

May 31, 2023

The Honorable Robert Menendez
Chairman
Committee on Foreign Relations
United States Senate
Washington, DC 20510

The Honorable James. E. Risch
Ranking Member
Committee on Foreign Relations
United States Senate
Washington, DC 20510

Dear Chairman Menendez and Ranking Member Risch,

We, the undersigned, respectfully ask for your support in reporting the pending U.S.-Chile Bilateral Income Tax Treaty (“Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income and Capital”) from the Committee to the full Senate for consideration. Once the Senate provides its advice and consent, the treaty will require approval of the Chilean Congress, which is expected to consider tax reform legislation in the near future that can include language allowing the treaty to enter into force.

The treaty enjoys broad bipartisan support in the Senate. Ratification is vital to U.S. foreign direct investment in Chile and the success of U.S. companies that invest in Chile. Without ratification, Chilean taxes on U.S. companies’ operations are due to reach a rate of 44% in 2027, when a special waiver issued by the Chilean government expires. By comparison, the Chilean operations of companies headquartered in China, Japan, Canada, Australia, and the United Kingdom would be subject to a rate of 35%, putting U.S. companies at a significant financial disadvantage relative to their competitors. The treaty would also address Chilean withholding taxes on interest, royalties, U.S. services, and fees for the use of equipment.

The United States and Chile have had a Free Trade Agreement (FTA) since 2004 that allows the duty-free export to Chile of 100% of U.S. consumer and industrial goods. The U.S.-Chile FTA eliminated tariffs, reduced barriers to trade in services, protects intellectual property, ensures regulatory transparency, guarantees nondiscrimination in the trade of digital products, commits the parties to maintain competition laws that prohibit anticompetitive business conduct, and requires effective enforcement of labor and environmental protections.

Bilateral trade in goods and services between the United States and Chile was over \$38 billion in 2022, according to U.S. Census statistics. The United States has run a trade surplus with Chile since 2008. U.S. exports to Chile totaled over \$23 billion 2022, led by mineral fuel, gas, machinery, vehicles, and electrical machinery. Chile’s exports to the U.S., led by copper, salmon, cellulose, and fruit, totaled over \$15 billion in 2022.

The United States had an investment stock of \$27.8 billion (2021) in Chile and is the second-largest investor there, behind Canada. Between 2013 and 2021, the United States averaged \$809 million in foreign direct investment, with a peak level reached in 2014 of \$3.54 billion. The U.S presence in Chile is especially relevant in technology services, insurance, banking, mining, energy, retail, and transportation.

The treaty would be the second U.S. tax treaty in South America and could lay the groundwork for additional treaties in the region, a long-term objective of the U.S. government. Ratification would send a clear signal of U.S. support of, and confidence in, Chile and the region. The U.S. has tax treaties in effect with nearly 70 countries.

The approval of this treaty constitutes a geopolitical imperative that would show the United States' continued leadership in the region, as other countries increase their trade and investment there. Chile is one of the world's largest producers of lithium and copper. U.S. companies are working with the Chilean government and local partners to develop these resources responsibly to meet increased global demand for these critical minerals.

To promote economic growth, protect U.S. company investments, and support the sales of U.S. goods and services, we ask for your support in the prompt ratification of the U.S.-Chile Bilateral Income Tax Treaty. Doing so would also have a direct and meaningful impact on the ability of U.S. companies to compete effectively.

Sincerely,

AES
Albemarle Corporation
AmCham Chile
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American Council of Life Insurers
Bechtel Group Inc.
Black & Veatch
BHP
Business Roundtable
Council of the Americas
Fluor Corporation
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Kimberly Clark Corporation
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National Association of Manufacturers
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National Mining Association
Newmont Corporation
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TechNet
U.S. Chamber of Commerce
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Walmart
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cc: Members of the United States Senate Committee on Foreign Relations