboration: DIRECON

**TABLE 2**  
**TRADE OF CHILE WITH EFTA 1992 - 2002**  
*(Numbers in million of dollars; yearly)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	39.5	44.6	50.3	140.7	107.7	107.9	9.2	154.6	167.6	214.8	133.6
Imports (CIF)	131.1	161.5	139.6	156.0	223.3	166.4	149.5	172.6	152.1	164.6	126.7
Commercial Exchange	170.7	206.1	189.9	296.6	331.0	274.3	241.7	327.2	319.8	379.4	260.3
Commercial Balance	-96.6	-116.9	-89.3	-15.3	-115.5	-58.5	-57.3	-18.1	15.5	50.3	6.8

**TABLE 2.A**  
**TRADE PARTICIPATION WITH EFTA IN CHILE'S TOTAL 1992 - 2002**  
*(Numbers in percentages)*

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	0.4	0.5	0.4	0.9	0.7	0.6	0.6	1.0	0.9	1.2	0.8
Imports (CIF)	1.4	1.5	1.3	1.0	1.3	0.9	0.9	1.2	0.9	1.0	0.8
Commercial Exchange	0.9	1.0	0.8	0.9	1.0	0.8	0.8	1.1	0.9	1.1	0.8

**TABLE 2.B**  
**CHILE'S TRADE GROWTH WITH EFTA 1992 - 2002**  
*(Numbers in percentages)*

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	12.9	12.8	179.7	-23.5	0.2	-14.6	67.7	8.4	28.2	-37.8
Imports (CIF)	23.2	-13.6	11.7	43.1	-25.5	-10.2	15.5	-11.9	8.2	-23.0
Commercial Exchange	20.7	-7.9	56.2	11.6	-17.1	-11.9	35.4	-2.3	18.6	-31.4

Source: Central Bank of Chile, based on Customs Reports

Elaboration: DIRECON



**TABLE 3**  
**CHILEAN TRADE WITH TURKEY 1992 - 2002**  
(Numbers in million of dollars; yearly)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	18.6	23.4	4.0	13.4	1.6	26.4	23.0	45.3	76.3	71.7	82.3
Imports (CIF)	2.6	4.1	4.4	10.8	9.7	10.2	23.6	14.4	19.6	20.5	22.4
Commercial Exchange	21.2	27.5	8.3	24.2	11.3	36.6	46.6	59.7	96.0	92.2	104.7
Commercial Balance	16.0	19.3	-0.4	2.5	-8.1	16.2	-0.6	30.9	56.7	51.2	59.9

**TABLE 3.A**  
**CHILE'S TOTAL TRADE PARTICIPATION WITH TURKEY 1992 - 2002**  
(Numbers in percentages)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	0.19	0.25	0.03	0.09	0.01	0.16	0.16	0.28	0.41	0.41	0.47
Imports (CIF)	0.03	0.04	0.04	0.07	0.06	0.06	0.14	0.10	0.12	0.13	0.14
Commercial Exchange	0.11	0.14	0.04	0.08	0.04	0.10	0.15	0.20	0.27	0.27	0.31

**TABLE 3.B**  
**CHILE'S TRADE GROWTH WITH TURKEY 1992 - 2002**  
(Numbers in percentages)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Exports (FOB)	26.0	-83.1	238.6	-88.0	1,547.1	-12.9	96.9	68.6	-6.1	14.8
Imports (CIF)	58.9	7.2	146.9	-10.5	5.4	130.7	-39.1	36.6	4.2	9.5
Commercial Exchange	30.0	-69.7	190.3	-53.3	224.0	27.2	25.0	60.9	-4.0	13.6

Source: Central Bank of Chile, based on Customs Reports

Elaboration: DIRECON

*"This is a historic step for Chile. As of this milestone, there will be a before and after the agreement with Europe. In Chilean history, no act like this agreement has meant a greater expansion of our markets and enlargement of our scientific and cultural possibilities."*

**Ricardo Lagos**  
**President of the Republic of Chile**

*"The conclusion of the agreement is, in the first place, the tangible expression of the political commitments assumed in the regional dialogue framework... It is an ambitious agreement, and in several cases, authentically innovative, launching a strategic association of a political, economic and cooperation nature."*

**Romano Prodi**  
**President of the European Commission**

*"The agreement is one more step in a shared history that is long and rich, but it is also a window to the future, a milestone which will imprint our relations during the coming decades and give evidence of the potential of the bonds between Europe and our Latin America."*

**M. Soledad Alvear**  
**Minister of Foreign Affairs of Chile**

*"The EU-Chile agreement sets the course for making the ambitious project of creating a bi-regional strategic association between the EU and Latin America comes true."*

**Jose Ignacio Salafranca**  
**Member of the European Parliament, Rapporteur of the EU-Chile Agreement in the EP**



COMISION EUROPEA



CENTRO LATINOAMERICANO  
PARA LAS RELACIONES CON EUROPA