Visit Spotlights Continuing Abundant Trade Opportunities in Chile

Nearly four years after implementation of the U.S.-Chile Free Trade Agreement (FTA), opportunities in Chile continue to abound, according to the head of the American Chamber of Commerce in Chile.

Mateo Budinich, president of the American Chamber in Chile, stopped by the California Chamber of Commerce recently to emphasize that California companies should keep Chile in mind when planning future trade and investment projects.

Since the U.S.-Chile FTA was implemented on January 1, 2004, bilateral trade between Chile and the United States has more than doubled. The U.S.-Chile FTA is considered a template for a host of future free trade agreements, including an eventual Free Trade Area of the Americas.

Increased Trade

Two-way trade in goods between the United States and Chile rose to $16.28 billion in 2006. Exports to Chile of petroleum, machinery and fertilizer from the United States have increased markedly.

Chile is the United States' 28th largest export partner. Top exports from Chile to the United States include copper cathodes, fresh grapes and salmon. Top exports from the United States to Chile include transmission receptors, computers and diesel trucks.

In 2006, nearly 12,000 U.S. firms exported approximately 5,000 products to Chile. More than 2,000 Chilean firms exported as many different products to the United States.

More than 300 U.S. companies have investments in Chile, according to the American Chamber of Commerce in Chile. Of those, more than 40 use Chile as a platform for services in the region. Chilean affiliates of U.S. direct investors are estimated to employ more than 58,500 people and their value-added contributed 3.2 percent to Chile's gross domestic product.

Chile is roughly equal in size to California and home to 16 million people and renowned copper mines. Chile holds $15.3 billion in reserves. In 2003, the Chilean economy began to recover after a 1999 slump, reaching a 3.3 percent growth in real gross domestic product (GDP). GDP grew by 4.2 percent in 2006.

Since 1990, there has been more than

Mateo Budinich, president of the American Chamber of Commerce in Chile, meets with Susanne Stirling, vice president of international affairs for the Califorrnia Chamber of Commerce, to review the impacts of the U.S.-Chile Free Trade Agreement, implemented in 2004.

$50 billion in direct foreign investment in Chile, which has the most stable and fastest-growing economy in the region. Those factors put Chile in the best position to promote democracy and political freedom. Chile has now signed 56 FTAs

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Governor Says 'No' to Government Interference in Rebates

OPPOSE

Governor Arnold Schwarzenegger has vetoed legislation **opposed** by the California Chamber of Commerce that would have harmed consumers by discouraging retailers from offering manufacturers' rebates.

The Governor vetoed **AB 1673 (Feuer; D-Los Angeles)**, which would have required retailers to pay manufacturers' rebates immediately to consumers at the point of purchase.

In his veto message, the Governor noted that he vetoed legislation dealing with consumer rebates in previous years because he did not want those proposals to lead to fewer rebate options for California consumers.

Balance

"I have always believed in the balance between consumer protection and limited regulation over business operations," the Governor wrote.

A California retailer, he said "should not have to be held to the responsibilities triggered in this bill, if it does not have control over the manner in which a manufacturer's national rebate advertising campaign is structured."

The CalChamber argued that the current rebate structure gives consumers the choice to seek the price savings accessible through rebate offers, but that enactment of AB 1673 might have eliminated that choice.

Moreover, AB 1673 would have created bureaucracy for private business in California, forcing retailers to become rebate clearinghouses.

Complying would have increased costs for all retailers, especially small retailers, which are less likely than larger retailers to have the resources necessary to establish a system for processing rebates.

Consumer Power

The CalChamber has pointed out that consumers have significant power. If retailers or manufacturers do not treat customers right, customers can choose to walk away from the purchase. The CalChamber encourages consumers to use their power; to use all the tools available to them to research the best ways to save; and to patronize retailers and manufacturers that are doing things right.

Creating new government mandates, more bureaucracy and driving up costs for business — and ultimately consumers — is not the answer.

Staff Contact: Kyla Christoffersen

Costa Rica Vote Moves U.S. Closer to Central American Free Trade Pact

Costa Rica, the last remaining country to vote on the U.S.-Dominican Republic-Central American Free Trade Agreement (DR-CAFTA), recently approved the agreement in the first-ever national referendum on the issue.

Costa Rica was the only nation in the seven-member pact that had not ratified the agreement, which included the United States, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua.

The California Chamber of Commerce-**supported** trade agreement will make more than 80 percent of U.S. exports entering DR-CAFTA countries duty-free immediately after taking effect, with all products having duty-free access in 10 years.

Costa Rica is beginning the process of manually recounting the election results, which will take no longer than two weeks as required by law. The final 13 bills, which are the implementation laws of CAFTA, must be approved by the electorate by March 2008 before the trade agreement can be formally adopted. Current trade preferences afforded to Costa Rica are set to expire in September 2008 and will not be renegotiated if the trade agreement is not approved.

California and CAFTA

California exports to the DR-CAFTA market totaled more than $750 million in 2006. California is the fourth largest of state agricultural exporters to the DR-CAFTA market, and the third largest exporter of computers and electronic products to the region.

The United States and the five Central American countries share more than $38 billion in total (two-way) trade in goods. U.S. goods exports to Central America totaled $19.6 billion in 2006. Seventy-four percent of the U.S.-imported goods from the Central American nations enter duty-free under the Caribbean Basin Initiative and Generalized System of Preference programs. The leading U.S. exports to Central America include textiles, machinery, electrical machinery, minerals and fuels. The United States is the main supplier of goods and services to Central American economies, providing 40 percent of total goods imported.

DR-CAFTA is expected to contribute to stronger economies, the rule of law, sustainable development and more accountable institutions of governance, complementing ongoing domestic, bilateral and multilateral efforts in the region.

The U.S. International Trade Commission released a study in August 2004 on the effects of DR-CAFTA, finding that the agreement is expected to result in gains for U.S. exports, economic welfare and market access. The DR-CAFTA is expected to increase U.S. exports worldwide by $1.9 billion upon implementation, more than any other recent trade agreement, including Australia.

Without a DR-CAFTA in place, U.S. products face a competitive disadvantage in the region, because Central American countries have been very active in negotiating free trade agreements that do not include the United States. More than 20 trade agreements grant preferences in Central America to products from Mexico, Canada, Chile and several other South American nations.

Final Approval

The governments of El Salvador, Nicaragua, Honduras and the Dominican Republic have implemented the agreement as of March 2007.

Both the U.S. House of Representatives and the U.S. Senate voted to approve the FTA in 2005. Nineteen of California's representatives to the House voted in favor of the agreement, while 43 members voted against it. California's senators were split on the issue, with Senator Dianne Feinstein (D-San Francisco) voting "yes" and Senator Barbara Boxer (D-Greenbrae) voting "no."

President George W. Bush signed the U.S.-DR-CAFTA on August 2, 2005, giving final U.S. approval of the agreement.

Staff Contact: Susanne Stirling

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with various countries around the world.

Chile also is California's 28th largest export partner. In 2006, California exported more than $600 million to Chile, including petroleum and coal products, computer and electronic products, machinery and transportation equipment. California imports from Chile include fresh fruits, forestry products, wines and seafood.

U.S.-Chile FTA

The terms of the bilateral FTA were concluded in December 2002.

The agreement with Chile was the first U.S. FTA with a South American country. The U.S. House of Representatives and U.S. Senate passed the FTA in July 2003 by votes of 270-156 and 66-31 respectively. The votes were held under the Trade Promotion Authority, which allows for an up or down vote with an expedited time frame or "fast track." Chile also approved the agreement.

CalChamber Position

The CalChamber, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business. New multilateral, sectoral and regional trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

A U.S.-Chile FTA reinforces the idea that the United States can fashion successful trade relations with developing nations. The FTA with Chile builds momentum to the ongoing effort to establish a Free Trade Area of the Americas.

Staff Contact: Susanne Stirling