



Summary of the U.S.-Chile Free Trade Agreement

The information presented on this website is meant to serve as a guide. Only the agreement text and the customs regulations issued to implement the agreement are definitive.

If you have any questions about this Agreement, please contact Rob Carrigg, U.S. Department of Commerce, Office of Textiles and Apparel, 202-482-2573.

Status: Entered into force on January 1, 2004.

How U.S. Textile and Apparel Companies Benefit

Through duty elimination, the U.S.-Chile FTA (USCFTA) allows U.S. textile and apparel exporters to be more price-competitive in the Chilean market when competing with domestic suppliers and with third country suppliers that do not have duty benefits. Through the elimination of a variety of non-tariff barriers, the FTA further opens the Chilean market to U.S. products. The FTA affords substantial benefits in a broad range of service sectors; enhances the protection of intellectual property; facilitates U.S. investments through predictable access and a stable business environment; and provides for open and fair government procurement.

Tariff Elimination

Under the USCFTA, all U.S. textile and apparel products that meet the FTAs textile and apparel rules of origin are duty-free. To determine what the tariff elimination schedule was for your product:

- Obtain the appropriate HTS number for your product.
- Check the [Tariff Elimination Schedule for Chile](#), which is found in Annex 3.3 to Chapter Three of the FTA to find out at what rate the duties on your product will be reduced. The USCFTA tariff schedules code each line item with a letter, indicating the staging by which the current tariff for each item is reduced and ultimately eliminated. The schedules also note the base rate of customs duty, which is used to determine the starting point and interim rate at each stage of reduction for an item.

All footwear and travel goods that meet the FTA's rules of origin are duty-free.

Qualifying Products/Rules of Origin

For textiles and apparel to receive duty-free entry into the U.S. or Chile, products must qualify as "originating" under the terms of the Agreement. "Qualifying" or "originating" goods are goods that meet the Rules of Origin of the Agreement.

The textile and apparel rule of origin is commonly known as the "yarn-forward" standard, which requires that the yarn spinning and all operations "forward" (i.e.,

fabric weaving or knitting and apparel assembly) occur in either the U.S. or Chile. However, there are some exceptions to the yarn-forward rule of origin as noted below.

Exceptions to the yarn-forward rule of origin

De Minimis: Up to 7% of the weight of the fibers and yarns that make up the component that determines the origin of a fabric or apparel good do not have to meet the rule of origin and thus may come from outside the region. However, an exception to the 7% de minimis requires that all elastomeric yarn used in qualifying yarns, fabrics, and apparel must come from the U.S or Chile.

“Fiber Forward” Rule for Knit Fabric: For qualifying knit fabric classified in HTS Chapter 60, fibers and yarns must be manufactured in the U.S or Chile.

Reciprocal Tariff Preference Levels (TPLs) for Fabric and Apparel: Fabric that is knit or woven in the U.S., made from fibers or yarns of a 3rd Party (non-U.S. or Chilean), can enter Chile duty-free. Reciprocally, fabric that is knit or woven in Chile, made from fibers or yarns of a 3rd Party, can enter the U.S. duty-free. The TPL for fabric is limited to 1,000,000 square meter equivalents (SME) annually for each country.

Apparel that is assembled in the U.S., made from yarns or fabric of a 3rd Party (non-U.S. or Chilean), can enter Chile duty-free. Reciprocally, apparel that is assembled in Chile, made from yarns or fabric of a 3rd Party (non-U.S. or Chilean), can enter the U.S. duty-free. The TPL for apparel is limited to 1,000,000 square meter equivalents (SME) annually for each country.

To see more details on these provisions, see Article 3.20: Rules of Origin and Related Matters of the [Textile and Apparel Chapter](#) of the Agreement.

Footwear Rules of Origin

Two rules of origin cover footwear:

1. For footwear classified under HTS numbers: 6402.12, 6402.19, 6402.20, 6403, 6405, 6406. There are no restrictions on the use of imported uppers. A change to headings 6401 through 6405 from any heading outside that group, provided there is a regional value content of not less than 35 percent of the adjusted value of the product. The 35% regional value content requirement can be comprised of a combination of value from Chile and the United States.
2. For footwear classified under HTS numbers: 6401, 6402.30, 6402.91, 6402.99, 6404.11, and 6404.19. A change to headings 6401 through 6405 from any heading outside that group, except from heading 6406.10, provided there is a regional value content of not less than 55 percent of the adjusted value of the product. Under this rule of origin, to qualify for the duty benefits, uppers can only be made in the United States or Chile.

NOTE: The regional value content is determined by the “Build-up method”:

$$\text{RVC} = \frac{\text{VOM}}{\text{VOM} + \text{Materials}} \times 100$$

AV

Where RVC is the regional value content, expressed as a percentage; AV is the adjusted value (value without Cost, Insurance, Freight); and VOM is the value of originating materials used by the producer for the production of the good.

Travel Goods Rules of Origin

For non-textile travel goods the rule of origin is a change to HTS subheading 4202.11, 4202.19 through 4202.21, 4202.29 through 4202.31, 4202.39 through 4202.91, or 4202.99 from any other chapter.

For textile travel goods a change to HTS subheading 4202.12, 4202.22, 4202.32 or 4202.92 from any other chapter, provided that the product uses fabric made in the United States or Chile.

Temporary Entry/Samples

Under the terms of the FTA, Chile will permit duty-free temporary admission of professional equipment necessary for carrying out the business activity of a businessperson who qualifies for temporary entry under Chilean law. Temporary duty-free admission of goods intended for display or demonstration and commercial samples is allowed.

Documentation Requirements

It is the responsibility of the importer to claim preferential treatment for a given shipment at the time that the good is cleared through the customs authority. Under the USCFTA, the ultimate responsibility for the validity of the claim lies with the importer, not the exporter as under the North American Free Trade Agreement (NAFTA). For more specific information on this, see Article 4.14 of the USCFTA. In order to claim eligibility for a preferential duty rate, the importer must provide to National Customs Service of Chile (Chilean Customs) a written declaration in the importation document that the good is originating. The importer must also be prepared to provide Chilean Customs, upon request, with a certificate of origin (or other information demonstrating that the good qualifies as originating).

The importer may pay the non-preferential duties at the time the goods clear customs and then has up to one year from the date on which the goods were imported to apply for a refund of excess duties paid as a result of the good not being accorded preferential tariff treatment. For multiple shipments of identical goods sent to the same Chilean importer, it is not necessary to generate new supporting documentation (e.g., certificate of origin) for each individual shipment. The importer may maintain one such "blanket" certificate of origin (or other information demonstrating that a good originates) to be presented to the customs authority at the acceptance of each shipment. It is recommended to identify the "blanket period" on the certificate of origin. Chilean Customs suggests that the "blanket period" not exceed a period of one year.

Certificate of Origin

In general, a certification of origin can take many forms, for instance: a statement on company letterhead, a statement on a commercial invoice, or a formal certificate of origin. While no official form is required in order to demonstrate

origin under the USCFTA, the Chilean Customs issued a list of required data elements. These data elements, as well as a sample certificate of origin, can be found at the link below. Shipments under \$2,500 in value do not require a certificate of origin or other supporting information of a preferential claim unless the customs authority suspects a claim is fraudulent (see Article 4.13 of the Agreement).

Sample certificate of origin:



certoforigin.pdf

Supporting Documentation

Despite the fact that the ultimate responsibility for making the declaration lies with the importer, more often than not the information needed to support the declaration will have to be provided by the producer/exporter. The supporting information (e.g., certificate of origin) behind a claim of preferential treatment may be produced by the exporter, importer, or producer of the good. If this supporting information is not generated by the producer (i.e., the importer or exporter), it must be based upon either 1) a certificate of origin issued by the producer or 2) the exporter's or importer's knowledge that the good qualifies as originating. In other words, the importer is heavily dependent upon the assistance and cooperation of U.S. suppliers in producing accurate and well-documented declarations of origin.

An importer claiming preferential treatment for a good is required to have the certificate of origin and/or other supporting documentation used in demonstrating that the good qualifies as originating under the USCFTA rules of origin for a period of five years from the date of importation of the good.

Exporter's Obligations

A producer or exporter that generates a certificate of origin should maintain for a period of at least five years after the date the certificate was issued a copy of the certificate along with all records and supporting documents related to the origin of the good, including:

- purchase, cost, value of, and payment for, the good;
- where appropriate, the purchase, cost, value of, and payment for, all materials, including recovered goods, used in the production of the good; and
- where appropriate, the production of the good in the form in which it was exported.

For information on common export documents, such as transportation documents, export compliance documents, certificates of origin, certificates for shipments of specific goods, temporary shipment documents, and other export-related documents, see the [Export.gov webpage on Common Export Documents](#).

Measures to Prevent Circumvention of the Agreement's Rule of Origin

The USCFTA, as with other recent free trade agreements signed by the United States, contains additional measures to ensure that textile and apparel goods are not subject to fraud, such as transshipment. The parties agree that at the request of

the importing Party, the exporting Party shall conduct verification procedures to determine that a claim for origin of a textile and apparel good is accurate, allow the exchange of information between Parties when a suspicious transaction occurs, and permits the importing Party to suspend preferential tariff treatment to the textile and apparel good under suspicion or any textile and apparel good produced or exported by a specific company. For further information, please see Article 3.21: Customs Cooperation of the [Textile and Apparel Chapter](#) of the Agreement.

Government Procurement

The FTA requires procuring entities to use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures for procurement covered by the Agreement. It also includes nondiscriminatory provisions that require Chilean entities covered by the FTA to allow U.S. suppliers to participate in their procurement on the same basis as Chilean suppliers. The FTA covers the procurement of most Chilean central government entities, 13 regional governments, 11 ports and airports, and more than 340 municipalities.

Technical Barriers to Trade

Chapter seven of the FTA addresses technical barriers to trade and calls on the two parties to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating access to each other's markets. The countries agreed to identify bilateral initiatives that are appropriate for particular issues or sectors. Such initiatives may include cooperation on regulatory issues, such as convergence or equivalence of technical regulations and standards, alignment with international standards, reliance on a supplier's declaration of conformity, and use of accreditation to qualify conformity assessment bodies, as well as cooperation through mutual recognition. Each party is also required to allow persons of the other party--on terms no less favorable than those accorded to its own people--to participate in the development of standards, technical regulations, and conformity assessment procedures.

Intellectual Property Rights

The USCFTA has stimulated further improvements in intellectual property protection. It established procedures in Chile to prevent or cancel the registration of marks that are similar or identical to a well-known trademark used internationally. The FTA seeks to have Chile strengthen its legal framework to provide copyrights and trademarks better protection. For example, the agreement increases the period of protection for copyrights and related rights to 70 years. The FTA also criminalizes end user piracy and mandates both statutory and actual damages for IPR violations. The USCFTA seeks to strengthen significantly protection for valid patents and their accompanying clinical test data. For example, the FTA provides for the extension of the protection period for patents when there are unjustified delays in the patenting process.

Additional Resources

[Office of the United States Trade Representative: Chile FTA](#)
[U.S. Commercial Service: Chile FTA](#)