

**NOTIFICATION UNDER ARTICLE 12.1(B) OF THE
AGREEMENT ON SAFEGUARDS ON FINDING A SERIOUS INJURY
OR THREAT THEREOF CAUSED BY INCREASED IMPORTS**

**NOTIFICATION PURSUANT TO ARTICLE 12.1(C)
OF THE AGREEMENT ON SAFEGUARDS**

CHILE

The following communication, dated 18 January 2000, has been received from the Permanent Mission of Chile.

1. Threat of injury

Even with a price band, there has been an increase in imports, therefore, limiting import duties to 31.5 per cent at a time when international prices for these products have fallen obviously constitutes a threat of serious injury to the domestic industry. It should be noted that the c.i.f. prices of Chilean imports are closely linked to international prices and domestic prices also shadow trends in import prices. The imminent threat of injury can be summarized as follows:

- (i) In the case of wheat, a decrease of 34 per cent in the area under cultivation is expected (from 370,000 hectares to 244,000 hectares); a decrease of 28 per cent in production (less than the reduction in the area cultivated as crop yields continue to improve); a 10 per cent fall in prices; a decrease of 35 per cent in direct employment; and a drop of 20 to 90 per cent in net profit margins depending on the level of production. This means that around one third of approximately 90,000 producers will cease this activity. As is the case for sugar beet and colza, the capacity utilization indicator has not been estimated because it is not relevant to agricultural crops.
- (ii) For sugar (sugar beet), the foregoing indicators used to assess injury are even more significant, showing a reduction of around 80 per cent in production, area under cultivation and employment, and a 28 per cent decrease in prices, meaning that 90 per cent of producers will cease this activity. Very high losses are expected in the sugar industry, with a 28 per cent reduction in the value of output and related losses amounting to US\$10 million.
- (iii) In the case of oils, (colza), indicators show a drop of 54 per cent in production and a decrease of around 60 per cent in employment (direct and indirect), marginalizing over 63 per cent of producers. Losses in the oil industry are estimated to include an 8 per cent fall in the value of output, a US\$3.2 million reduction in production. It should also be noted that a decrease in colza cultivation will have an impact on wheat

yields because colza is sown in rotation with wheat (30,000 hectares of colza allow the rotation of around 100,000 hectares of wheat).

- (iv) If the mechanism applied to wheat is not also applied to imports of wheat flour, a large increase in imports of wheat flour could cause injury similar to that caused to wheat production by imports of wheat.

Wheat, colza and sugar beet account for over half the surface area and production of annual crops in Chile and represent around 30 per cent of employment.

This negative impact is felt particularly at the regional level, as three regions (VIII, IX and X) account for the majority of domestic production (79 per cent of wheat, 99.7 per cent of colza and 59.2 per cent of sugar beet), with similar figures for areas under cultivation. In these regions, the importance of the agricultural sector in production, rural population and employment is significantly higher than at the national level: the proportion of agricultural GDP is three times higher than the national figure; the rural population figure is 2.5 times higher and the figure for agricultural employment is similar.

2. Increased imports

When analysing imports, the fact that the normal operation of price bands has been a decisive element in preventing a greater increase in imports has been taken into account and consequently the trend in imports cannot be considered without bearing this factor in mind. Even so, there has been an increase in imports in absolute terms which threatens to cause injury to the production sectors concerned.

- Imports of wheat (in tonnes) increased by 6 per cent in 1998 in comparison with the previous year. Over the first 10 months of 1999, imports rose by 281 per cent compared with the same period in 1998. There was an increase in imports from 1993-1996, with a drop in 1997. Imports of wheat flour fluctuated, but this can be explained by their low volume. Nevertheless, the Commission notes that wheat flour represents an alternative way of importing wheat if direct imports prove to be more costly or are subject to a higher tariff, so it is necessary to apply a treatment similar to that applicable to wheat.
- Even though imports of refined sugar (almost 100 per cent of total sugar imports) fell by 27 per cent in 1998 in comparison with the previous year, over the first ten months of 1999 they increased by 14 per cent, once again showing the upward trend registered since 1994.
- Imports of the two main edible vegetable oils increased by 23 per cent in 1998 compared with the previous year, a similar figure to that recorded for all vegetable oils. Over the first ten months of 1998, imports fell by 24 per cent, but this was due to a large extent to the abnormal situation in the behaviour of importers as a result of the tariff disputes concerning the tariff headings for oil imports. From 1993 to 1997, the level of imports was similar.

There were noticeable differences between recent import prices resulting from full application of the band and prices resulting from imposition of a tariff ceiling of 31.5 per cent. This substantiates the forecast of a greatly accelerated increase in imports that would occur (or has already occurred) unless the full duties specified in the bands are applied. The increase in imports, and the potential for further substantial increases, has occurred at a time when international prices of the products investigated have been subject to sizeable and rapid decreases.

3. Specification of the products subject to the safeguard envisaged

The following are the products concerned and their corresponding tariff classification:

- Wheat: 1001.9000
- Wheat flour: 1101.0000
- Sugar: 1701.1100; 1701.1200; 1701.9100; 1701.9900.
- Edible vegetable oils: 1507.1000; 1507.9000; 1508.1000; 1508.9000; 1509.1000;
1509.9000; 1510.0000; 1511.1000; 1511.9000; 1512.1110;
1512.1120; 1512.1910; 1512.1920; 1512.2100; 1512.2900;
1513.1100; 1513.1900; 1513.2100; 1513.2900; 1514.1000;
1514.9000; 1515.2100; 1515.2900; 1515.5000; and 1515.9000.

4. Measure envisaged

For each transaction, the level of the definitive safeguard will be determined by the difference between the general tariff added to the *ad valorem* equivalent of the specific duty determined by the mechanism set out in Article 12 of Law No. 18.525 - and its relevant annual implementing decrees - and the level bound in the WTO for these products. The surcharge may not exceed the levels thus calculated.

5. Date set for application of the measure

The recommendation on application of the measure has been sent to the President of the Republic, who will decide whether to apply it and set a date.

6. Expected duration of the measure

One year.

TABLE 3.1.2

**Tonnes imported by origin
Other wheat (1001.9000)**

	1997		1998		Jan-Oct/1998		Jan-Oct/1999		% variation	
Origin	Tonnes	% share	Tonnes	% share	Tonnes	% share	Tonnes	% share	1998/1997	Jan-Oct (99/98)
Argentina	20,935	8	149,744	55	88,488	67	128,928	26	615	46
Canada	236,993	92	72,753	27	35,689	27	60,081	12	-69	68
United States	0	0	38,395	14	5,023	4	312,557	62	17,211.807	6,123
Uruguay		0	11,311	4	2,675	2	122	0		-95
New Zealand	0	0	15	0	15	0	0	0		-100
Lesotho	0	0	0	0	0	0	872	0		
Brazil	0	0	0	0	0	0	505	0		
France	0	0	0	0	0	0	20	0		
Total	257,929	100	272,217	100	131,890	100	503,084	100	6	281

Source: Prepared by the Technical Secretariat.

TABLE 3.2.2

**Tonnes imported by origin
Wheat flour (1101.0000)**

	1997		1998		Jan-Oct/1998		Jan-Oct/1999		% variation	
Origin	Tonnes	% share	Tonnes	% share	Tonnes	% share	Tonnes	% share	1998/1997	Jan-Oct (99/98)
Argentina	2,352	56	2,959	89	2,808	92	2,026	82	26	-28
Spain	126	3	294	9	252	8	210	8	133	-17
ZOFRI	0	0	60	2	0	0	64	3		
Germany	0	0	1	0	1	0	0	0		-100
Netherlands	1	0	0	0	0	0	152	6	-64	
Venezuela	0	0	0	0	0	0	21	1		
Belgium	1,700	41	0	0	0	0	0	0	-100	
Total	4,179	100	3,315	100	3,062	100	2,474	100	-21	-19

Source: Prepared by the Technical Secretariat.

Chilean Imports of Sugar

	1997	1998	Var. 98/97	Jan-Nov 98	Jan-Nov 99	Var. Jan-Nov 99 Jan-Nov 98
Country	Tonnes	Tonnes	%	Tonnes	Tonnes	%
1701.11.00	Raw sugar cane not containing flavouring or colouring					
Mauritius	0.0	0.0	0.0	0.0	21.0	100.0
Peru	39.0	0.0	-100.0	0.0	0.0	0.0
Brazil	0.0	0.0	0.0	0.0	733.6	100.0
Bolivia	45.0	46.0	2.2	46.0	23.0	-50.0
Argentina	607.0	465.0	-23.4	305.0	0.0	-100.0
Colombia	250.0	0.0	-100.0	0.0	0.0	0.0
United States	0.0	1.0	8,233.3	1.0	0.0	-95.8
Spain	0.0	0.0	0.0	0.0	17.9	100.0
United Kingdom	0.0	0.0	0.0	0.0	3.3	100.0
Germany	0.0	0.0	0.0	0.0	150.5	100.0
Z. F. Iquique	0.0	0.0	0.0	0.0	14.8	100.0
Total	941.0	512.0	-45.6	352.0	964.1	173.9

1701.12.00	Raw beet sugar not containing flavouring or colouring					
Argentina	192.0	0.0	-100.0	0.0	0.0	0.0
United States	0	0.1	0.0	0.1	0.0	-100.0
Netherlands	0	0.0	0.0	0.0	0.0	0.0
Germany	0	0.0	0.0	0.0	0.0	0.0
Z.F. Iquique	0	0.0	0.0	0.0	6.8	0.0
Total	192.0	0.1	-100.0	0.1	6.8	6,704.0

1701.91.00	Other cane sugar containing flavouring or colouring					
Argentina	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.0
Germany	0.3	0.4	33.3	0.4	0.0	-100.0
United States	0.1	1.4	1,694.9	1.4	0.0	-98.9
Z.F. Iquique	0.0	0.0	0.00	0.0	0.7	100.0
Total	0.4	1.8	376.2	1.8	0.7	-60.2

1701.99.00	Other cane sugar					
Mauritius	0.0	42.0	0.0	41.8	0.0	-100.0
Colombia	27,364.0	5,169.0	-81.1	4,660.6	23,490.0	404.0
Guatemala	94,855.0	31,934.0	-66.3	31,933.5	53,187.0	66.6
Mexico	30,913.0	29,773.0	-3.7	29,772.6	0.0	-100.0
Brazil	12,982.0	37,507.0	188.9	36,412.2	52,292.0	43.6
Bolivia	54.0	0.0	-100.0	0.0	1,222.0	100.0
Argentina	72,709.0	77,760.0	6.9	66,134.1	64,490.0	-2.5
United States	3,189.0	0.0	-100.0	0.0	0.0	0.0
Sri Lanka	0.0	0.0	0.0	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0	0.0	0.0	0.0
Italy	0.0	0.4	0.0	0.4	0.1	-75.0
Belgium	1.0	4.0	300.0	3.1	3.2	3.2
France	0.0	0.0	0.0	0.0	1,010.5	100.0
Germany	0.1	0.0	-100.0	0.0	0.2	100.0
Nicaragua	21,558.0	17,423.0	-19.2	17,423.0	0.0	-100.0
El Salvador	10,002.0	0.0	-100.0	0.0	14,625.0	100.0
United Kingdom	5.0	0.0	-100.0	0.0	450.0	100.0
Portugal	0.0	0.0	0.0	0.0	108.0	100.0
Z.F. Iquique	0.0	0.0	0.0	0.0	12.6	100.0
Total	273,632.1	199,612.0	-27.1	186,381.3	210,890.6	13.2

Source: Market access, DIRECON.

**Chilean Imports of Oils under
the Price Band**

	1997	1998	Var. 98/97	Jan-Nov 98	Jan-Nov 99	Var. Jan-Nov 99 Jan-Nov 98
Country	Tonnes	Tonnes	%	Tonnes	Tonnes	%
1507.10.00	Crude soya-bean oil					
Argentina	57,213.0	77,109.1	34.8	70,412.4	53,423.8	-24.1
Bolivia	168.0	0.0	-100.0	0.0	0.0	0.0
United States	0.0	0.0	0.0	0.0	0.4	100.0
Paraguay	0.0	25.0	100.0	25.0	0.0	-100.0
Total	57,381.0	77,134.1	34.4	70,437.4	53,424.2	-24.2

1507.90.00	Refined soya-bean oil					
Argentina	7,428.0	1,662.4	-77.6	1,581.4	4,886.9	209.0
Bolivia	4,261.0	8,097.7	90.0	7,966.3	2,413.8	-69.7
Brazil	81.0	0.0	-100.0	0.0	0.0	0.0
United States	5.0	28.3	466.0	28.3	20.0	-29.3
Japan	0.0	0.1	100.0	0.1	0.0	-100.0
Total	11,775.0	9,788.5	-16.9	9,576.1	7,320.7	-23.6

1508.90.00	Other groundnut oil					
France	0.2	0.2	0.0	0.1	0.1	0.0
United Kingdom	0.6	0.0	-100.0	0.0	0.2	100.0
Italy	10.0	0.0	-100.0	0.0	0.0	0.0
Total	10.8	0.2	-98.1	0.1	0.3	200.0

1509.10.00	Virgin olive oil					
Germany	0.0	0.0	0.0	0.0	0.1	100.0
Argentina	139.0	26.1	-81.2	26.1	9.2	-64.8
Bolivia	0.0	0.0	0.0	0.0	36.8	100.0
United States	0.1	0.1	0.0	0.1	0.1	0.0
Spain	201.0	347.4	72.8	308.4	309.7	0.4
France	0.2	0.3	50.0	0.3	0.1	-66.7
Greece	14.0	13.8	-1.4	13.8	6.9	-50.0
Israel	118.0	0.0	-100.0	0.0	0.1	100.0
Italy	0.0	186.7	100.0	178.2	155.6	-12.7
Lebanon	0.0	0.1	100.0	0.0	0.7	100.0
Morocco	0.0	9.5	100.0	9.5	0.0	-100.0
Portugal	0.0	15.7	100.0	14.4	32.7	127.1
Syria	0.0	0.0	0.0	0.0	5.4	100.0
Turkey	0.0	0.0	0.0	0.0	17.1	100.0
Total	472.3	599.7	27.0	550.8	574.5	4.3

1509.90.00	Other olive oils					
Germany	0.1	0.0	-100.0	0.0	0.0	0.0
Argentina	80.0	182.3	127.9	172.1	92.1	-46.5
United States	0.7	0.5	-28.6	0.5	0.6	20.0
Spain	306.0	274.3	-10.4	259.3	219.1	-15.5
France	0.0	0.3	100.0	0.3	0.0	-100.0
Netherlands	1.0	0.0	-100.0	0.0	0.0	0.0
United Kingdom	1.0	0.1	-90.0	0.1	0.6	500.0
Italy	8.0	47.6	495.0	47.6	19.8	-58.4
Portugal	0.0	8.5	100.0	6.2	10.9	75.8
Total	396.8	513.6	29.4	486.1	343.1	-29.4

1510.00.00	Other oils obtained solely from olives					
Spain	0.0	0.4	100.0	0.4	4.4	1,000.0

1511.10.00	Crude palm oil					
Colombia	0.0	83.8	100.0	83.8	0.0	-100

1511.90.00	Other palm oils					
Ecuador	44.0	208.2	373.2	186.8	0.0	-100.0
United States	0.4	496.4	124,000.0	0.0	0.0	0.0
Italy	2.0	0.0	-100.0	0.0	0.0	0.0
Total	46.4	704.6	1,418.5	186.8	0.0	-100.0

	1997	1998	Var. 98/97	Jan-Nov 98	Jan-Nov 99	Var. Jan-Nov 99 Jan-Nov 98
Country	Tonnes	Tonnes	%	Tonnes	Tonnes	%
1512.11.10	Crude sunflower-seed oil					
Argentina	66,459.0	75,684.8	13.9	70,667.3	53,740.4	-24.0
United States	0.0	0.5	100.0	0.4	1.0	150.0
Spain	0.2	0.0	-100.0	0.0	0.0	0.0
Total	66,459.2	75,685.3	13.9	70,667.7	53,741.4	-24.0

1512.19.10	Other sunflower-seed oils					
Argentina	11,214.0	13,878.8	23.8	12,630.7	9,745.7	-22.8
Bolivia	672.0	894.7	33.1	889.2	415.9	-53.2
United States	3.0	0.0	-100.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	1.4	100.0
Italy	0.0	0.6	100.0	0.6	0.0	-100.0
Mexico	1.0	0.0	-100.0	0.0	0.0	0.0
Uruguay	0.0	0.0	0.0	0.0	0.9	100.0
Total	11,890.0	14,774.11	24.3	13,520.5	10,163.9	-24.8

1512.21.00	Crude cotton-seed oil, without gossypol					
Argentina	54.0	0.0	-100.0	0.0	0.0	0.0
Paraguay	0.0	0.0	0.0	0.0	210.0	100.0
Total	54.0	0.0	-100.0	0.0	210.0	100.0

1512.29.00	Other cotton-seed oils					
Argentina	1,008.0	349.2	-65.4	138.6	211.3	52.5
Paraguay	125.0	225.0	80.0	225.0	0.0	-100.0
Total	1,133.0	574.2	-49.3	363.6	211.3	-41.9

1513.11.00	Crude coconut oil					
Germany	0.4	0.4	0.0	0.4	0.6	50.0
Argentina	0.4	0.0	-100.0	0.0	0.2	100.0
United States	1,048.0	574.3	-45.2	574.3	0.0	-100.0
Philippines	150.0	0.0	-100.0	0.0	0.0	0.0
Indonesia	345.0	0.0	-100.0	0.0	0.0	0.0
Malaysia	36.0	18.2	-49.4	18.2	0.0	-100.0
Paraguay	100.0	725.0	625.0	600.0	406.0	-32.3
Total	1,679.8	1,317.9	-21.5	1,192.9	406.8	-65.9

1513.19.00	Other coconut oils					
Germany	0.0	9.3	100.0	4.3	6.1	41.9
Argentina	0.2	0.8	300.0	0.6	0.0	-100.0
United States	4.0	20.2	405.0	20.2	21.1	4.5
India	0.3	0.0	-100.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0	0.6	100.0
Italy	1.5	0.0	-100.0	0.0	0.0	0.0
Malaysia	0.0	18.2	100.0	0.0	18.2	100.0
Total	6.0	48.5	708.3	25.1	46.0	83.3

1513.21.00	Crude palm kernel oil					
Germany	0.0	0.0	0.0	0.0	0.2	100.0
Paraguay	50.0	0.0	-100.0	0.0	0.0	0.0
Singapore	91.0	0.0	-100.0	0.0	0.0	0.0
Total	141.0	0.0	-100.0	0.0	0.2	100.0

1513.29.00	Other palm kernel oils					
Germany	0.0	1.5	100.0	1.5	0.0	-100.0
Colombia	0.0	43.1	-100.0	43.1	0.0	-100.0
Ecuador	1,329.0	771.8	-41.9	505.4	1,537.1	204.2
United States	0.2	500.4	250,100.0	500.4	0.0	-100.0
France	0.7	0.0	-100.0	0.0	0.0	0.0
Indonesia	0.0	46.5	100.0	46.5	0.0	-100.0
Malaysia	205.0	1,962.8	857.5	1,962.8	0.0	-100.0
Singapore	255.0	0.0	-100.0	0.0	0.0	0.0
Total	1,789.9	3,326.1	85.8	3,059.7	1,537.6	-49.7

	1997	1998	Var. 98/97	Jan-Nov 98	Jan-Nov 99	Var. Jan-Nov 99 Jan-Nov 98
Country	Tonnes	Tonnes	%	Tonnes	Tonnes	%
1514.10.00	Crude rape oil					
Canada	0.0	1,998.9	100.0	1.5	0.0	-100.0
France	0.0	0.0	0.0	0.0	0.2	100.0
Total	0.0	1,998.9	100.0	1,998.9	0.2	-100.0

1515.21.00	Crude maize oil					
Argentina	3.0	0.0	-100.00	0.0	25.3	100.0

1515.29.00	Other maize oils					
Argentina	42.0	141.1	236.0	134.0	113.0	-15.7
Brazil	0.0	3.0	100.0	0.0	82.4	100.0
United States	343.0	545.2	59.0	432.8	90.1	-79.2
Total	385.0	689.3	79.0	566.8	285.5	-49.6

1515.50.00	Sesame oil					
China	0.6	1.0	66.7	1.0	0.0	-100.0
Korea	0.3	0.0	-100.0	0.0	0.0	0.0
United States	1.0	1.4	40.0	1.3	1.0	-23.1
France	0.0	0.1	100.0	0.1	0.0	-100.0
United Kingdom	1.0	0.0	-100.0	0.0	0.8	100.0
Mexico	0.1	0.0	-100.0	0.0	0.0	0.0
Switzerland	0.0	0.2	100.0	0.2	0.0	-100.0
Thailand	0.7	0.0	-100.0	0.0	0.0	0.0
Taiwan	0.4	0.0	-100.0	0.0	0.0	0.0
Total	4.1	2.7	-34.1	2.6	1.8	-30.8

1515.90.00	Other vegetable fats and oils					
Germany	3.0	0.4	-86.7	0.4	0.4	0.0
Argentina	1,718.0	927.0	-46.0	898.2	879.9	2.0
Brazil	0.0	1.1	100.0	1.1	0.0	-100.0
United States	2.0	5.9	195.0	5.9	11.4	93.2
Spain	0.0	0.1	100.0	0.1	0.2	100.0
France	2.0	0.8	-60.0	0.7	0.5	-28.6
United Kingdom	2.0	0.0	-100.0	0.0	0.7	100.0
Paraguay	525.0	0.0	-100.0	0.0	125.0	100.0
Syria	0.0	0.0	0.0	0.0	1.8	100.0
Thailand	0.0	0.0	0.0	0.0	0.1	100.0
Uruguay	0.0	0.0	0.0	0.0	0.6	100.0
Venezuela	0.0	0.1	100.0	0.1	0.0	-100.0
Total	2,252.0	935.4	-58.5	906.5	1,020.4	12.6

Source: Market access, DIRECON.

Tonnes Imported by Origin

Oils (1507.1000 and 1512.1110)

Soya-Bean Oil (1507.1000)

	1997		1998		Jan-Oct/1998		Jan-Oct/1999		% Variation	
Origin	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	1998/1997	Jan-Oct (99/98)
Argentina	57,213	100	77,109	100	61,019	100	45,389	100	-26	35
Paraguay	0	0	25	0	25	0	0	0	-100	
Bolivia	168	0	0	0	0	0	0	0	0	-100
Total	57,381	100	77,134	100	61,044	100	45,389	100	34	-26

Sunflower-Seed Oil (1512.1110)

	1997		1998		Jan-Oct/1998		Jan-Oct/1999		% Variation	
Origin	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	1998/1997	Jan-Oct (99/98)
Argentina	66,459	116	75,685	98	62,355	102	48,868	108	-22	14
Total	66,459	116	75,685	98	62,355	102	48,868	108	-22	14

Total (1505.1000 and 1512.1110)

	1997		1998		Jan-Oct/1998		Jan-Oct/1999		% Variation	
Origin	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	Tonnes	% Share	1998/1997	Jan-Oct (99/98)
Argentina	123,672	100	152,794	100	123,373	100	94,257	100	-24	24
Paraguay	0	0	25	0	25	0	0	0	-100	
Bolivia	168	0	0	0	0	0	0	0		-100
Total	123,840	100	152,819	100	123,399	100	94,258	100	23	-24

Source: Prepared by the Technical Secretariat.