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FEATURED Q&A

How Important Has the U.S.-Chile FTA Been Over 20 Years?



The United States and Chile signed their free trade agreement 20 years ago. The Chilean port of Valparaíso is pictured. // File Photo: Chilean Government.

Q This year marks the 20th anniversary of the signing of the United States-Chile Free Trade Agreement. The pact eliminated tariffs on 90 percent of U.S. exports to Chile and 95 percent of Chilean exports to the United States. How well has the agreement functioned over the past two decades? How important is the agreement to the economies of both countries? Which sectors in the United States and Chile have most benefited from the deal? What are the main drawbacks of the accord?

A Francisco Sanchez, partner, and Caroline Howard, associate, both at Holland & Knight: "The U.S.-Chile Free Trade Agreement (FTA) has greatly benefited both countries, helping to quadruple bilateral trade in goods and services to \$38 billion in 2021. While this economic benefit has been enjoyed more substantially by Chile, the FTA has been a significant economic and diplomatic tool for the United States. For Chile, the deal has been a boon for exports. The United States is now the second most important export market for Chile's non-copper products. Specifically, the United States imports 27 percent of Chile's food exports, including salmon, citrus fruits and organic chemical products. The United States has also become Chile's second-largest foreign investor, accounting for 10.9 percent of the country's total foreign direct investment. For the U.S. economy, the FTA facilitated sales of agricultural and construction equipment, information technology products, medical equipment and paper products. It also served as a key talking point for U.S. Secretary of State Antony Blinken when he visited the

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TODAY'S NEWS

POLITICAL

Six Arrested in Killing of Ecuador Candidate Are Colombian

The six people arrested in the assassination of Ecuadorean presidential candidate Fernando Villavicencio are Colombian, according to a cabinet minister.

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BUSINESS

Mexicana to Be Relunched as Military-Run Airline

Mexico's government has reached an agreement to buy defunct airline Mexicana and relaunch it as a military-run airline.

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ECONOMIC

Guyana Poised to Give Minister Broad Power Over Oil Sector

Guyana's National Assembly on Thursday passed legislation that would give the country's oil minister, Vickram Bharrat, broad power over the oil industry.

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Bharrat // File Photo: Guyanese Government.

POLITICAL NEWS

Six Colombians Arrested in Ecuador Candidate's Killing

The six people who were arrested Thursday in connection with the previous day's assassination of an Ecuadorean presidential candidate are Colombian gang members, according to Ecuador's interior minister, CNN reported. Fernando Villavicencio, who had been polling near the middle of an eight-candidate race, was fatally shot as he was leaving a campaign event in Quito on Wednesday night, 11 days before the country's Aug. 20 election. The suspected gunman died in police custody following an exchange of gunfire with authorities, the office of Ecuador's attorney general said Wednesday. Interior Minister Juan Zapata told reporters Thursday that the six others who were arrested are members of organized crime groups. He later confirmed to CNN that they are Colombian

nationals. The men who were arrested were found hiding in a house in Quito, the Associated Press reported. Police seized four shotguns, a rifle, ammunition, three grenades, a motorcycle and another vehicle, the wire service reported.

ECONOMIC NEWS

Guyana Assembly Broadens Minister's Power Over Oil Sector

Guyana's National Assembly on Thursday passed a bill that will grant the natural resources minister broad power over the country's multi-billion-dollar oil industry, Reuters reported. The new rules will take effect for future projects, including those resulting from an oil auction scheduled for the fourth quarter this year. Under the measure, Natural Resources Minister Vickram Bharrat will oversee oil

NEWS BRIEFS

Argentine Voters Head to Polls Sunday for Primaries

Argentine voters are to cast ballots Sunday in primary elections that will serve as a poll of voter intentions ahead of the country's general election in October. The primaries, in which voting is mandatory, will decide a close race for the presidential candidate for the country's conservative opposition bloc and will also be a confirmation of Economy Minister Sergio Massa as the ruling party's candidate, Reuters reported. It is also expected to show the extent to which libertarian Javier Miller has connected with voters, the wire service reported.

Mexico's Poverty Rate Falls to 43.5 Percent

Mexico's poverty rate declined from 49.9 percent of the population in 2018 to 43.5 percent in 2022, according to the country's poverty analysis agency, Coneval, the Associated Press reported Thursday. Since taking office in December 2018, President Andrés Manuel López Obrador has more than doubled the country's minimum wage. Remittances to Mexico have also steadily increased and reached a record high in July.

Novo Banco Reviewing Order That Venezuela Says Unblocks \$1.5 Billion

Portugal's Novo Banco said its lawyers were reviewing a ruling by the Lisbon District Court of Justice that Venezuela says unblocks some \$1.5 billion in state assets being held by the bank, Reuters reported Thursday. Venezuelan Information Minister Freddy Nañez announced the country had won an important court battle, allowing the release of the frozen funds held in Portugal. Venezuela's government has denounced sanctions imposed by the United States that have led to banks freezing the country's assets overseas, saying they have "stolen" Venezuelan resources.

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country in 2022. More concretely, it arguably laid the foundation for a tax treaty currently under review by the White House. This treaty would facilitate the import of lithium from Chile, a strategic mineral crucial for electric vehicles. The FTA has been overwhelmingly positive for both countries, despite some concerns that the United States Trade Representative has raised about Chile's implementation of FTA intellectual property obligations. The agreement will continue to work as a tool for shared prosperity. Moreover, the FTA should act as a reminder to U.S. policymakers that trade agreements remain powerful economic and diplomatic tools."

A **Natalia Arcos, international director at ProChile:** "The FTA was a milestone for Chile for three reasons. First, we became the first country from South America to enjoy free tariffs with the largest economy in the world. Second, it was our first FTA that

contained chapters related to critical issues such as the environment, labor practices and electronic commerce, which were novel aspects 20 years ago. Third, it decisively contributed to diversifying our export offerings to the United States. Bilateral trade has increased fivefold in the last two decades thanks to the FTA, reaching \$35.4 billion in 2022. Chilean non-copper shipments have tripled to \$9.9 billion. The United States is our second-largest trading partner and the top destination for four categories: food, non-traditional services, non-copper SME export companies and women-led export companies. Chilean exports with the largest average annual growth since 2003 are the basic metal industry (+9.8 percent); processed food (+9 percent); metal products, machinery and equipment (+7.6 percent); chemical products (+6 percent); and forestry and wooden furniture (+5 percent). In 2022, the United States was the top recipient of Chilean processed food, salmon, forestry

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operations, including granting exploration, production and environmental licenses, and will be responsible for enforcement the law and issuing penalties, the wire service reported. "If our share of profit oil is inadequate, then we can purchase it from operators. This ensures that a refinery does not become a stranded asset," said Bharrat. The Petroleum Activities Bill replaces the Petroleum Act of 1986 and was passed with no amendments following seven hours of negotiation. It now awaits President Irfaan Ali's approval. Guyana has emerged as one of the fastest-growing oil economies in the world, with an estimated 25 billion barrels of oil in offshore fields. Last month, the South American country extended to Sept. 12 the deadline for companies to submit bids for its auction of 14 oil blocks, Reuters reported. A consortium led by Exxon Mobil currently produces all oil in Guyana. "The entry of new actors into Guyana's oil and gas sector obviously presents new opportunities for foreign direct investment and would help to diversify the sector currently dominated by the Exxon Mobil-led consortium," Riyadh Insanally, a former ambassador of Guyana to the United States, told the weekly Energy Advisor in a [Q&A](#) published April 21.

BUSINESS NEWS

Gov't to Relaunch Mexicana as Military-Run Airline

Mexico's government has reached an agreement to buy defunct airline Mexicana and relaunch it as a military-run carrier, officials said Thursday, Reuters reported. The government agreed in negotiations with former Mexicana employees to buy the airline for 815 million pesos (\$48 million), Interior Minister Luisa Alcalde told reporters. Previously a government-run airline, Mexicana entered bankruptcy proceedings in 2010, years after it was privatized. The government added that it will begin paying more than 7,000 former Mexicana employees who have not received salaries or benefits for years. President Andrés López Obrador previously announced that he would turn over

THE DIALOGUE CONTINUES

Has Mexico's Military Taken on Too Much Power?

Q **The Interdisciplinary Group of Independent Experts (GIEI), the unit tasked with investigating the 2014 disappearance of 43 student teachers in the Mexican state of Guerrero, said in a statement on July 25 that the Mexican Navy and Army "collaborated" in the students' disappearance and had participated in tampering with key evidence. The Mexican armed forces have long denied involvement in the case. The GIEI also announced that it would terminate its work, saying the state has failed to provide it with access to important information. The developments came as Mexico's military has increased in size, taken over some traditionally civilian jobs and assumed a greater national security role under President Andrés Manuel López Obrador. What does the GIEI report signal about the current state of Mexico's military? What effect has increased militarization in Mexico had on civilian life? How likely is the military to maintain its increased role after López Obrador leaves office next year?**

A **Tony Payan, director of the Center for the United States and Mexico at Rice University's Baker Institute for Public Policy:** "One of the most puzzling aspects of the Andrés Manuel López Obrador administration, which came into office as a leftist government, is the radical militarization of the country's life. The AMLO government did away with all civilian police forces at the federal level, sectioning off a portion of the armed forces into a National Guard

civilian duties of the Mexico City International Airport to the navy. López Obrador "has given the military an unprecedented role in Mexico's politics and economy, including a major stake in lucrative infrastructure projects and control over the operation of airports, seaports and

and, unconstitutionally, placing them under military command. The result of this right turn in the management of the country's security is not only a continued high level of crime and violence but also a steady violation of human and due process rights in the hands of the military. In addition, the Mexican president has also handed over to the military a number of civilian tasks, including seaport, airport and land-port operations, and numerous other functions, such as customs and major national project construction. That includes refineries, airports and roads, among others. That gives the military additional sources of income that do not depend on the congressional budgetary process or oversight. Moreover, the military's prominence has also opened new doors for deeper corruption in the armed forces, as it has access to enormous resources with no accountability. Furthermore, the president has granted the military absolute immunity against any criminal responsibility past or present, as it became evident in the report of the Interdisciplinary Group of Independent Experts. This is an unprecedented and dangerous turn in Mexico's still-fragile democracy, and undoing the power of the military in the next administration will be difficult to do, as it will be one of the greatest challenges to Mexico's future."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in Thursday's issue of the Advisor.

customs," Inter-American Dialogue President and CEO Rebecca Bill Chavez told the Advisor in a [Q&A](#) published Thursday. "These new roles create opportunities for graft and corruption and concentrate greater power in the military," she added.

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products and wooden furniture, sawn timber, chemical products and basic metals. It's also the second-largest market for metal products, machinery and equipment and the third for bottled wine. Consumer goods (+14.6 percent), intermediate goods (+12.6 percent) and capital goods (+6.3 percent) are Chile's import categories with the biggest increases in the past 20 years."

A Kelly Bauer, associate professor of political science at The George Washington University: "The U.S.-Chile FTA impressively integrated bilateral trade, but the agreement's economic impact cannot be evaluated in isolation from domestic Chilean politics. This year also marks 50 years since Chile's 1973 military coup, and the FTA builds on how the Pinochet dictatorship's economic reforms made the resource-reliant Chilean economy attractive to international markets. For example, a 1974 policy subsidized 75 percent of forestry plantation costs; today, the sector accounts for about 8 percent of Chile's exports and caused dangerous fires and conflict stemming from production on contested Indigenous territory. This economic model was largely preserved in Chile's 1990 return to democracy. So when then-U.S. President George H.W. Bush first talked about a vision of free trade from Tierra de Fuego to Alaska in 1990, the economic restructuring carried out by the Pinochet dictatorship positioned Chile as a stable economy whose natural resources were useful to the United States, and the FTA offered Chile a means of elevating its international standing. Over 20 years, we've seen both outcomes. But in 2019, Chileans demanded we pay attention to the costs of this economic model, and protests prompted an ongoing process to replace the 1980 constitution. The role of the state in the economy, management of natural resources and distribution of income are key debates. As Chile positions itself as an alternative energy leader (holding some of the world's

largest lithium reserves, and as the world's largest copper producer), it both needs the investments and markets traditionally offered by free trade agreements, and it needs to define its own development plan to address persisting inequality."

A Jorge Heine, research professor at the Frederick S. Pardee School of Global Studies at Boston University and former Chilean government cabinet minister: "Two recent developments show the strength of U.S.-Chile relations, and its flourishing since Chile's transition to democracy in 1990. The U.S. Senate ratified a bilateral treaty to avoid double taxation with Chile (after Mexico, a first in the region), and the State Department confirmed Chile's continued access to the U.S. Visa Waiver Program (the only country in the region to have that access). In this context, the U.S.-Chile FTA stands out for the following: 1.) It was the first signed by the United States with any South American country; 2.) Bilateral trade and investment has grown steadily, reaching \$35.4 billion in 2022, with an average annual growth of 9.3 percent since 2003; 3.) Though both parties have benefited from it and the United States is Chile's second-largest trading partner as well as the second-largest source of FDI, the United States has steadily run a significant trade surplus in this relationship (\$6.7 billion in 2022); 4.) As a rule, Chile's exports to the United States have a larger share of non-traditional items than those it exports to China (its number one trading partner), and to other Asian markets; 5.) 350,000 Chileans visit the United States every year, and apart from their tourist spending, Chilean individuals and companies are among the region's leading investors in the United States, with a stock of \$15 billion in 2022. The U.S.-Chile FTA is Exhibit A of the fact that, contrary to the current conventional wisdom, FTAs between the United States and Latin American countries can be a win-win proposition."

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