

# WORLD TRADE ORGANIZATION

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(01-4248)

Committee on Safeguards

Original: Spanish

## 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 4 September 2001, has been received from the Permanent Mission of Chile.

1. **Specify the date when the investigation was initiated.**

The investigation was initiated on 31 August 2001, date of publication in the *Diario Oficial* (Official Journal) of Chile.

2. **Specify the products subject to the investigation.**

**Non-refillable gas fuelled pocket lighters and refillable gas-fuelled pocket lighters** classified under tariff headings 9613.1000 and 9613.2000 of the Chilean Harmonized Tariff.

3. **Provide the reasons for the initiation of the investigation.**

(i) **The investigation was initiated at the request** of the *Compañía Chilena de Fósforo Sociedad Nacional S.A.* The National Commission responsible for investigating the existence of distortions in the price of imported goods decided to initiate the said investigation at its meeting No. 247 on 10 August 2001.

**The domestic industry** is made up of the firms *Compañía Chilena de Fósforo S.A.* and *Fosforera Sudamericana S.A.* The applicant company has met the required conditions for being representative of the domestic industry. The imported product is considered in the application for an investigation as directly competing with domestic production of matches packaged in boxes of 25 and 40.

(ii) **Evidence on the basis of which the investigation was initiated:**

Analysis of imports

Although imports for the year 2000 totaled 18.6 million units, 6.3 million less than the previous year, the Commission **laid particular emphasis on the increase recorded in the first five months of 2001.** During that period, imports reached 16 million units, an

increase of some 9 million over the 6.9 million units recorded for the same period in 2000. During the first five months of 2001, there was a 131 per cent increase over the same period in the previous year.

The historical evolution of the annual volume of imported gas-fuelled pocket lighters, for the most part non-rechargeable (about 90 per cent on average for 1990–2000), reached its peak in 1998 (27.1 million units), followed by a decline which lasted until 2000.

In order to weight the growth that took place during the first five months of 2001, the historical behaviour of imports was analysed, but for the period from January to May of each year only. The analysis revealed that the period from January to May 2001 marked the high point in imports of pocket lighters over the past 11 years, with about 16 million units imported. It also showed that the share of units imported for the period indicated had been variable throughout the 1990s.

A study was then made of the **ratio of total imports of lighters to domestic production of matches** packaged in boxes of 25 and 40 (variables expressed as a common unit - "lights" - using a fixed conversion factor). The evolution of this ratio was similar to the evolution of imports. After decreasing from 2.7 in 1999 to 1.8 in 2000, it increased sharply in the first four months of 2001, during which it rose, over the same period of time as during the previous year from 1.8 to 4.1.

#### Injury and causal link

The domestic sales price of matches, expressed in Promotion Units<sup>1</sup>/millions of lights, decreased over the past two years. In 2000, it decreased by 0.4 per cent over 1999, and in January–April 2001/2000 it decreased by 0.2 per cent. Although the fall in prices, during the period under consideration was not as sharp in 2001 as in 2000, there was a 1.4 per cent increase in the production costs of the applicant enterprise during the same period.

During the period from January to April 2001 – as compared with the same period during the previous year – there was a contraction in domestic production of matches, defined as competitive with the imports, of 35.8 per cent.

Internal sales in the domestic matches industry (all types of packaging) decreased by 11 per cent during the first four months of 2001 over 2000. This accentuated the trend that had begun in 2000 with a decrease of 0.4 per cent over 1999. It was also observed that with respect to packages of 25 and 40 matches, although the annual variation in sales of the *Compañía Chilena de Fósforos for the sector* was positive (1.5 per cent), comparing January-April 2001 to the same period in 2000, there was also a fall (-18 per cent).

Apparent consumption of lights (which include packages of 25 and 40 matches and pocket lighters) increased by 35.5 per cent during the period January–April 2001 over the same period in 2000. This increase took place in a context in which the production of matches was declining and imports of both pocket lighters and matches were increasing. In 2000, consumption fell by 15.9 per cent as compared to the previous year.

The applicant enterprise's operational result for the production of matches in boxes of 25 and 40 fell by 23.4 per cent in January–April 2001 as compared to the same period in 2000, after increasing 21.2 per cent between 1999 and 2000. As regards the increase in 2000, it should be remembered that 1999 provides a very low basis for comparison in view of the

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<sup>1</sup> Unit of value that incorporates price movements.

significant price adjustment that took place during that year. Comparing the results for 2000 with those of 1998, there was a 30 per cent decrease, and not an increase.

Alongside this decrease in production, while installed capacity remained constant, the utilization of that capacity at the national level (all types of packaging included) declined by 26 per cent during 2000 and 24 per cent during the period January–April 2001. For packages of 25 and 40, the decrease in capacity utilization by the applicant enterprise was 34 per cent in 2000 and 31 per cent for the period January–April 2001.

The share of imports of pocket lighters in the apparent consumption of lights (matches in boxes of 25 or 40 plus gas lighters) increased from 61 per cent to 73 per cent between 2000 and the first four months of 2001.

Average c.i.f. prices for non-rechargeable pocket lighters (which represent more than 90 per cent of imports) decreased by 23 per cent during the period from January to May 2001 over 2000. While they had increased by 20 per cent in 2000 over 1999, this increase reflects in part a recovery with respect to the fall of 43 per cent in 1999 over 1998.

A comparison was also made between the sales price levels of matches and the c.i.f. import prices of pocket lighters, both expressed in Promotion Units per million lights. The matches/pocket lighters ratio increased from 16 in 2000 to 18 during the period January to April 2001 owing to the decrease in the price of pocket lighters. Because of the considerable difference between these prices, the Commission agreed to analyse this aspect during the investigation.

It also took account of the evolution of the following variables during the period from January to April 2001 over 2000: Exports increased by 10 per cent; the applicant enterprise's inventories fell by 5.1 per cent; and employment remained constant.

**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 from the initiation of the investigation.

Public hearing: To be held on 8 November 2001, at 9.30 a.m. at Agustinas 853, 12<sup>th</sup> Floor, Santiago.

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 Secretaría Técnica (Technical Secretariat), calle Huérfanos 1175, 4<sup>th</sup> floor, Central Bank of Chile, Tel. 670.2765, Fax 671.1881. Any additional information may be consulted at the Technical Secretariat.

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