

Reduce distortions to trade;

Establish clear and mutually advantageous rules governing their trade;

Ensure a predictable commercial framework for business planning and investment;

Build on their respective rights and obligations under the Marrakesh Agreement Establishing the World Trade Organization, the Montevideo Treaty 1980 and other multilateral and bilateral instruments of integration and cooperation;

Enhance the competitiveness of their firms in global markets;

Encourage innovation and creativity through the protection of intellectual property rights;

Create new employment opportunities and improve working conditions and living standards in their respective territories;

Undertake each of the preceding in a manner consistent with environmental protection and conservation;

Promote sustainable development;

Preserve their capacity to safeguard the public welfare;

Promote dynamic participation by the different economic agents, particularly the private sector, in the effort to enhance economic relations between the Parties and to develop and cultivate to the greatest extent possible the opportunities for their joint presence on international markets; and

Contribute to hemispheric integration;

Have agreed as follows:

PART ONE - GENERAL PART

CHAPTER 1. INITIAL PROVISIONS

Article 1-01

Establishment of the Free Trade Area

The Parties to this Agreement, consistent with Article XXIV of the General Agreement on Tariffs and Trade 1994 and Article V of the General Agreement on Trade in Services, which are part of the Marrakesh Agreement Establishing the World Trade Organization, and the Montevideo Treaty 1980, hereby establish a free trade area.

Article 1-02

Objectives

1. The objectives of this Agreement, as elaborated more specifically through its principles and rules, including national treatment, most-favoured-nation treatment and transparency, are to:

- (a) encourage the expansion and diversification of trade between the Parties;
- (b) eliminate barriers to trade and facilitate the movement of goods and services in the free trade area;
- (c) promote conditions of fair competition in the free trade area;
- (d) increase substantially investment opportunities in the free trade area;
- (e) protect and appropriately and effectively enforce intellectual property rights in the free trade area;
- (f) establish a framework for further bilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement; and
- (g) establish effective procedures for the application and observance of this Agreement, for its joint administration and for dispute settlement.

2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with applicable rules of international law.

Article 1-03

Relation to Other International Agreements

1. The Parties affirm their existing rights and obligations with respect to each other under the Agreement Establishing the World Trade Organization, the Montevideo Treaty 1980 and other agreements to which they are party.

2. In the event of any inconsistency between this Agreement and the agreements and treaties mentioned in paragraph 1, this Agreement shall prevail to the extent of the inconsistency.

Article 1-04

Observance of the Agreement

The Parties shall ensure that all necessary measures are taken for observance of the provisions of this Agreement in their territories by their national or federal, state and municipal governments, except as otherwise provided in this Agreement.

Article 1-05

Successor Agreements

All references to any other international agreement or treaty shall be understood to be made in the same terms to a successor agreement or treaty to which the Parties are party.

Article 1-06

Relation to Environmental and Conservation Agreements

In the event of any inconsistency between this Agreement and the specific trade obligations set out in:

- (a) the Convention on International Trade in Endangered Species of Wild Fauna and Flora, done at Washington, 3 March 1973, as amended 22 June 1979;
- (b) the Montreal Protocol on Substances that Deplete the Ozone Layer, done at Montreal, 16 September 1987, as amended 29 June 1990; or
- (c) the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, done at Basel, 22 March 1989;

such obligations shall prevail to the extent of the inconsistency, provided that where a Party has a choice among equally effective and reasonably available means of complying with such obligations, the Party chooses the alternative that is the least inconsistent with the other provisions of this Agreement.

CHAPTER 2. GENERAL DEFINITIONS

Article 2-01

Definitions of General Application

For purposes of this Agreement, unless otherwise specified:

customs duty includes any customs or import duty and a charge of any kind imposed in connection with the importation of a good, including any form of surtax or surcharge in connection with such importation, but does not include any:

- (a) charge equivalent to an internal tax imposed consistently with Article III:2 of the GATT 1994, in respect of goods from which the imported good has been manufactured or produced in whole or in part;
- (b) anti-dumping or countervailing duty that is applied pursuant to a Party's domestic law;
- (c) fee or other charge in connection with importation commensurate with the cost of services rendered; and
- (d) premium offered or collected on an imported good arising out of any tendering system in respect of the administration of quantitative import restrictions, tariff rate quotas or tariff preference levels;

Commission means the Free Trade Commission established under Article 17-01(1) (The Free Trade Commission);

Customs Valuation Code means the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994, including its interpretative notes, which is part of the WTO Agreement;

days means calendar days;

ECA No. 17 means the Economic Complementation Agreement between Chile and Mexico of 22 September 1991;

enterprise means any entity constituted or organized under applicable law, whether or not for profit, and whether privately-owned or governmentally-owned, including any foundation, corporation, trust, partnership, sole proprietorship, joint venture or other association;

enterprise of a Party means an enterprise constituted or organized under the law of a Party;

existing means in effect on the date of entry into force of this Agreement;

GATS means the General Agreement on Trade in Services, which is part of the WTO Agreement;

GATT 1994 means the General Agreement on Tariffs and Trade 1994, which is part of the WTO Agreement;

goods of a Party means domestic products as these are understood in the GATT 1994 or such goods as the Parties may agree, and includes originating goods of that Party. Goods of a party may incorporate materials from non-Party countries;

Harmonized System means the Harmonized Commodity Description and Coding System, including its General Rules of Interpretation, Section Notes and Chapter Notes, as adopted and implemented by the Parties in their respective tariff laws;

heading means the first four digits in the tariff classification number under the Harmonized System;

LAIA means the Latin American Integration Association created under the Montevideo Treaty 1980;

measure includes any law, regulation, procedure, requirement or practice;

Montevideo Treaty 1980 means the Treaty of Montevideo Establishing the Latin American Integration Association;

national means a natural person who is a citizen of a Party as established in Annex 2-01. The term also includes persons who are permanent residents in the territory of that Party under its law;

NAFTA means the North American Free Trade Agreement, done on 17 December 1992;

originating means qualifying under the rules of origin set out in Chapter 4 (Rules of Origin);

Party means a State in which this Agreement has entered into force;

person means a natural person or an enterprise;

person of a Party means a national, or an enterprise of a Party;

Secretariat means the Secretariat established under Article 17-02 (The Secretariat);

states includes the municipal governments in a state, except as otherwise provided in this Agreement;

State enterprise means an enterprise that is owned or controlled through ownership interests by a Party;

subheading means the first six digits in the tariff classification number under the Harmonized System;

Tariff Reduction Programme means the programme established in Article 3-04(3) (Tariff Elimination);

territory means for a Party the territory of that Party as set out in Annex 2-01;

TRIPS Agreement means the Agreement on Trade-Related Aspects of Intellectual Property Rights, which is part of the WTO Agreement;

Uniform Regulations means the regulations established pursuant to Article 5-12 (Uniform Regulations); and

WTO Agreement means the Marrakesh Agreement Establishing the World Trade Organization, done on 15 April 1994.

ANNEX 2-01

Country-Specific Definitions

For purposes of this Agreement, unless otherwise specified:

citizen means:

- (a) with respect to Chile, a Chilean as defined in Article 10 of the Political Constitution of the Republic of Chile ("Constitución Política de la República de Chile"); and
- (b) with respect to Mexico, a Mexican as defined in Article 30 of the Political Constitution of the United Mexican States ("Constitución Política de los Estados Unidos Mexicanos"); and

territory means:

- (a) with respect to Chile, the land, maritime, and air space under its sovereignty, and the exclusive economic zone and the continental shelf over which it exercises sovereign rights and jurisdiction in accordance with international law and its domestic law; and
- (b) with respect to Mexico:
 - (i) the states of the Federation and the Federal District;
 - (ii) the islands, including the reefs and keys, in adjacent seas;
 - (iii) the islands of Guadalupe and Revillagigedo situated in the Pacific Ocean;
 - (iv) the continental shelf and the submarine shelf of such islands, keys and reefs;
 - (v) the waters of the territorial seas, in accordance with international law, and its interior maritime waters;
 - (vi) the space located above the national territory, in accordance with international law; and
 - (vii) any areas beyond the territorial seas of Mexico within which, in accordance with international law, including the United Nations Convention on the Law of the Sea, and its domestic law,

Mexico may exercise rights with respect to the seabed and subsoil and their natural resources.

PART TWO – TRADE IN GOODS

CHAPTER 3. NATIONAL TREATMENT AND MARKET ACCESS FOR GOODS

Section A – Definitions, Scope and Coverage

Article 3-01

Definitions

For the purposes of this Chapter:

advertising films means recorded visual media, with or without sound-tracks, consisting essentially of images showing the nature or operation of goods or services offered for sale or lease by a person established or resident in the territory of a Party, provided that the films are of a kind suitable for exhibition to prospective customers but not for broadcast to the general public, and provided that they are imported in packets that each contain no more than one copy of each film and that do not form part of a larger consignment;

agricultural good means a good classified in one of the following chapters, headings or subheadings of the Harmonized System:

(The descriptions are provided for purposes of reference)

Chapters 1 through 24	(other than a fish or fish product)
Subheading 2905.43	Manitol
Subheading 2905.44	Sorbitol
Subheading 2918.14	Citric acid
Subheading 2918.15	Salts and esters of citric acid
Subheading 2936.27	Vitamin C and its derivatives
Heading 33.01	Essential oils
Headings 35.01 to 35.05	Albuminoidal substances, modified starches
Subheading 3809.10	Finishing agents
Subheading 3824.60	Sorbitol, except in subheading 2905.44
Headings 41.01 to 41.03	Hides and skins
heading 43.01	Raw furskins
headings 50.01 to 50.03	Raw silk and silk waste
headings 51.01 to 51.03	Wool and animal hair
headings 52.01 to	Raw cotton, cotton waste and cotton carded or combed