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UNICE POSITION PAPER ON EU-CHILE RELATIONS

Executive Summary

UNICE fully supports the current negotiations leading to an EU-Chile Association Agreement. It firmly believes that the Agreement, in conformity with WTO rules, will bring mutual benefits and close cooperation in the political, economic and socio-cultural fields.

In UNICE's opinion, the EU-Chile Association Agreement offers a unique opportunity to promote trade and improve conditions for investment, as well as providing a model for other regional or bilateral agreements. With trade liberalisation, both the EU and Chilean economies will become more competitive globally.

UNICE calls on negotiators of both sides to intensify their efforts with a view to a balanced agreement being reached by the EU-Latin America and Caribbean Summit of Heads of State and Government to take place in Madrid on 17-18 May 2002.

UNICE believes that multilateral and regional trade liberalisation are complementary and should be pursued simultaneously. Bilateral agreements, fully compatible with the principles and rules of the multilateral trading system of the WTO, can contribute positively to trade and investment liberalisation at multilateral level.

In this position paper, UNICE presents specific demands for the negotiations on trade and investment issues.

The EU institutions and the Chilean government are encouraged to strengthen dialogue with business organisations, which play a key role in the development of a stable environment conducive to trade and investment.

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INTRODUCTION

Chile is an important partner for the European Union politically, economically, and culturally. Chile shares with the EU the values of democracy, a similar political and social model, as well as a number of other cultural values derived from common traditions.

Chile is a very dynamic country. It was the first Latin American state to have undertaken macro-economic reforms. Chile has traditionally had an open trade policy, which has led it to negotiate free-trade agreements with the EU and other countries and regions. It is endowed with plenty of natural and mineral resources, but although its industrial sector, notably manufactures, is increasingly important, Chile still depends highly on raw material exports.

UNICE believes that the potential of EU and Chile economic relations should be further expanded. It sees the negotiations leading to a EU-Chile Association Agreement, in conformity with WTO rules, as a unique opportunity to promote trade and improve conditions for investment, as well as a model for other regional or bilateral agreements. UNICE calls on negotiators of both sides to intensify their efforts with a view to a balanced agreement being reached by the EU-Latin America and Caribbean Summit of Heads of State and Government to take place in Madrid on 17-18 May 2002.

EU RELATIONS WITH CHILE

The European Union is the biggest market for Chilean exports. EU trade with Chile has however lost relative importance, due to the increasing Chilean economic relations with the US, other Latin American countries and Asia. The EU is a major source of FDI in Chile. European investors play an important role in Chile, especially in strategic sectors such as financial services, transport, telecommunications, gas and electricity.

UNICE is convinced that European direct investment is of crucial importance to promote economic growth in Chile, consolidate its integration in the international economy, foster productive development, job creation, technological innovation and the training of human resources. It therefore believes it essential for Chile to continue its action towards attracting long-term capital and promoting private initiative, by creating investor confidence through greater transparency and predictability of the legal environment and administrative procedures.

UNICE fully supports the negotiations underway for creation of an EU-Chile Association Agreement, which covers political dialogue, bilateral cooperation and creation of an EU-Chile free-trade area.

Negotiations are being held in parallel to the Association Agreement between the EU and Mercosur, due to the similar conditions and the situation of Chile as an associate country of Mercosur since 1996. However, UNICE believes that Chile's specific relationship with the EU justifies negotiations moving at their own speed and advancing independently.

European business is convinced that the EU-Chile Association Agreement will bring mutual benefits and close cooperation in the political, economic and socio-cultural fields. With trade liberalisation, both the EU and Chile economies will become more competitive globally.

UNICE believes that prompt conclusion of the EU-Chile Agreement could be a very positive signal for the region and could promote progress in the negotiations with Mercosur. In this respect, UNICE strongly supports the objective set by the EU General Affairs Council on 28 January 2002 to have the negotiations concluded for the Madrid Summit of the EU, Latin America and the Caribbean.

The rounds of negotiations held to date have produced important progress. Regarding trade issues, Chile being an open economy, negotiations have advanced rapidly with an exchange of concrete liberalisation offers by both sides. For the remaining chapters under discussion, UNICE calls both sides to make every effort to reinforce dialogue and cooperation, with a view to find imaginative solutions that could create a "win-win" situation, mutually advantageous for both the EU and Chile.

COHERENCE WITH WTO NEGOTIATIONS

UNICE believes that multilateral and regional trade liberalisation are complementary and should be pursued simultaneously. Bilateral agreements, fully compatible with the principles and rules of the multilateral trading system of the WTO, can positively contribute to trade and investment liberalisation at multilateral level.

UNICE is a strong supporter of the WTO as it defines the framework in which companies operate at international level. To strengthen it and to adapt it to the 21st century, UNICE actively supports the new round of WTO negotiations launched in Doha. It considers it a significant step towards restoring confidence in the multilateral system and strengthening international economic governance.

UNICE encourages EU institutions, and the EU and Chilean governments to work towards increasing cooperation on multilateral trade and investment issues, guaranteeing a solid framework of open markets, full transparency and full protection of investments as the basis for future growth and prosperity.

UNICE REQUESTS FOR THE EU-CHILE NEGOTIATIONS

In the negotiations underway, UNICE's main requests are the following:

Group 1 of the negotiations (trade in goods)

1. A comprehensive agreement including all products should be negotiated without any *a priori* exclusions. This can facilitate possibilities for reciprocal concessions.
2. Free trade in all goods should be achieved through gradual tariff and non-tariff liberalisation, which should take place as rapidly as possible.
3. The EU and Chile should implement effective instruments for cooperation between custom administrations in the framework of the negotiations' subgroup on economic cooperation. These mechanisms should focus on modernisation and simplification of custom procedures based on WCO, WTO and ICC standards.
4. The EU and Chile should cooperate on the harmonisation of technical regulations and standards, improving participation in international standardisation organisations, with the objective of adopting common standards which avoid creating technical barriers to trade.
5. The EU must ensure that Chilean sanitary and phytosanitary measures on food products do not impose excessive administrative procedures to discourage EU exports.

Group 2 of the negotiations (services, intellectual property, investment)

1. The services negotiations should cover as many services as possible, guaranteeing equal treatment for national and foreign services providers.
2. The EU should ensure that the agreement on services does not include the use of the Economic Needs Test which depends on the discretionary decision of the administration and greatly discourages companies interested in operating in Chile.
3. The EU must ensure that European companies can appoint non-nationals to carry out their jobs in Chile, facilitating approval of work and residence permits, according to the WTO commitments.
4. The EU and Chile should call for a multilateral agreement on investment in the framework of the WTO to encourage foreign investment flows, guaranteeing free access to markets, national treatment, and full protection of investments.
5. Openness to EU investors should be ensured in the sectors where the attitude to FDI is not very welcoming such as fisheries (ownership of fishing vessels), land transport or domestic shipping.

6. EU negotiators should ensure that EU companies can repatriate, without any limitation, their profits or interests in Chile.
7. The EU and Chile should avoid double taxation, and facilitate foreign investment flows by modifying their tax laws and signing the necessary bilateral tax agreements.
8. Protection of intellectual property should be ensured by creating an appropriate legal framework and granting enforcement of the provisions established in the TRIPs agreement and WIPO treaties.
9. In the framework of the TRIPs agreement, Chile should ensure an effective protection of the specific character of EU products benefiting from particular denominations, such as geographical indications and denominations of origin.
10. The EU should encourage Chile to ensure effective protection of patents and trademarks, avoiding unduly onerous procedures for registration of patents in some sectors (e.g. pharmaceuticals).

Group 3 of the negotiations (government procurement, competition, dispute settlement)

1. The EU and Chile should increase cooperation in order to ensure coordination of their respective competition policies.
2. Chile should be encouraged to become full member of the WTO plurilateral Government Procurement Agreement to allow national treatment and non-discriminatory access to their procurement markets at all levels of administration

PARTICIPATION OF CIVIL SOCIETY

Full information, transparency and mechanisms for consultation to representative civil society organisations in the EU-Chile negotiating process are fundamental to ensure that the future Association Agreement is founded on solid relations between the societies of the two regions.

UNICE encourages the EU institutions and the Chilean government to recognise the important role that business organisations play as a key factor for developing a stable environment conducive to trade and investment, sources of growth and employment. In this respect, UNICE welcomes the creation by the Chilean government of a consultative group to the negotiations formed by *inter alia* representatives of Chilean business invited to provide their direct contribution to the negotiating rounds.

At a different level, European business welcomes the consultation of the European Commission to civil society representatives in the run-up of the EU-Mercosur and EU-Chile negotiations. The process should be pursued until the agreement is signed, with the focus then shifting to ensure its implementation.

With the objective of establishing closer relations between business communities as a key instrument for regional integration and economic development, EU, Latin American and Caribbean business organisations, including Chile's, will meet in Mexico City on 25 and 26 April 2002 in the second bi-regional Business Summit, to address recommendations to the Madrid Heads of State and Government Summit on reinforcement of the EU-Latin American economic partnership.

CONCLUSION

UNICE will continue to follow up closely and support the negotiation process leading to a balanced and mutually beneficial EU-Chile Association Agreement. It looks forward to pursuing its dialogue and co-operation with the European institutions and the Chilean government and business community in view of building an ever-stronger EU-Chile relationship.
