

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

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ARTICLE XIX - ACTION BY CHILE

Edible Vegetable Oils

The following communication, dated 22 November 1985, has been received from the Permanent Mission of Chile.

I am writing to inform you, and through your intermediary the other contracting parties, that for the reasons indicated below the Chilean Government has invoked the safeguard provisions of Article XIX of the General Agreement in respect of edible vegetable oils.

The safeguard measures are the following:

- Article XIX - imports of edible vegetable oils.
- The Chilean Government is invoking the provisions of Article XIX of the General Agreement in connection with imports of edible vegetable oils, and the obligations deriving from Schedule VII.
- The products covered by the measure are the following:
 - 15.07.01.01 Soya bean oil
 - 15.07.01.02 Colza seed oil
 - 15.07.01.03 Sunflower seed oil
 - 15.07.01.04 Maize oil
 - 15.07.01.05 Olive oil
 - 15.07.01.95 Other.

Under Supreme Decree No. 747 of 28 September 1985, a system was made effective under which imports of edible vegetable oils are subject to specific duties additional to the 20 per cent ad valorem duty, or the 20 per cent customs duty is reduced. The system envisages a series of prices, with maximum and minimum levels so that the import cost fluctuates within this bracket and operates as from the lowest price on the international market.

The Decree contains a table indicating the international price expressed in US\$ per ton f.o.b., on the one hand, and the specific duty or tariff reduction corresponding to that international price, on the other.

The specific duties are applied as from a price of not more than US\$517 per ton f.o.b. At that international price level, a specific duty of US\$1.09 per ton is applied on imported edible vegetable oils. The specific duty increases to a maximum of US\$287 per ton imported if the international price drops to US\$350 per ton f.o.b.

Similarly, the 20 per cent customs duty is reduced progressively starting from an international price of not less than US\$550 per ton f.o.b.

Starting from an international price of not more than approximately US\$431 per ton f.o.b., the applicable specific duty is approximately equivalent to more than 15 per cent ad valorem. This equivalent, added to the 20 per cent tariff on all imports, is in excess of the 35 per cent level of binding granted by Chile in the Tokyo Round. Current international prices are below the level indicated (US\$431 per ton f.o.b.) so that the tariff protection is in excess of 35 per cent, and for this reason Article XIX of the General Agreement is being invoked.

The Chilean Government has found itself obliged to take this action in order to prevent further injury to domestic producers as a result of the severe deterioration in international prices.

The application of this measure has made it possible, in combination with other macro-economic policies:

- to begin slowly to return to traditional production levels for these oil crops as from the present year; between 1964 and 1970 annual production averaged 41,351 tons; between 1971 and 1980 annual production averaged 36,478 tons and, starting in 1981 there has been a pronounced decline - to the level of 14,003 tons in 1981, 7,529 tons in 1982, 2,515 tons in 1983 and 4,335 tons in 1984. Over the period 1981 to 1984 the average fell to 7,195 tons, with a corresponding trend in the area sown;
- to restore producer prices in such a way that it is only since the second half of 1985 that prices have begun to return to the levels recorded prior to 1981.

On the other hand, imports have increased considerably and steadily. Whereas between 1965 and 1974 the annual average was 32,451 tons, it reached 62,645 tons in the ensuing six-year period, 1975-1980. Between 1981 and 1984 the annual average level of imports was 91,455 tons. Import statistics for the past three years are attached.

I enclose herewith, for consultation¹ by interested parties, the text of Decree No. 747 of 28 September 1985.

¹Office no. 1069, extension 2116.

Imports of Soyabean Oil

Country	1982			1983			1984			1985*		
	Tons	US\$'000 c.i.f.f.	US\$/ton c.i.f.f.	Tons	US\$'000 c.i.f.f.	US\$/ton c.i.f.f.	Tons	US\$'000 c.i.f.f.	US\$/ton c.i.f.f.	Tons	US\$'000 c.i.f.f.	US\$/ton c.i.f.f.
Brazil	20,224	3,862	486	48,115	29,225	569	70,983	54,989	775	31,269	22,374	716
Argentina	53,496	24,929	477	46,417	20,225	509	5,278	3,775	711	-	-	-
Paraguay	-	-	-	3,676	2,305	633	7,038	5,789	823	5,062	4,068	809
United States	1,193	669	563	-	-	-	-	-	-	-	-	-
Switzerland	-	-	-	617	312	506	-	-	-	-	-	-
Franc Area	1,288	622	481	757	321	425	-	-	-	-	-	-
	76,203	36,082	473	99,582	52,255	525	83,298	64,533	775	36,331	26,442	728
			100.0			100.0			100.0			100.0

*January-June