

EU/Chile Interim Agreement on Trade

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PURPOSE: to conclude, on behalf of the European Union, of the Interim Agreement on Trade (ITA) between the European Union and the Republic of Chile.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: on 13 November 2017, the Council authorised the Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations for a modernised agreement with Chile to replace the Association Agreement. On 9 December 2022, the negotiations between the European Union and Chile were successfully concluded.

The modernisation of the existing EU-Chile Association Agreement foresees two parallel legal instruments:

- 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, which includes a) the Political and Cooperation pillar and b) the Trade and Investment pillar (inclusive of investment protection provisions);
- and the **Interim Agreement on Trade** between the European Union and Republic of Chile, covering trade and investment liberalisation, which will cease to have effect and be replaced by the Advanced Framework Agreement upon entry into force of the latter.

A Joint Statement by the European Union and the Republic of Chile on the Provisions on Trade and Sustainable Development contained in the Interim Agreement on Trade between the European Union and the Republic of Chile is attached to the Agreement. The Agreement was signed, subject to its subsequent conclusion and the Joint Statement was endorsed on the same day.

It is now necessary for the Agreement and the Joint Statement attached to the Agreement should be approved on behalf of the Union.

CONTENT: the Commission proposes that the Council decide to approve on behalf of the Union, the Interim Agreement on Trade (ITA) between the European Union and the Republic of Chile.

The updated ITA:

- broadens the scope of the current bilateral trade framework and adjusts it to the new political and economic global challenges;
- creates a coherent, comprehensive, up-to-date legally binding framework for the EU's relations with Chile. It will foster trade and investment by contributing to the expansion and diversification of economic and trade relations;
- includes a civil society consultation mechanism extended to the whole Agreement to allow the civil society on both sides to be heard on all the provisions in the Agreement;

- improves market access for agricultural and fisheries exports and improved rules;
- incorporates the Agreement on Trade in Wines and the Agreement on Trade in Spirits and Aromatised Drinks;
- simplifies the Rules of Origin to take into consideration the need of industry, for example, for key industrial products such as cars or pharmaceuticals;
- simplifies border procedures;
- ensures fair trade and business conditions;
- includes a fully-fledged ambitious Trade and Sustainable Development chapter as well as a dedicated Chapter on Trade and Gender Equality;
- focuses on SMEs and encourages investment and innovation;
- ensures safe and sustainable trade in agri-food products.

Lastly, the proposal clarifies the institutional structure of the ITA which will be composed of a Trade Council, a Trade Committee and a number of Sub-Committees.

Budgetary implications

The ITA will have a limited negative impact on the EU budget in the form of elimination of customs duties due to tariff liberalisation. Indirect positive impacts are expected in terms of increases in resources linked to value added tax and gross national income.