



May 8, 2003

Secretary
U.S. International Trade Commission
500 E Street, SW
Washington, DC 20436

Re: TIA Comments on the U.S.-Chile Free Trade Agreement: Potential Economywide and Selected Sectoral Effects

Dear Secretary:

The Telecommunications Industry Association (TIA) is the leading U.S. non-profit trade association serving the U.S. communications and information technology industry, with proven strengths in domestic and international advocacy, market development, standards development, trade shows and e-business. Through our worldwide activities, the association facilitates business development opportunities and a competitive market environment. TIA provides a market-focused forum for its nearly 1,000 member companies, which manufacture and supply the products and services used in global communications.

TIA supports the successful conclusion of the U.S.-Chile Free Trade Agreement (FTA), and we anticipate many benefits for our industry as a result of its implementation. This is because U.S. high-tech exports to Chile totaled \$722 million in 2002, down 27 percent from \$995 million in 2000, and U.S. high-tech imports from Chile totaled \$6 million in 2002, up 100 percent from \$3 million in 2000¹. U.S. high-tech manufacturing investment in Chile is modest, reaching a cumulative total of \$34 million in 2001². We believe that the FTA will increase trade and investment opportunities for both countries.

We are writing today to express our views concerning a number of key provisions included in the U.S.-Chile Free Trade Agreement. While the text of many of the chapters is important for our members, I will use this opportunity to highlight a few chapters of particular importance.

Market Access for Goods

TIA supports many of the provisions included in Chapter 3, National Treatment and Market Access for Goods. While tariffs on many communications products currently stand at 6 percent, Chile has committed to eliminate tariffs immediately on 85 percent of imports in the high-tech sector, including computers and other information technology (IT) equipment, with the balance being eliminated over the next eight years. While we would have liked tariff reductions on high-tech products to be reduced to zero upon entry-into-force of the Agreement, the current schedule will facilitate the promotion and expansion of trade and commercial relations between our countries.

We also would have liked to see Chile commit to sign the 1996 WTO Information Technology Agreement (ITA). Still, the U.S.-Chile FTA will mark the first time that a major South American

¹ Source: Bureau of the Census

² Source: Bureau of Economic Analysis

country has embraced the duty reduction commitments reflected in the ITA. We believe that U.S. trade negotiators should encourage as many countries as possible to eliminate tariffs on IT products, and we hope that the Chile agreement will pave the way for similar commitments by other countries, especially in Latin America. The eventual elimination of duties on communications goods will facilitate trade, increase transparency and reduce costs for exporters, importers, consumers and businesses.

Customs

TIA supports many of the provisions in Chapter 5 on Customs Administration. As a result of the Agreement, laws, regulations, guidelines, procedures and administrative rulings governing customs matters will be promptly published, either on the Internet or in print form. This will promote the highest standards of transparency. Moreover, we applaud the commitment of both parties, to the extent possible, to publish regulations in advance and provide an opportunity for interested persons to comment on those regulations before they are put into force. These provisions support an inclusive environment in which parties can participate in the creation of relevant regulatory frameworks.

TIA also supports the provisions that call for each party to adopt procedures that provide for the quick and efficient release of goods upon entry into each other's customs territory. These provisions will expedite the customs clearance process, thus enabling firms to save storage costs and better manage their inventories.

Technical Barriers to Trade (TBT)

Standards, technical regulations and conformity assessment procedures are ever changing at both international and national levels in the United States and in Chile. Thus, the TBT chapter in the U.S.-Chile FTA takes a positive step in the right direction toward eliminating those standards, technical regulations and procedures that have slowed trade growth in telecommunications products and services in recent years. The FTA promotes the elimination of technical barriers to trade, provides for on-going cooperation between the trading partners and facilitates the continual compliance with evolving standards and technical regulations.

The U.S.-Chile FTA incorporates many positive points in its TBT chapter. First, the agreement provides for enhanced cooperation between the two countries following their commitments in the WTO Agreement on Technical Barriers to Trade, and it is consistent with the WTO principles of openness, non-discrimination and transparency. This is important to the telecommunications sector, in particular, because transparent and non-discriminatory regulatory procedures help exporters in both countries. Enhanced efforts to address technical regulatory issues are especially important to the fast-paced telecommunications sector, as delays in time to market are particularly damaging to the competitiveness of the latest U.S. technology.

The U.S.-Chile FTA allows "persons of the other Party to participate in the development of standards, technical regulations, and conformity assessment procedures... on terms no less favorable than those accorded its own persons." This MFN requirement is not found in the WTO TBT Agreement, but it is an important step in ensuring inclusiveness in the standards development process.

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The agreement also supports the exchange of information on technical standards and regulations for all goods. TIA is very supportive of this concept because better understanding on the part of both parties about standards and regulations for goods will facilitate efficiencies in the way those goods are brought to market, facilitate testing and certification and promote transparency. This will benefit manufacturers, service providers, conformity assessment bodies, regulators and consumers alike.

Telecommunications Services

Chapter 13 of the agreement, or the telecommunications services chapter, also contains a number of points we feel will benefit the telecommunications industry. The FTA ensures access to and use of public telecommunications networks and services on a non-discriminatory basis. The non-discriminatory treatment is very important, and it is a concept that we support.

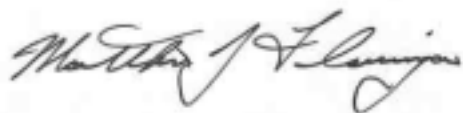
The services chapter also ensures the highest level of transparency in telecommunications services by guaranteeing the publication of telecom regulations, ensuring consultations on regulations, ensuring a prior notice period for new regulations and changes to existing regulations, as well as offering full recourse to appeal decisions of the telecommunications regulatory bodies. These provisions are beneficial for governments, regulators, companies and consumers. TIA strongly supports these provisions.

Furthermore, TIA supports the inclusion of the non-binding language in the U.S.-Chile FTA calling for suppliers of public telecommunications services to have the flexibility to choose the technologies they use to supply their services, including commercial mobile wireless services. While our members feel this language is a useful starting point, TIA urges USTR to include *binding* rules affirming technology choice in future agreements in order to avoid enforcement and implementation problems in this area.

Conclusion

Once again, TIA would like to express its support for the U.S.-Chile Free Trade Agreement. We believe that the benefits to businesses, governments and consumers will be very positive and wide-ranging. We hope that Congress will approve this agreement in the near future, and we look forward to its successful implementation.

Sincerely,



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