

As a result of a November 4, 1999, agreement, Canada and Chile accelerated the elimination of tariffs on a selection of products. Through the bilateral Committee on Trade in Goods and Rules of Origin, Canada and Chile agreed to accelerate elimination of tariffs on turkey poulters and hatching eggs, feed peas, fresh or chilled tomatoes, peaches, plums, sloes, certain colour pigments, certain articles of plastic and several textile products. Eight committees and working groups are in place to carry out any outstanding implementation elements of the CCFTA and to resolve problems before they escalate into formal disputes. Progress has also been made in fulfilling CCFTA obligations on such matters as model rules of procedure for dispute settlement, publication of documentation on temporary-entry procedures and mutually compatible procedures for recognition of test reports in the telecommunications sector. Chile has also demonstrated its willingness to facilitate trade by agreeing to lower its visa-processing fees from US\$650 to US\$100.

Implementation of the CCFTA has precipitated a new era of bilateral cooperation with Chile. The total value of two-way trade in goods between Canada and Chile neared \$1 billion in 2001, while Canada's exports of goods totalled \$359 million and imports reached \$640 million. Canadian foreign direct investment in Chile was \$5.5 billion in 2000. In recent years, over 70% of Canadian investment has been in the mining sector, which has generated substantial spinoffs for Canadian companies in other manufacturing and services sectors. Significant Canadian investments were also directed to the energy and information technology sectors.

The entry into force on January 1, 2000, of the Convention on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, the first of Chile's new generation of tax treaties, met one of the key commitments contained in the CCFTA. This convention facilitates the growth of trade and investment between Canada and Chile by establishing a more stable taxation framework for individuals and companies that do business in each other's countries.

In 1998, the Chilean government announced that it would reduce its uniform most-favoured-nation (MFN) tariff by 1 percentage point per year until the tariff reaches 6% in January 2003. Under this schedule, the non-preferential MFN rate for all goods entering Chile is 7% in 2002. In two cases, bread mixes and cereal preparations, these MFN reductions

trigger guaranteed minimum margins of preference for Canadian goods in the years 2001, 2002 and 2003. In these two cases, Canada will seek to ensure that Chile honours its CCFTA obligations by adjusting downwards the preferential rate for Canada.

Market Access Results in 2001

- In January 2001, the Chilean Congress passed new legislation in response to a WTO panel on discriminatory liquor taxes, which will result in a final rate of 27% applicable to all spirits as of March 2003.
- In January 2001, the Chilean government granted Canada an exclusion on a provisional safeguard measure imposed in 1999 on wheat and wheat flour, edible vegetable oils and sugar, as well as on powder and UHT fluid milk.
- On October 25, 2001, Canada and Chile signed a protocol under the CCFTA to accelerate the elimination of tariffs on Canadian dried beans, frozen potatoes and pet food exported to Chile. This action compensated Canada for the application by Chile of a safeguard measure on wheat from January 2000 to July 2001.
- Government of Canada intervention following the Chilean announcement of a ban on the production, import, sale and use of construction materials containing any type of asbestos has resulted in a renewed dialogue between Canadian and Chilean officials on the safe use principle with respect to chrysotile.
- Canadian fisheries officials met with their Chilean counterparts to develop mutually acceptable sanitary and phytosanitary standards and certification procedures that would enable Chile to end its ban on the import of Canadian fish eggs.

Safeguards/Compensation Protocol Under the Canada-Chile Free Trade Agreement (CCFTA)

In 1999, Chile imposed a safeguard measure on products subject to its price band system, that is, on wheat and wheat flour, edible vegetable oils and sugar. Chile extended this measure during 2000.

In May 2001, Canada and Chile agreed that compensation would take the form of almost immediate tariff elimination on imports of Canadian frozen french fries, dried beans and peas, and pet food. Elimination