

Voluntary Report – Voluntary - Public Distribution

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Report Name: Chile and the EU Finalize Advanced Framework Agreement

Country: Chile

Post: Santiago

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Report Highlights:

On December 13, 2023, Chile and the European Union (EU) signed an updated Free Trade Agreement, or Advanced Framework Agreement as it is currently termed. The new agreement expands market access for Chilean products to the European market and grants expansive protections for 216 geographical indications (GIs), including many commonly used names like feta, gruyere, kölsch, and parmesan. Once ratified, the measure will negatively impact U.S. exports to Chile, while granting a monopoly to EU suppliers. U.S. exporters of impacted products should work closely with their Chilean importers to ensure compliance. In 2022, the United States was the second largest supplier of cheese to Chile at \$63.0 million, including an estimated \$13.5 million of parmesan which could be affected.

Chile and the EU Sign Advanced Framework Agreement

On December 13, 2023, Chile and the European Union (EU) [signed an Advanced Framework Agreement](#) to update their existing trade agreement. The new agreement increases market access for Chilean products to the European market and grants expansive protections for 216 geographical indications (GIs), including many commonly used names like feta, gruyere, kölsch, and parmesan. Once ratified, the measure will limit firms' ability to market products using GIs and protected common names. Most U.S.-origin products affected are cheeses, though specific beers and processed meats could also be impacted. The measure will negatively impact U.S. exports to Chile. U.S. exporters of impacted products should work closely with their Chilean importers to ensure compliance.

It is unclear when the agreement will enter into force, though both sides are pressing for quick ratification. Media reports that both the EU Commission and the Chilean congress will likely ratify in January 2024. Firms shipping impacted products ([see Annex III](#)) for arrival in early 2024 should verify with Chilean buyers that they will still be able to market and sell products in Chile using existing names and labels. FAS will likely not be able to assist with customs clearance or marketing impacts associated with this regulatory change.

Background

The Advanced Framework Agreement modernizes the 2003 trade agreement between Chile and the EU, expanding market access, and including new chapters on productivity, SMEs, sustainability, gender, and digital trade. It also includes the protection of geographical indications from both Chile and the European Union. The negotiations for this agreement began in November 2017 and were finalized in December 2022. The AFA will expand the percentage of Chilean exports to the EU given tariff reduction from 94.7 percent to 99.6 percent. A total of 918 Chilean products will obtain improvements in market access to the EU including olive oil, beef, pork, poultry, milk, and salmon. The agreement will also establish a set of rules for foreign direct investment.

Geographical Indications

The agreement includes recognition of 216 EU geographical indications and commonly used names such as feta, gruyere, kölsch, and parmesan. The EU has agreements with countries such as Canada, Japan, and Singapore that include GI protections for cheese and other products; however, the updated Chile-EU agreement contains more expansive protections for commonly used non-compound food names than any other agreement currently in force.

Grandfathering

The updated Advanced Framework Agreement allows for grandfathering to create exceptions for approved users of three specific common names: feta, parmesan, and gruyere. Producers, importers, and select exporters that were able to prove a recurrent presence in the Chilean market for a period of 12 months before December 9, 2022, had the opportunity to request to be added to the list. The signup period for those exceptions closed on June 19, 2023.

Protection of U.S. Cheese Exports to Chile

Since May 2018, the United States has requested that Chile provide flexibilities or safeguards in any agreement with the European Union to protect existing U.S. - Chilean bilateral trade. In May 2021, the United States proposed an exchange of letters under the U.S. - Chile 2004 free trade agreement to avoid any potential changes to U.S. access and use of common names. Negotiations of a side-letter between the United States and Chile are ongoing.

Potential Market Impacts from the Agreement

Post anticipates market impacts once the AFA is implemented: importers will have fewer sources of product, and the Chilean dairy industry will be limited in their ability to produce and potentially export products bearing European-origin names. Moreover, GIs will grant monopolistic profits to EU exporters of parmesan, gruyere, and feta at the expense of consumers. For further details on potential market impacts see: [Market Impacts from the EU-Chile Modernization Agreement](#).

Cheese Trade

In 2022, the United States was the second largest supplier of cheese to Chile at \$63.0 million, after Argentina at \$84.0 million. The EU was the third largest supplier of cheese to Chile, at \$56.7 million, followed by Mexico and New Zealand. Based on Chilean customs data, Post estimates that 2022 parmesan imports from the United States reached \$13.5 million.

Attachments:

No Attachments.