

Summary of U.S.-Chile FTA Trade in Goods Text

Section A - Definitions and Scope and Coverage

Article 1: Definitions

The U.S. and Chile agreed on definitions for the following concepts that appear in the Trade in Goods text: advertising films and recordings, agricultural goods, articles eligible for duty-free treatment under the U.S. Generalized System of Preferences, commercial samples of negligible value, consular transactions, consumed, customs duty, export subsidies, goods temporarily admitted for sports purposes, goods intended for display or demonstration, printed advertising materials, duty-free, import licensing, and performance requirement.

Article 2: Scope and Coverage

This chapter generally applies to trade in goods of a Party.

Section B - National Treatment

Article 3: National Treatment

This article reaffirms the two Parties' rights and obligations under Article III of GATT 1994. In addition, it specifies that national treatment shall apply at the state (sub-national) level, and that it applies to like, directly competitive, or substitutable goods.

Section C - Tariff Elimination

Article 4: Tariff Elimination

Article 4 provides for the phased elimination of U.S. and Chilean tariffs on goods traded between the two Parties that qualify under the rules of origin set out in a separate chapter of the Agreement. It also states that neither party may raise duties on originating goods. The U.S. agrees to accelerate the elimination of customs duties on any non-agricultural originating goods that are newly designated as duty-free under GSP¹ after the Agreement enters into force. The Parties may consult to consider acceleration of tariff elimination at the request of either Party. Parties may raise tariffs only when a tariff has been unilaterally reduced to a level below that specified in the FTA's tariff elimination schedule or pursuant to WTO dispute settlement provisions.

¹ Excludes articles added for least developed beneficiaries only.

Article 5: Used Goods

Chile agrees to immediate elimination of its 50% surcharge on imports of originating used goods.

Article 6: Customs Valuation

The Parties agree that the WTO Customs Valuation Agreement will be used to determine customs value. This article also specifies the method of valuing imported carrier media of HS 8523 and 8524 and that each Party will determine the rate basis of any indirect or direct taxes on importation according to its domestic legislation.

Section D - Special Regimes

Article 6: Waiver of customs duties

Article 6 provides that, except as permitted under the article that deals with duty drawback and deferral programs, neither Party may extend or renew any duty waivers where such a waiver is conditioned on a performance requirement. This article ensures that Chile and the U.S. will not offer waivers of otherwise applicable duties in return for commitments from firms in their territories to export their products to the other FTA Party or to use locally-produced components.

Article 7: Temporary admission of goods

Article 7 provides that each Party will grant duty-free admission for a variety of goods and equipment that will stay in the country only for a short period or are of negligible commercial value. Example of these items include the following:

- \$ professional equipment (tools of the trade) imported by a business person
- \$ equipment, including software, for the print, film, or broadcasting media
- \$ goods intended for display or demonstration, commercial samples, and advertising films and recordings and
- \$ goods admitted for sports purposes

This article also provides for the possibility of an extension of the temporary admission beyond the original time limit for valid reasons. Temporarily admitted goods need not be originating. Specifies a limited number of conditions under which duty-free temporary admission may be allowed.

Article 8: Drawback and Duty Deferral Programs

Article 8 eventually eliminates the amount of duty drawback and duty waivers and reductions under a foreign trade zone, bonded warehouse or *zona franca* that may be claimed on goods from outside the territory of the two Parties (non-originating goods) that are traded between

the two Parties. Duty drawback rights will be phased out over a 12-year period. For the first 8 years that the Agreement is in force, full drawback rights for both originating and non-originating goods will be granted. Thereafter, drawback for both originating and non-originating goods will be phased out over a four year period. Duty drawback reduces the incentive for integration and increased trade between the FTA partner countries since inputs from third countries are duty-free under the duty-drawback or free trade zone programs.

Article 9: Good re-entered after repair or alteration

Article 9 prevents either Party from applying a customs duty on goods, regardless of origin, that are temporarily admitted into its territory from the other Party for repair or minor alteration. Also prohibits customs duties on such goods when they re-enter the territory of a Party.

Article 10: Duty-Free Entry of Commercial Samples of Negligible Value and Printed Advertising Materials

Duty-free entry would be allowed for these goods regardless of origin, facilitating the conduct of business. Conditions are specified under which the Parties must allow duty-free entry to these articles.

Section E - Non-tariff Measures

Article 12: Import and Export Restrictions

Article 12 forbids import bans except as otherwise provided in the Agreement. Incorporates Article XI of GATT 1994 into the Agreement. Prevents either Party from maintaining export and import price requirements, import licensing conditioned on the fulfillment of a performance requirement, and WTO-inconsistent voluntary export restraint. Allows either Party to ensure that any bans on trade with a non-Party are not circumvented by the Agreement.

Article 13: Administrative Fees and Formalities

This article requires that fees associated with importation are commensurate with the approximate cost of the services rendered. Prohibits consular transactions. Requires each Party to notify all new fees and charges imposed in connection with importation or exportation within 60 days of publication and specifies the information that must be contained in the notification. Requires that a current list of fees and charges imposed on traders is published and made available on the Internet. The U.S. agrees to eliminate its Merchandise Processing Fee.

Article 14: Export Taxes

Article 14 prohibits export taxes except when the tax is also applied to the same goods when domestically consumed.

Article 15: Luxury Tax

Chile agreed to phase out its automotive luxury tax in four years.

Article 16: Distinctive Products

The Parties agreed to recognize the following beverage products: Bourbon Whiskey, Tennessee Whiskey, Chilean Pisco, Vino Pajarete, and Vino Asoleado.

Section G - Agricultural Matters

Article 16: Agricultural Export Subsidies

The Parties agreed to work together in the WTO negotiations to eliminate export subsidies and to establish certain disciplines on subsidized exports between parties.

Article 17: Agricultural Marketing and Grading Standards

The Parties agreed to provisions for recognizing grading, quality, or marketing measures.

Article 18: Agricultural Safeguard

The Parties agreed to provisions for a transitional tariff snap-back mechanism for specified products under certain conditions. Once the tariffs are at zero, the ability to use the snapback disappears. The snap-back mechanism allows the possibility of adding additional import charges to the preferential tariff but never above MFN rates. The actual amount of the additional charge depends on the relationship between the import price of the item and a trigger price that is set out in the Agreement. The list of products eligible for the mechanism are identified in an annex.

Section H - Institutional Provisions

Article 18: Committee on Trade in Goods

The final article establishes a Committee on Trade in Goods that would meet at the request of either Party to discuss any matter arising under this chapter or the chapters on customs administration or rules of origin. The Committee will strive to promote trade between the Parties, including efforts to accelerate tariff elimination. It will also address any non-tariff measures that are of concern to either Party.