

MEMO# 13100

January 29, 2001

INSTITUTE PROVIDES INDUSTRY PRIORITIES FOR US-CHILE FREE TRADE AGREEMENT

[13100] January 29, 2001 TO: INTERNATIONAL COMMITTEE No. 5-01 RE: INSTITUTE PROVIDES INDUSTRY PRIORITIES FOR US-CHILE FREE TRADE AGREEMENT On January 29, 2001, the Institute submitted a letter in response to a request by the Office of the United States Trade Representative (USTR) for public comment regarding the US negotiations with the Republic of Chile on a free trade agreement (FTA).¹ To assist USTR in formulating negotiating objectives for a US-Chile FTA, the Institute provided information about market access and other issues in Chile for US asset management firms. A copy of the Institute's letter is attached. The Institute's letter noted that Chile expressly made no market access commitments for asset management in the 1997 World Trade Organization Financial Services Agreement although the Chilean government generally has permitted US firms to manage mutual funds and pension assets. The Institute urged US trade negotiators to seek binding commitments from Chile to allow foreign firms to provide asset management services to mutual funds and pension clients on both a commercial presence and cross-border basis. The letter also described a regulatory impediment that prevents US firms from obtaining meaningful and effective market access to Chile. Specifically, Chilean law restricts the amount of foreign investment that the country's pension funds -- Administradoras de Fondos de Pensiones (AFPs) -- are permitted to make. The Institute argued that laws that prohibit or restrict mutual or pension funds from making foreign investments are not necessary for the protection of investors and prevent US firms from investing for clients in markets in which they may have expertise. With respect to portfolio investment in Chile by US mutual funds, the Institute's letter described the cumbersome and costly restrictions imposed on foreign investors. The Institute ¹ On December 14, 2000, USTR published a notice of intent to conduct negotiations with the Republic of Chile on a bilateral free trade agreement. See Memorandum to International Committee No. 45-00 (December 19, 2000). ² requested that the Chilean government work to ease the burden on foreign institutional investors by streamlining the process for making portfolio investments in Chile. Jennifer S. Choi Assistant Counsel Attachment Attachment (in .pdf format)