

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Chile signs FTA with Vietnam

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Report Highlights:

Chile and Vietnam signed a Free Trade Agreement on the sidelines of the November 2011 Asia Pacific Economic Cooperation summit

General Information:

Chile and Vietnam signed a Free Trade Agreement on the sidelines of the November 2011 Asia Pacific Economic Cooperation summit .

Under this agreement 73% of Chilean exports will enter Vietnam duty-free, while the rest of the products will begin to benefit under two tranches in year 3 and year 15. Only 4% of the products were not included in the agreement. 75% of Vietnamese exports will enter Chile tariff-free from day of entry into force and the rest of the products will be liberalized in a series of tranches ranging from 6 to 11 years.

Chile is the first country with which Vietnam has negotiated an FTA independently of its partners in ASEAN (Association of Southeast Asian Nations). The agreement is focused only on trade in goods-on a second stage they will negotiate the incorporation of services and investments.

In the negotiation Chile obtained important concessions for products that have high tariffs in Vietnam:

- From day one, both fishmeal and medical supplies will have zero tariffs. They currently pay a 5% tariff.
- Starting in the fifth year: glass; electrical switches and leather, which currently pay 18%, 14% and 10% tariff, respectively will be zero. Algae, copper wire and copper tubes will also be at zero duty within this period, all with a current tariff of 5%. Edible oils also fall into this category, which now pay a 3% fee.
- Other products with high tariffs that were in the tariff reduction schedule within a period ranging between the year 10 and 15, are: tea and coffee concentrates with a current tariff of 43%, jam and apricot jelly, canned cherry and preparations for soups, all with a 40% tariff today.
- Chilled salmon pays 22% now and in 10 years will enter with tariff zero.
- Chilean wines that now pay a tariff of 59% which will decrease by 20% the first year that the agreement is implemented.
- Beef entering Vietnam today pays a fee ranging between 18% and 33%, pork between 24% to 28%, and both will be zero between the year 10 to 15.
- Dairy products that enter the Vietnamese market today pay between 7% and 20% they will be duty free between the year 7 to 15.
- Fruits were also part of the negotiation. Plums now pay 32%, pears 18%, apricot, peach and cherries pay 25% tariff and all in a period of 10 years will be zero. Avocado will reduced by 20% its tariff in the first year of the agreement.

For Vietnamese exporters, some of the real beneficiaries of the agreement with Chile are coffee,

printers, tea and cameras. Vietnamese footwear, now pays to enter Chile 6% tariff, will be zero with the entry into force of the Agreement.

Chile-Vietnam Business Relationship

In 2010, Chilean exports to Vietnam reached \$231 million, growing 114% over the previous year, while imports registered \$107 million, a 15% decrease. In the same period, trade between the two countries grew by 40%, reflecting the significant increase in Chilean exports, mainly due to the value of shipments of refined copper (\$38 million in 2009 to \$139 million in 2010).

In the period from January to May 2011, Chilean exports to Vietnam increased by 88% and imports by 66% over the same period last year.

Exports not including copper to Vietnam presented an upward trend, in 2010 reaching \$86 million, up 31% over the previous year. In the period January-May 2011 Chilean exports "not including copper" to Vietnam reached \$25 billion, up 86%. It is noteworthy that the figure for this first period of the year exceeds the total amount exported in 2006.

Source: Chilean Ministry of Foreign Affairs.