

Modernisation of the trade pillar of the EU-Chile Association Agreement

OVERVIEW

In November 2017, the EU and Chile launched negotiations on a modernised trade pillar of the 2002 EU-Chile Association Agreement, based on a Council negotiating mandate which is the first-ever to have been published prior to the start of negotiations with a view to enhancing transparency and inclusiveness.

After having operated smoothly for 15 years and led to a significant expansion of bilateral trade in goods and services and investment, the trade pillar needs to be broadened and deepened in order to unlock untapped potential, break new ground and keep pace with new trade and investment patterns in a global competitive environment that has fundamentally changed with the growing global footprint of countries like China.

Against the backdrop of rising protectionist trends, the EU and Chile – two like-minded partners – seek to reassert their commitment to keeping their economies open to trade and investment. Both intend to shape, pioneer and promote state-of-the-art trade(-related) and investment rules of the 21st century, including on trade and sustainable development (TSD), trade and gender equality, and the fight against corruption.

Given the large convergence of the EU's and Chile's interests and level of ambition, the negotiations are expected to make rapid progress.



Modernisation of the trade pillar of the EU-Chile Association Agreement

Committee responsible: International Trade (INTA)

Rapporteur: Inmaculada Rodríguez- Piñero Fernández (S&D, Spain)

Unlocking untapped potential and breaking new ground

Currently, EU-Chile relations are governed by the 2002 [EU-Chile Association Agreement](#) (AA), which consists of three pillars: political dialogue, cooperation and trade. The trade pillar has the form of a comprehensive free trade agreement (FTA) that goes beyond WTO commitments. It entered into force provisionally in 2003, with the other parts following suit in 2005. The trade pillar was at the forefront of trade policy developments when it was negotiated, and its smooth implementation has contributed to a dynamic EU-Chile trade relationship. However, after 15 years of the FTA's operation global trade and investment patterns and the competitive environment have fundamentally changed with the emergence of big players such as China.

Both partners have increasingly turned to growth markets in the Asia Pacific and have progressively integrated into global value chains. To this end, they have entered into a series of more ambitious FTAs with other partners, granting trade preferences that extend far beyond those contained in the AA's trade pillar. Most recently, they have negotiated new FTAs: the EU with Canada, Japan, Singapore and Vietnam, and [Chile](#) with the [Pacific Alliance](#) (Colombia, Mexico and Peru) and ten Asia Pacific countries in the framework of the [Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#) (CPTPP or TPP-11).

Chile's FTA's with third countries have had a 'crowding-out effect' on the EU market share in Chile. While the EU was Chile's topmost trading partner from 2003 to 2009, it is now third, after China and the USA (see Figure 2). The two partners have therefore agreed to broaden and deepen the provisions of the AA's trade pillar to unlock untapped potential and to counter the trend of bilateral [trade erosion](#) in relative terms to the advantage of third parties.

In addition to deepening bilateral trade liberalisation, the EU and Chile seek to incorporate new ambitious disciplines into the modernised trade pillar, such as

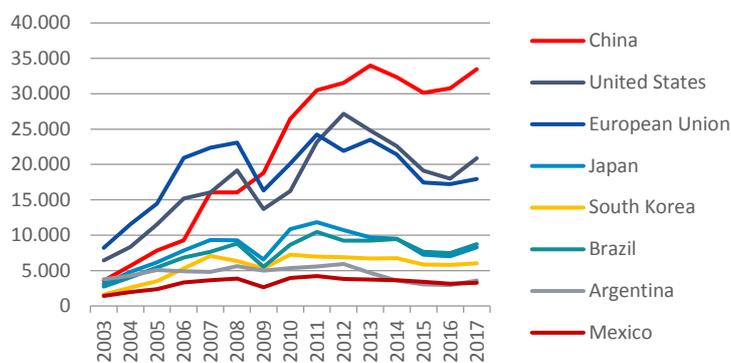
Figure 1 – Map of Chile



Source: EPRS.

strong social and environmental standards to boost sustainable trade, gender equality and anti-corruption provisions reflecting developments in trade(-related) and investment policy. This will allow the two partners to be the frontrunners in jointly shaping, pioneering and promoting state-of-the-art trade (-related) and investment rules of the 21th century. As like-minded partners [sharing](#) a strong belief in multilateralism, a rules-based international order, democratic values, rule of law, good governance and respect for universal human rights and

Figure 2 – Chile's main trade partners, 2003-2017 (in million US\$)



Source: [European Commission](#) based on [Central Bank of Chile](#) data.

fundamental freedoms, they are well-placed to break new ground.¹ Moreover, against the background of persistent [trade and investment barriers](#) in some emerging markets, including China, and new [protectionist trends](#) in the [USA](#) that are adding considerable uncertainty to future global trade, Chile and the [EU](#) seek to flag their commitment to keeping their [economies open](#) to trade and investment more broadly.²

The current legal framework and its shortcomings

The current legal framework for EU-Chile trade and investment relations consists of the 2002 AA's trade pillar and the 2017 EU-Chile trade agreement on organic goods (see box):

The trade pillar covers the following areas:

- Free movement of goods
 - elimination of customs duties
 - non-tariff measures
 - exceptions
- Trade in services and establishment
 - services
 - financial services
 - establishment (non-service sectors)
- Government procurement
- Current payments and capital movement
- Intellectual property rights
- Competition
- Dispute settlement
- Transparency

EU-Chile trade agreement on organic products

In April 2017, the EU and Chile [signed a trade agreement on organic products](#) for a period of three years. It entered into force in January 2018 and is renewable. The two partners mutually recognise the equivalence of their respective organic production standards and control systems and [allow](#) imports into each other's territory of certain organic products accompanied by certificates of inspection issued by their national authorities. The agreement provides for a system of co-operation, exchange of information and dispute settlement in organic trade.

The trade pillar contains three specific agreements on sanitary and phytosanitary (SPS) issues and certain geographic indications (GIs) in its annexes:

- Agreement on Sanitary and Phytosanitary Measures Applicable to Trade in Animals and Animal Products, Plants, Plant Products and Other Goods and Animal Welfare
- Agreement on Trade in Wines
- Agreement on Trade in Spirits Drinks and Aromatised Drinks.

The inclusion of animal welfare into the trade pillar, for instance, has given strong momentum to [institutionalisation](#) processes under the Agriculture and Livestock Service (Servicio Agrícola y Ganadero [SAG](#)) in Chile, and [is said to](#) have markedly improved the country's slaughter standards.

The trade pillar's limited thematic coverage

The 2017 European Commission [impact assessment](#) identifies the following shortcomings in the scope of the trade pillar:

- lack of modern investment protection standards for all EU investors;
- lack of comprehensive investment liberalisation disciplines;
- lack of trade and sustainable development (TSD) provisions;
- lack of a dedicated and binding bilateral mechanism to facilitate trade and investment for small and medium-sized enterprises (SMEs).

Since the trade pillar predates the 2009 Treaty of Lisbon, whose [Article 207](#) conveys the exclusive competence for regulating foreign direct investment (FDI) – except for portfolio investment – to the EU level, it does not contain an investment chapter spelling out market-access or investment-protection rules. EU-Chile [investment relations](#) currently continue to be governed by the bilateral investment treaties (BITs) in force between [17 EU Member States](#) and Chile (the BITs Chile signed with Hungary and the Netherlands are not yet in force). These [differ](#) in their level of ambition as regards post-establishment investment protection, creating possible inconsistencies and hindering

the creation of a level playing field among EU investors. Replacing them by a unified homogeneous legal framework would expand the scope of investment protection to EU Member States currently not covered, and add pre-establishment market access provisions. The few existing investment barriers are [concentrated](#) in the sub-sectors of audio-visual, communications, culture, and transport.

Although the EU-Chile AA was the first EU FTA to include a reference to labour standards, it is included in the chapter on social cooperation within the part on cooperation. This provision is [neither](#) legally binding nor enforceable, reflecting an early stage of the EU's embrace of a so far [consultative approach](#) towards the implementation of social standards in FTAs (see the EU [15-point action plan](#)).

Table 1 lists trade(-related) and investment chapters that the modernised AA would add, which have been incorporated in other FTAs that the EU and Chile have negotiated/concluded or the EU is still negotiating. The focus is on autonomous chapters, although in some cases short references have also been taken into account.

Table 1 – Trade(-related) and investment chapters in FTAs involving the EU and/or Chile, which have already been negotiated or are still under negotiation

FTA	Digital trade/e-commerce	Energy and raw materials	SOEs	Investment	SMEs	TSD	Trade and gender equality	Subsidies	Corporate governance	Anti-corruption
EU-Chile (under negotiation)	yes	yes	yes	yes	yes	yes	yes	yes	reference in TSD	yes
EU-Canada	C16	reference in C25	C18	C8	no ³	C22, C23, C24	no ⁴	C7	references in C22, C24, and C25	no
EU-Japan	C8	no ⁵	C13	no, split ⁶	C20	C16	no	C12	C15	no
EU-Mexico (2018)	C16	C5	C25, C26	C17	C30	C27	no	C24	reference in C27	C36
EU-Mercosur (under negotiation)	no	yes (leaked)	yes	no	yes	yes	no	yes (leaked)	reference in TSD	no
EU-Singapore	C8	C7 renewable energy	C11	no, split	no	C12	no	C11	reference in C12	no
EU-South Korea	C7	reference in C13	C11	no	no	C13	no	C11	reference in C13	no
EU-Vietnam	C8	C7 renewable energy	C11	no, split	no	C13	no	C10	reference in C13	no
CPTPP	C14	no	C17	C9	C24	C19, C20	no	fisheries subsidies in C20	reference in C19	C26

Source: author's own compilation; C = chapter; SOE = state-owned enterprise; CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The limited depth of the trade pillar's disciplines

The 2017 Commission [FTA implementation report](#) identifies the following weaknesses of the trade pillar:

- limited liberalisation of trade in agriculture and food products;
- outdated rules of origin and customs and trade facilitation provisions;
- lack of sufficient disciplines to address remaining non-tariff barriers (NTBs) for industrial and agri-food products;
- market access limitations for key EU service sectors;
- government-procurement market access does not cover all entities (e.g. state-owned enterprises), and procurement rules are outdated;
- limited provisions on intellectual property rights (IPRs);
- no protection of geographical indications (GIs) on foodstuffs (except for wine and spirits).

For example, EU-Chile [trade in agricultural and food products](#) has not yet reached its full potential. The progressive liberalisation of trade in goods over a period of 10 years came to a close in 2013, when **100 %** of manufactured goods, 91 % of agricultural goods and 81 % of fisheries entered tariff-free. However, according to a 2017 [ex-ante study](#), there are about 500 tariff lines (or 21 % of all tariff lines) that are excluded from the gradual import liberalisation to the EU. Chile has further export potential under a progressive or complete liberalisation scheme for beef, pork and poultry meats, olive oil, fruit juices and some specific dairy and fishery products. Moreover, Chile has not utilised its [tariff quotas](#) for pork and beef meats, poultry products and garlic mainly as a result of alternative export opportunities. As regards EU agricultural and food exports to Chile, despite Chile's low import tariffs, market access for some EU products such as beef, fresh fruits and vegetables has been denied due to SPS issues and other specific requirements.

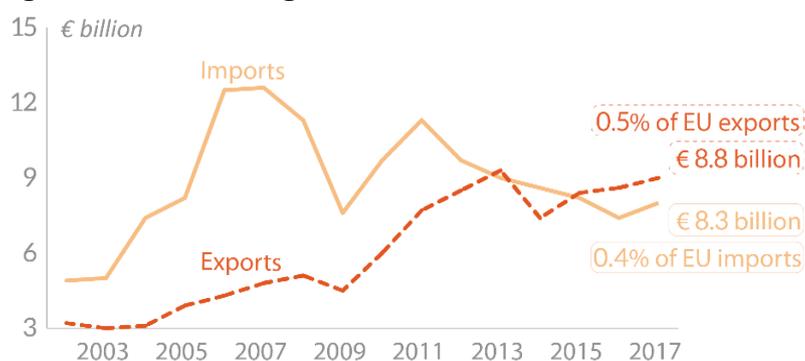
Although Chile has nine barriers highlighted in the Commission [Trade and Investment Barriers report](#) for 2017 and [eight entries](#) in the EU's [market access database](#) as of September 2018, including two key barriers in the area of IPR, the country ranges at the lower end of the spectrum compared to the Russian Federation (36) and China (25), but there is still scope for improvement.

As regards government procurement, Chilean and EU firms have only [very modestly](#) benefited from the present stage of liberalisation in terms of tenders awarded, as specific [barriers](#) persist, such as registration requirements in Chile. The incorporation of recent changes in both partners' legal framework in support of SMEs and transparency, including electronic tenders, as well as an extension of the coverage of (sub-)national entities and SOEs, is likely to create new opportunities.

A glimpse at the performance of the trade pillar

The volumes of EU-Chile **trade in goods** evolved very differently during the first years of the FTA's implementation due to various factors, such as the difference in market size and relevance (the EU is Chile's [third](#) trading partner after China and the USA, while Chile is the EU's 37th trading partner), different tariff liberalisation schedules, alternative trading opportunities, remaining NTBs, and price volatility of commodities such as copper, a major Chilean export item. After 2010, trade volumes have converged significantly, which has led to fairly balanced trade values.

Figure 3 – EU trade in goods with Chile, 2003-2017

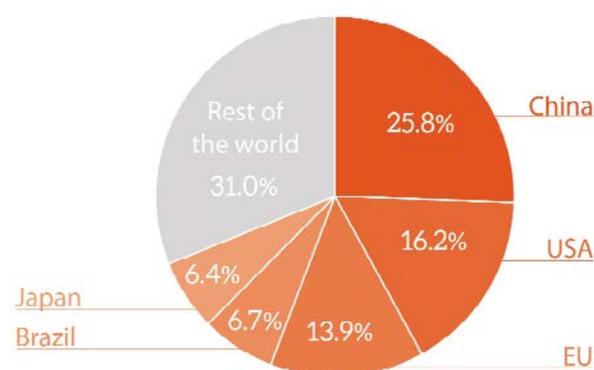


Source: Eurostat.

In 2017, total EU-Chile trade in goods amounted to more than **€17 billion**, with a modest trade surplus of €0.5 billion for the EU. This represents a more than two-fold increase from €7.7 billion in 2003. EU exports consist mostly of industrial goods such as machinery and transport equipment as well as manufactured products, among others chemical products. Chilean exports to the EU are chiefly made up of **agricultural products** (such as fruit), copper and other metals, and industrial products (such as food, wine and cellulose). The increase in the value of Chilean exports is largely **due to** the recovery of copper prices. Although in 2017 copper still accounted for **45.5 %**, the structure of **Chilean exports** to the EU has become somewhat more **diversified**, as since 2012 the share of fruit, wine, cellulose in exports has expanded and exports of beverages, fruit and seafood have seen double-digits growth rates. Chilean exporters tend to make more use of the FTA's trade preferences than their EU counterparts.

Figure 4 – Chile: Top five trade partners

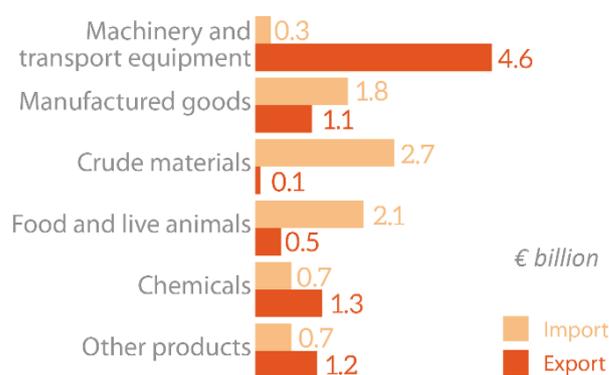
Trade in goods (exports plus imports) (2017)



Source: IMF.

Figure 5 – Main trade products

EU trade in goods with Chile (2017)



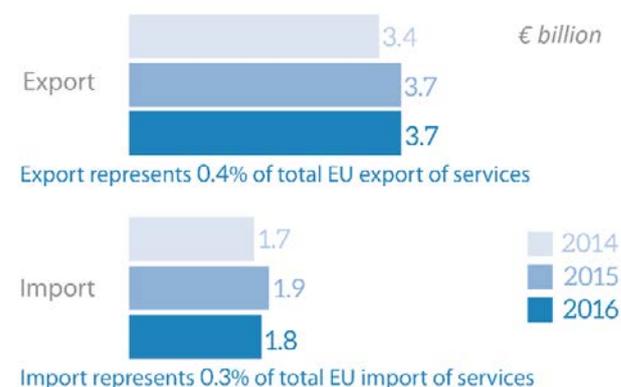
Source: Eurostat.

The preference utilisation rate on EU imports from Chile in 2016 was **95 %**, the utilisation rate on EU exports to Chile stood at **73.9 %** in the same year, down from **78.3 %** in 2013.

EU-Chile **trade in services** was worth €5.5 billion in 2016, slightly down from **€5.6 billion** in 2015. From 2004 to 2012, EU imports of **Chilean services** grew by **94 %**. From 2010 to 2015, EU exports of services **increased** by **27 %**, while EU imports rose by **29 %**.

According to Eurostat data, transport services in 2016 accounted for the lion's share in EU exports to Chile, followed by other business services and telecommunications services. While EU exports of all service categories to Chile have increased or remained fairly stable since 2010, exports of manufacturing services have gradually become insignificant. In 2016, transport services represented the largest share of Chilean exports to the EU, followed by travel services; these have been constantly rising over time. Since 2010, Chilean exports of telecommunications services to the EU have slowly lost importance.

Figure 6 – EU trade in services with Chile

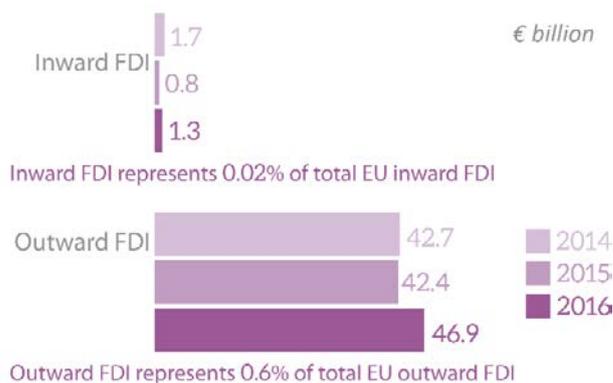


Source: Eurostat.

As for **EU-Chile investment** relations, the EU has remained Chile's first FDI provider, responsible for [33 %](#) of FDI stock.⁷ EU investment in Chile has doubled during the first 10 years and per capita is higher than investment from Brazil, China and Mexico taken together. Italy, Spain, and the UK account for [82.5 %](#) of EU FDI stock, targeting chiefly utilities, mining and financial services. EU FDI to Chile plays a key role in the diversification of the Chilean economy, particularly the energy sector, and in reducing CO2 emissions. Chile attracts [36 %](#) of the roughly [US\\$58.8 billion](#) the EU invests in renewables in Latin America. In 2015, EU FDI outflows declined due to a [downturn](#) in the Chilean mining sector, which has traditionally received about [45 %](#) of total FDI.

Chilean FDI stock in the EU is concentrated on services ([55 %](#)) and industry (44.9%) in Croatia, Germany, France, Belgium, and Spain. In 2015, FDI inflows from Chile more than [halved](#) due to a [decline](#) in growth rates in Chile, but recovered in 2016. Chile's [FDI outflows](#) to the world dropped from an all-time peak in 2013 to much lower levels in 2014 and 2015. FDI outflows are concentrated on Chile's neighbours and, sector-wise, at 47 % on services and 25 % on manufactures.

Figure 7– EU FDI stocks with Chile



Source: Eurostat.

EU negotiation objectives

The 2015 Commission communication [Trade for All](#), which sets out the EU's new approach to trade, refers to the modernisation of the EU-Chile FTA as one among a number of specific initiatives for bilateral negotiations. In line with this trade policy, the Commission's 2017 [impact assessment](#) spells out more general negotiating objectives, including:

- promoting smart, sustainable and inclusive growth through the expansion of trade, investment and relevant rules;
- creating job and labour opportunities and welfare gains;
- increasing consumer benefits (e.g. in terms of choice, availability, and price) and maintaining high standards;
- improving the EU's competitiveness in global markets; and
- reinforcing cooperation on trade-related issues with a like-minded partner

It also sets out specific objectives, such as:

- unlocking untapped market potential in trade in goods and services, investment and government procurement by eliminating and reducing trade barriers;
- ensuring a single, effective investment protection framework for all EU investments, enforced through an [investment court system](#);
- ensuring a high level of IPR protection;
- reinforcing dialogue and cooperation on regulatory frameworks (including technical regulations and conformity assessment procedures) and administrative practices to improve regulatory coherence;
- increasing opportunities for SMEs through specific mechanisms and simplified procedures; and
- contributing to the shared objective of promoting sustainable development and EU values such as human rights, inter alia by including trade-related provisions on labour, environment and gender.

Counterpart's position

The Chilean counterparts are [very satisfied](#) with the operation of the [association agreement](#), which has never caused any trade irritant. They are actively [familiarising](#) the Chilean public with the AA's modernisation process and have been [carrying out informed stakeholder debates](#) since [July 2017](#). They [take the view](#) that modernising the AA would help conclude a state-of-the-art trade agreement that reflects shared values, such as trade and sustainable development, support for SMEs (40 % of Chilean exporters to the EU are SMEs), anti-corruption measures and [trade and gender](#). Being keen on facilitating women's participation in trade, Chile has [promoted](#) such participation in its agreements with [Argentina](#), [Canada](#), and [Uruguay](#) and within the [Pacific Alliance](#); for the EU, this is [new ground](#).

As some tariff lines are not yet liberalised, there is scope for increasing Chilean exports of high-quality value-added agricultural goods, such as dairy, cereals, rice and olive oil. Moreover, Chile seeks to increase its export quotas of meat and dairy products. It aspires to raise the value of goods and services linked to minerals from US\$450 million to US\$4 billion and to double its exports of innovative healthy foods. Last but not least, Chile [seeks](#) to improve export conditions for olive oil, meat, canned fruit and juices. It also aims to achieve improvements in the field of TBTs.

Parliament's position

On 14 September 2017, the European Parliament adopted a [resolution](#) on the negotiation of a modernised trade pillar based on a [report \(2017/2057\(INI\)\)](#) by rapporteur Inmaculada Rodríguez-Piñero Fernández (S&D, Spain). The resolution contains a broad range of recommendations, such as:

- to seek ambitious improvements in market access across tariff lines for trade in goods, while respecting sensitive products;
- to further open public procurement, including at sub-central level;
- to further liberalise service sectors, but emphasise the need to preserve the right of governments to regulate public services in the public interest;
- to put shared social, environmental and political values at the core of the modernisation process;
- to insert a horizontal human-rights clause covering the entire AA;
- to include separate chapters on:
 - micro-enterprises and SMEs;
 - investment;
 - trade and sustainable development (TSD), containing binding and enforceable provisions and possible sanctions for non-compliance;
 - trade and gender equality, with clear and measurable targets;
 - energy;
 - good tax governance;
 - tackling corruption;
- to use the new [investment court system](#) (ICS);
- to conclude two separate agreements [distinguishing](#) between a trade and investment deal under the EU's exclusive competence, and another one for issues where the EU and Member States have shared competences.

The European Parliament's [EU-Chile Joint Parliamentary Committee](#) monitors the AA's implementation, the negotiations related to the modernised agreement, and its ratification. At its [26th meeting](#) in Brussels on 26-27 June 2018, the JPC among others took stock of the progress of these negotiations and adopted a [joint declaration](#).

Advisory Committees

In February 2012, the European Economic and Social Committee (EESC) adopted an [opinion](#) on the role of Chilean civil society and the state of progress on the AA's Article 10 which provides for the establishment of an EESC-Chile civil society joint consultative committee (JCC). However, due to the lack of a counterpart institution in Chile at the time, a JCC was not set up. It was not until 14 years after the AA's conclusion, that the first EU-Chile JCC (18 members, nine EESC, nine Chile) [meeting](#) took place in Santiago on 4-5 October 2016. The JCC's 2nd meeting, held in Brussels on 8 November 2017, [supported](#) in a 15-point declaration the proposal to negotiate the modernisation of the EU-Chile Association Agreement, noting the importance of consulting with civil society.

Preparation of the agreement

Between 2006 and 2010, the EU and Chile [sought](#) to upgrade the trade pillar through the review clauses on agriculture and services. This sectoral approach, however, failed to produce a balanced outcome 'due to the asymmetry of interests' of the two partners.

During the 5th EU-Chile summit in October 2012, the parties agreed to explore the options to upgrade the AA 10 years after the start of its [implementation](#). The Chilean party handed over a non-paper on the AA's modernisation at the end of the [11th Association Committee](#) meeting in October 2013. [In the context of](#) the 6th Association Council meeting in April 2015, Chile and the EU [discussed](#) options to modernise the AA. Accordingly, an EU-Chile Working Group was set up and in early 2016, the two partners [agreed](#) to do a joint scoping exercise to identify their level of ambition of a future modernised AA. The exercise ended in January 2017 and translated into an EU-Chile joint scoping paper.

Subsequently, the Commission conducted an [impact assessment](#) in [preparation](#) of a potential decision to propose the start of negotiations to the Council. A [public online consultation](#) with stakeholders, carried out from June to September 2016, provoked a modest [response](#). An [ex-ante study on a possible modernisation of the EU-Chile AA](#) was published in January 2017.

The Commission reached out to EU businesses once again, posing them a set of technical [questions](#) (e.g. on trade flows and opportunities, customs procedures, rules of origin, standards and technical regulations, trade defence, intellectual property rights, etc.). The aim was for the respondents' practical experience of working with Chilean counterparts to feed into the negotiations on a modernised trade pillar.

Negotiation process

The Foreign Affairs Council of 13 November 2017 [approved](#) the mandate for the Commission to negotiate a modernised EU-Chile AA set to enhance existing cooperation on political, security and trade matters. On 22 January 2018, the Council [decided](#) for the first time ever to make public the entire [negotiating guidelines](#) covering political dialogue, cooperation and trade aspects prior to the start of negotiations. A [first round of talks](#) was held in Brussels on 16 November 2017. The second [round \(report\)](#) took place in Santiago from [15 to 19 January 2018](#), the third [negotiation](#)

EU text proposals (November 2018)

- › [Anti-corruption](#)
- › [Competition](#)
- › [Customs and trade facilitation](#)
- › [Digital trade](#)
- › [Dispute settlement](#)
 - › [Dispute settlement – Annex on a Code of Conduct](#)
 - › [Dispute settlement – Annex on Rules of Procedure](#)
- › [Energy and raw materials](#)
- › [Intellectual property](#)
- › [Public procurement](#)
- › [Rules of origin](#)
- › [Investment and trade in services](#)
- › [SMEs](#)
- › [State-owned enterprises](#)
- › [Technical barriers to trade](#)
- › [Trade in goods](#)
- › [Trade remedies – Sections A and B](#)
- › [Trade remedies – Section C](#)
- › [Animal and plant health](#)
- › [Trade and sustainable development](#)
- › [Trade and gender equality](#)

Source: [European Commission](#), DG Trade.

[round \(report\)](#) in Brussels from 28 May to 1 June 2018. By June 2018, the Commission and Chile had published respectively 18 and eight negotiating text proposals (see boxes).

A [sustainability impact assessment](#) (SIA) considering economic, social and human rights implications with quantitative and qualitative approaches is under preparation: an [inception report](#) was published in June 2018 and an [interim report](#) in October 2018. The final report is expected in January 2019.

On 29 May 2018, the Commission organised a [civil society dialogue](#) on the modernisation of the EU-Chile AA in Brussels; on 4 July 2018 it held a civil society dialogue [meeting](#), which discussed the SIA inception report. Another civil society dialogue on the draft interim SIA report [took place](#) on 12 November 2018.⁸

The changes the agreement would bring

The modernised trade pillar [is expected to](#) provide increased business opportunities for SMEs resulting from non-tariff barrier cost reduction, simplification of customs procedures and rules of origin, an increase in regulatory cooperation, and convergence towards international standards. It would also include provisions to enhance SMEs' access to information and to improve transparency. As a consequence, it is likely to boost growth and employment, lower consumer prices, and enhance consumer welfare. Expanding trade would furthermore result in a greater choice of quality products for consumers in the EU and Chile.

The [2017 ex-ante study](#) places long-term [welfare gains](#) due to changes in consumer prices and labour income at €269 or €712 million for the EU, and at €369 or €529 million for Chile, in a conservative and an ambitious scenario respectively. Given Chile's small-size market and the corresponding small size of its trade compared to the EU, most studies assume a modest impact of the modernised AA, i.e. a 0.1 % increase in EU trade. There is the assumption that Chile is likely to benefit more from investment liberalisation and protection provisions than the EU, as Chilean FDI flows to the EU could increase moderately by 2-3 %. Although some predict that EU FDI to Chile could increase by 25 %, this scenario may not materialise in full, owing to the Chilean market's limited size and the fact that big EU Member States are already important investors in Chile under existing BITs.

As for the environmental impact of growth in trade, there are expectations that a related increase in international transport would lead to higher CO₂ emissions, and that pressures on land and water and biodiversity could arise from an expansion of Chile's agricultural sector as a result of enhanced export opportunities. However, these effects could be compensated with strengthened EU-Chile technical and policy cooperation in crucial environmental matters, including by incentivising the adoption of green technologies for sustainable production and consumption.

The modernised trade pillar could furthermore contribute to expanding EU-Chile trade and investment more equally among EU Member States, since it is currently focused on the 'old' ones.

Stakeholders' views

Chilean [exporters of agricultural products](#), that are still subject to EU import tariffs or quotas, have voiced their interest in gaining better access to the EU market through complete tariff liberalisation. This would notably be the case where EU exporters for like products (for example, olive oil) are already benefiting from zero-import tariffs to the Chilean market. Such improved access would be achieved through the simplification of EU import requirements that are considered as being too strict (including for beef and cheese), and through an expansion of (partly unused) quotas (for [pork](#)

Chile's text proposals
(November 2018)

- [Cross-border trade in services](#)
- [Customs procedure and trade facilitation](#)
- [Environment](#)
- [Labour](#)
- [Investment](#)
- [Rules of origin](#)
- [Technical barriers to trade](#)
- [Trade and gender](#)

Source: [Direcon](#).

[and poultry](#) as well as for beef and cheese) to take into account Chile's increased export potential created since the AA's conclusion.

Chile's wine producers advocate expediting the procedure for updating the list of GIs in the agreement on wines annexed to the trade pillar and making use of an electronic notification for such an update - . Chile's fruit exporters are interested in the recognition of new types of fruit resilient to changing climate conditions and long-distance transport. As for trade and gender, the Chilean side seeks creative ideas, such as establishing specific quotas for agricultural products made by women.

In the context of mainstreaming the UN's 2030 Agenda for Sustainable Development into the modernised AA, the Chilean NGO [Acción](#) (Asociación Chilena de Organismos No Gubernamentales A.G.) stresses that the AA must not impede reforms of laws and regulations that are clearly driven by prioritising the protection of private investment over the common interest. With reference to text proposals for the EU's negotiations with Mexico and Mercosur in the field of IPR, the Chilean NGO [Derechos Digitales](#) takes the view that in the context of the modernised AA, the rights of broadcasting organisations, among other things, must not be expanded beyond the existing level of protection under national provisions in Chile.

On the EU side, NGOs Eurogroup for Animals and Humane Society International/Europe [stress](#) the need to include a separate animal welfare chapter similarly to the EU-Mexico AA and to make the modernised AA more ambitious in fields such as breeding, herding, handling and transporting of farm animals. They suggest emulating the [CPTPP](#) agreement's rule book on wild life protection; carrying out case studies on salmon farming and their impact on biodiversity as well as on fisheries and [analysing](#) the modernised AA's impact on animal welfare as regards the use of antibiotics in salmon farming, dairy and meat production.

EP SUPPORTING ANALYSIS

[The effects of human rights related clauses in the EU-Mexico Global Agreement and the EU-Chile Association Agreement](#). Ex-post impact assessment, EPRS, January 2017.

OTHER SOURCES

BKP Development Research Consulting, Sustainability Impact Assessment in Support of the Negotiations for the Modernisation of the Trade Part of the Association Agreement with Chile, [inception report](#), June 2018, and [interim report](#), October 2018.

Copenhagen Economics, [Ex-post Assessment of Six EU Free Trade Agreements. An Econometric Assessment of their Impact on Trade](#), February 2011.

Dirección General de Relaciones Económicas Internacionales (Direcon), Ministerio de Relaciones Exteriores, [Acuerdo de Asociación Chile – Unión Europea: Evaluación a 15 años de su entrada en vigor](#), March 2018.

Ecorys and CASE, [Ex-ante Study of a Possible Modernisation of the EU-Chile Association Agreement](#), 2017.

European Commission, [Individual reports and info sheets on implementation of EU Free Trade Agreements](#), SWD(2018) 454final, October 2018, accompanying the document [Report from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements](#), COM(2018) 728final, October 2018.

European Commission, [Country reports and info sheets on implementation of EU Free Trade Agreements](#), SWD(2017)0364final, November 2017, accompanying the document, [Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Implementation of Free Trade Agreements](#), SWD(2017) 654 final, November 2017.

European Commission, [Impact Assessment](#) accompanying the document Joint Recommendation for a Council Decision authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations and negotiate a modernised Association Agreement with the Republic of Chile, SWD(2017) 173, July 2017.

Furche C. and Contreras R., [Acuerdo de Asociación entre Chile y la Unión Europea: evaluación del pilar comercial](#), Comisión Económica para América Latina y el Caribe (CEPAL), February 2014.

ITAQA Sarl, [Evaluation of the economic impact of the trade pillar of the EU-Chile Association Agreement](#), ex-post evaluation, March 2012.

Oficina de estudios y políticas agrarias (ODEPA), Ministerio de Agricultura, [Renegociación del Acuerdo de Asociación con la UE](#), June 2018.

Polanco R., [Analysis of the prospects for updating the trade pillar of the European Union-Chile Association Agreement](#), June 2016.

ENDNOTES

- ¹ The other two pillars are also being modernised in parallel, but are not the subject of this briefing.
- ² According to the World Bank, in 2017 Chile's trade openness was [56 %](#) of GDP. This compares with 24 % for Brazil, 25 % for Argentina, 38 % for China, 63 % for France and 87 % for Germany.
- ³ Three non-binding Recommendations on [trade, climate action and the Paris Agreement](#); [Small and Medium-sized Enterprises \(SMEs\)](#); and [Trade and Gender](#), proposed by the Commission, were [submitted](#) to the Council for endorsement in July 2018 and were subsequently [signed](#) by the EU-Canada CETA Joint Committee in September 2018. The Recommendation on Trade and Gender suggests among, other things, creating Contact Points to facilitate cooperation and information exchange.
- ⁴ See footnote 3.
- ⁵ The [EU-Japan Strategic Partnership Agreement](#), Article 26, [concluded](#) on 25 April 2018, covers cooperation on energy.
- ⁶ Split means that investment provisions will be part of a separate agreement, [to take into account](#) the [opinion](#) of the Court of Justice of the European Union (CJEU) of 16 May 2017 on the EU's competence for the signing and conclusion of the EU-Singapore Free Trade Agreement (EUSFTA).
- ⁷ Please note that the FDI figures presented in Figure 7 only provide a snapshot of available data; these data are regularly updated and are therefore subject to frequent change.
- ⁸ For more recent information on the negotiation process, please see the respective entry in the [EPRS legislative train schedule](#), which is updated on a monthly basis.

DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2018.

epers@ep.europa.eu (contact)

www.epers.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

<http://epthinktank.eu> (blog)



First edition. The 'International Agreements in Progress' briefings are updated at key stages throughout the process, from initial discussions through to ratification.