

**NOTIFICATION UNDER ARTICLE 12.1(a) OF THE AGREEMENT
ON SAFEGUARDS ON INITIATION OF AN INVESTIGATION
AND THE REASONS FOR IT**

CHILE

The following communication, dated 13 June 2002, has been received from the Permanent Mission of Chile.

Please find attached the notification by Chile, pursuant to Article 12.1(a) of the Agreement on Safeguards, to the effect that the Chilean investigating authority, at its meeting No. 257 on 20 May 2002, decided to initiate a safeguard investigation into imports of glucose and glucose syrup, classified under tariff headings 1702.3000, 1702.4000 and 1702.6090 of the Chilean Harmonized Tariff System. This investigation was initiated on 8 June 2002, the date of publication of the related notice in the Chilean Official Journal.

1. Specify the date when the investigation was initiated

The *notice of initiation by the investigating authority* was published in the Chilean Official Journal on 8 June 2002.

2. Specify the products subject to the investigation

The products under investigation are classified under the following tariff headings:

- (i) Glucose and glucose syrup containing less than 20 per cent by weight of fructose, classified under tariff heading **1702.3000**;
- (ii) glucose and glucose syrup containing at least 20 per cent but less than 50 per cent by weight of fructose, classified under tariff heading **1702.4000**;
- (iii) other fructose and fructose syrup containing more than 50 per cent by weight of fructose, classified under tariff heading **1702.6090**.

3. Provide the reasons for the initiation of the investigation

- (i) **The investigation was initiated at the request** of Empresas IANSA S.A. The National Commission responsible for investigating the existence of distortions in the price of imported goods (investigating authority) decided to initiate the said investigation at its meeting No. 257 of 24 May 2002.

The domestic industry consists of the firm Empresas IANSA S.A. Given that it is the only producer of sugar - a product which would directly compete on the industrial market with those under investigation - the applicant company is therefore representative of the domestic industry.

(ii) **Basis for initiating the investigation**

The investigating authority considers that the available information meets the requirements of the legislation in force. The decision to initiate an investigation was taken on the basis of information furnished by the applicant, given that the products under investigation are sugar substitutes for industrial use, that imports of such products have increased and that there are signs of threat of injury to the domestic industry as a result of the increase in these imports in relation to the apparent consumption of natural sweeteners.

Historical record of imports: The Commission notes that, in the first four months of 2002, imports of the products under investigation (glucose, fructose and syrups thereof) grew 28 per cent in relation to the same period the previous year.

Already, imports had reached 59,545 tonnes in 2001, 40 per cent up on the 2000 total of 42,531 tonnes. Seen from a longer-term perspective, from 1995 to 1998 import volumes were relatively stable and always below 10,000 tonnes, a situation which changed in 1999, when they began systematically to exceed this threshold.

Furthermore, the ratio of imports to domestic production stood at 12.7 per cent in 2001, three points up on the 2000 figure of 9.7 per cent and higher than any of the immediately preceding years.

In terms of "sugar equivalents", calculated on the basis of conversion factors reported by the applicant, the ratio stood at 9.5 per cent in 2001, an increase on the 7.2 per cent recorded in 2000.

Injury and causal link

To ascertain whether there may be injury attributable to the imports at issue in this application, the Commission is analysing all of the information furnished by the applicant company, such as domestic prices, production costs and margins, production, domestic sales, inventories, financial background, installed capacity and utilization thereof, and employment.

The Commission is taking account of the trend in the domestic sales prices of Iansa S.A. sugar, in particular to the industrial sector. These US dollar figures reveal a decline of -4.6 per cent in January to March 2001/2002 and of -5.3 per cent in 2000/2001, following a three-year period (1998-2000) of relative stability. The UF (*Unidad de Fomento* – daily adjusted Chilean monetary unit) figures show a rise of 5 per cent in January to March 2001/2002 and of 6.9 per cent in 2000/2001.

The Commission is also taking account of the fact that total sugar production, including sugar for domestic use which does not compete with the product under investigation, rose 7.1 per cent in 2000/2001, prolonging the recovery which followed the 1999 downturn. It should be noted that production is seasonal, concentrated in the period from April to September.

Another fact under consideration is that sales to the industrial sector represent around 52 per cent of the company's total sales of sugar. They fell both in 2000 (-13.3 per cent) and in 2001 (-2.3 per cent), with a 5.2 per cent decline for the period January to March 2001/2002 as well.

It should be pointed out that exports of sugar, glucose, fructose and syrups thereof are marginal.

The Commission notes the growth of the sugar inventories of Iansa S.A. and draws attention to the fact that its average inventories for the period January to March 2002 grew 22.5 per cent in relation to the same period the previous year, a growth which coincides with the recorded increase in sugar imports into the country.

The Commission is also taking account of the contribution margin for sugar and the operating results for the sugar industry, which includes sugar and its by-products. The operating results for the whole industry (sugar and its by-products) which, in 2000/2001 changed from negative to positive, were again negative in the first quarter of 2002. The contribution margin for sugar in the period January to March 2002 showed an improvement with regard to the same period the previous year; expressed in Chilean pesos, it also experienced growth in 2000/2001.

Apparent consumption of natural sweeteners, calculated in terms of "sugar equivalent", declined 8.5 per cent from 2000 to 2001, unlike the 1999/2000 annual variation which showed an 8.4 per cent increase.

The Commission finds that the share of glucose and fructose imports in the apparent consumption of natural sweeteners increased from 1.9 per cent in 1999 to 7.0 per cent in 2001.

The Commission is also bearing in mind that, in the first four months of 2002, the average price in US dollars c.i.f. of total imports of the products under investigation (glucose, fructose and syrups thereof) fell by 3.7 per cent on average in relation to the same period the previous year. Similarly, the average price in US dollars c.i.f. for 2001 showed an annual decline of 1.2 per cent.

Furthermore, the price series of the imported products under investigation and the domestic price of sugar, expressed as a ratio, can be seen to follow similar courses of development, that is to say, in general terms, relative stability from 1999 to 2000, followed by growth in 2001 up until the first months of 2002, when they regained their stability.

4. Other information (as contained in the notice of the initiation of the investigation published in the Official Journal):

Period of the investigation: The final resolution will be adopted within 90 days of the initiation of the investigation.

Public hearing: To be held on 2 August 2002, at 9.30 a.m. at Agustinas 853, 12th floor, Santiago. Parties wishing to appear at the hearing should apply in writing to the Technical Secretariat up until the third working day prior to the date fixed for the hearing.

Any information which the interested parties may wish to submit and any request for a hearing before the Commission that they may wish to put forward should be submitted within 30 days following the initiation of this investigation to the Technical Secretariat, calle Huérfanos 1175, 4th floor, Central Bank of Chile, Tel: 670-2866, Fax: 671-1881. Any additional information may be consulted at the Technical Secretariat.

Glucose/Fructose Imports in Absolute Terms and in Relation to Domestic Sugar Production

Year	Imports*		Domestic production (C)	Imports/Production Ratio (%)	
	Tonnes (A)	Equivalent in tonnes of sugar (B) **		(A)/(C)	(B)/(C)
1997	7,256	5,387	349,300	2.1	1.5
1998	6,775	4,981	462,500	1.5	1.1
1999	15,618	11,520	415,000	3.8	2.8
2000	42,531	31,617	437,700	9.7	7.2
2001	59,546	44,455	468,900	12.7	9.5
Jan.-April 01	19,777	14,777	-	-	-
Jan.-April 02	25,247	18,861	-	-	-

Notes:

* Imports include tariff headings 1702.3000, 1702.4000 and 1702.6090, as well as the predecessor to the last of these three which was in force until 2001, 1702.6000.

** Column B is based on the following equivalence coefficients:
tariff heading 1702.3000 = 0.75; tariff heading 1702.4000 = 0.71; tariff heading 1702.6090 = 0.75.

Source: Prepared by the Technical Secretariat on the basis of customs import declarations and information from the applicant.

Summary of Information on Injury Factors

Area	Annual variation
Domestic production	
2000	5.5%
2001	7.1%
Domestic sales – Industrial sector	
2000	-13.3%
2001	-2.3%
Domestic sales – Household sector	
2000	-10.0%
2001	9.3%
Installed capacity	
2000	0.0%
2001	0.0%
Use of installed capacity	
2000	(+)
2001	(+)
Change in inventories (tonnes)	
2000	(+)
2001	(+)
Apparent consumption	
2000	8.4
2001	-8.5
Share of imports / Apparent consumption	
2000	(+)
2001	(+)

Area	Annual variation
Contribution margin for sugar (in Chilean pesos)	
2000	-2.6%
2001	36.4%

Source: Technical Secretariat, on the basis of information from the applicant.
