



**2023/0259(NLE)**

9.11.2023

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## **DRAFT RECOMMENDATION**

on the draft Council decision on the conclusion of the Interim Agreement on Trade between the European Union and the Republic of Chile  
(0000/2023 – C9-0000/2023 – 2023/0259(NLE))

Committee on International Trade

Rapporteur: Samira Rafaela

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

## CONTENTS

	Page
DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION .....	5
EXPLANATORY STATEMENT .....	6



## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the draft Council decision on the conclusion of the Interim Agreement on Trade between the European Union and the Republic of Chile  
(0000/2023 – C9-0000/2023 – 2023/0259(NLE))**

**(Consent)**

*The European Parliament,*

- having regard to the draft Council decision (0000/2023),
  - having regard to the draft Interim Agreement on Trade between the European Union and the Republic of Chile (0000/23),
  - having regard to the Joint Statement on the Provisions on Trade and Sustainable Development contained in the Interim Agreement on Trade between the European Union and the Republic of Chile, which is attached to the Agreement,
  - having regard to the request for consent submitted by the Council in accordance with Article 91(1), Article 100(2), Article 207(4), first subparagraph, Article 218(6), second subparagraph, point (a)(v) and Article 218(7) of the Treaty on the Functioning of the European Union (TFEU) (C9-0000/2023),
  - having regard to its non-legislative resolution of ...<sup>1</sup> on the proposal for a Council decision on the conclusion of the Advanced Framework Agreement between the European Union and its Member States, of the one part, and the Republic of Chile, of the other part,
  - having regard to Rule 105(1) and (4) and Rule 114(7) of its Rules of Procedure,
  - having regard to the recommendation of the Committee on International Trade (A9-0000/2023),
1. Gives its consent to the conclusion of the agreement;
  2. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of the Republic of Chile.

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<sup>1</sup> Texts adopted of that date, P8\_TA(0000)0000.

## EXPLANATORY STATEMENT

The EU's political and economic relations with Chile are currently governed by the 2002 Association Agreement. However, the world has changed considerably since 2002, and EU-Chile trade and investment relations have remained below their potential in recent years. Therefore, the EU and Chile started negotiations on the modernisation of the agreement in 2017 in order to bring the agreement in line with the most advanced standards and unlock untapped potentials. The negotiations on the trade part were concluded at technical level in October 2021. The agreement in principle on the new EU-Chile Advanced Framework Agreement (AFA) and the Interim Agreement on Trade (ITA) was announced on 9 December 2022.

The AFA consists of a political and cooperation part and a trade and investment part, including investment liberalisation and investment protection provisions. The agreed text is undergoing a two-track ratification process. Since the AFA as a whole contains provisions on policy areas for which the EU shares competence with EU Member States, such as investment protection, it will be submitted not only to the European Parliament for consent but also to all EU Member States for ratification in accordance with their constitutional requirements. In parallel to the AFA, the ITA, containing only the trade and investment provisions of the AFA falling within the EU's exclusive competence, has been proposed for signature and conclusion in an EU-only ratification procedure. The ITA requires the consent of the European Parliament, followed by the adoption of a Council decision on the conclusion. Once the AFA enters into force, the ITA will automatically expire.

Chile is one of Latin America's most prosperous and industrialised countries. It has a very open economy, highly dependent on international trade. Chile is the EU's third-biggest trading partner in Latin America, whereas for Chile, the EU is its third-largest trading partner overall and its largest source of foreign direct investment.

The existing Association Agreement has led to a significant increase in trade and investment volumes between the EU and Chile since its entry into application in 2003. EU-Chile bilateral trade grew by 142 percent between 2002 and 2021. However, trade and investment relations have remained below their potential in recent years, as both sides have concluded more advanced agreements with other partners in the meantime. As a result, the EU has changed from being Chile's first trading partner in 2003-2009 to third place (after China and the US) today.

The modernised agreement will allow both sides to strongly increase their bilateral trade and investment, as it will create mutually beneficial new opportunities and development on both sides. It will liberalise 96 percent of the agricultural tariff lines not yet liberalised on Chile's side and 66 percent on the EU side, over a maximum of seven years, including existing tariff rate quotas for EU cheese and for Chilean processed cereals. This will result in over 95 percent of bilateral trade in goods being duty free. For very sensitive products, exclusions will continue to apply, including for sugar on both sides and for bananas and rice on the EU side. Chilean fruit and vegetables will continue to be subject to the EU entry price system. The EU will provide additional market access in the form of increased duty-free quotas for poultry meat, pork, sheep meat, beef, garlic and canned fish from Chile. New such quotas for Chile will be opened for olive oil, fruit preparations and other items. The agreement will protect 216 geographical indications (GIs) from the EU in Chile and 18 GIs from Chile in the EU. Bilateral trade in industrial goods was already fully liberalised under the current agreement.

The ITA also contains state-of-the-art chapters on investment and services, which ensure that European investors will be given the same treatment as Chilean ones when establishing and operating their businesses in Chile, and vice versa. The agreement safeguards the right of public authorities to regulate in the public interest. This includes the right to maintain public services such as education, healthcare and water, or to return privately provided services to the public sector.

The rapporteur is particularly pleased that the Commission listened to the calls of the European Parliament for the inclusion of a dedicated and stand-alone chapter on trade and gender, the first ever in an EU trade agreement. Gender equality is one of the core values of the EU, and must be advanced at all stages and through all policies. This chapter, with ambitious commitments, will set a new precedent for gender equality mainstreaming through EU trade relations.

The new agreement will also contribute to a fairer and more equitable green transition for both partners. Crucially, the agreement will ensure discrimination-free access to critical raw materials and clean energy, while contributing to locally added value in Chile. The chapter on energy and raw materials prohibits export and import monopolies and dual pricing, while it allows Chile some policy space to facilitate the emergence of new industrial sectors by setting a lower domestic price within certain limits.

The ITA also includes a comprehensive chapter on Trade and Sustainable Development (TSD), containing ambitious and binding commitments on social, labour and environmental matters. Furthermore, Chile and the EU have committed in a joint statement accompanying the ITA to review the agreement as soon as it enters into force in order to align it with the most up to date sustainability standards, in particular the EU's new TSD approach. This will ensure that the commitments on social and labour rights, including indigenous rights such as free, prior, and informed consent, as well as environmental standards will be more effectively enforceable.

The ITA will allow the EU to consolidate and further strengthen its relationship with one of its most important and reliable partners in Latin America. The agreement demonstrates that the EU can work together with likeminded partners to advance fair, sustainable, and values-based trade. At a time when the multilateral world order, which includes open and rules-based trade, is increasingly being put in question, this agreement is also a strong signal against protectionist tendencies and allows both partners to diversify their supply chains.

The agreement will bring the EU-Chile trade and investment relationship in line with the most advanced standards in areas related to, among others, environmental protection, labour rights, gender equality and human rights and the rights of indigenous peoples. It will eliminate most of the remaining tariffs and create significant new opportunities for economic growth and sustainable development. By ensuring equal treatment to investors from both sides, the agreement will incentivise more European companies to invest in Chile and vice versa, including in strategic sectors such as renewable energies and raw materials.

The rapporteur therefore recommends to give consent to the agreement.