GENERAL AGREEMENT ON
TARIFFS AND TRADE

Committee II - Expansion of Trade

TRADE IN AGRICULTURAL PRODUCTS

CHILE

Synopsis of Non-Tariff Measures for the Protection of Agriculture
or in Support of Incomes of Agricultural Producers
Furnished by the Government of Chile

I. NATIONAL AGRICULTURAL POLICY

A. General Objectives

Growing inflation and monetary deficits, led Chile in 1956 to introduce a number of trade and currency reforms. This action was followed up in 1958 by further reforms which freed the banking and exchange system from restrictive controls. Nevertheless, Chile's recovery continued to be impeded by a serious problem in the sector of agricultural trade; the deficit in the trade in agricultural produce continued to represent a heavy burden on the national trading resources.

It should be borne in mind, however, that this did not result solely from causes inherent in the process of production (an agrarian structure allowing little mobility to the productive factors, a low level of technology, etc.), but also from the slow development of the general economy of the country, and, even more, from the deterioration reflected in the shrinkage of the per capita gross national product in the last few years. Because of this shrinkage, which brought about a reduction of the real income of the population, the Chilean Government was compelled to adopt measures for the consumers' protection - i.e. price controls - and to stimulate producers through allowances in respect of production costs. On the other hand, it should also be noted that consumers maintained an unreasonable diet, without an increase in the consumption of basic products such as milk, meat, etc.

Out of a total population of 7.1 million, about 40 per cent may be regarded as rural population. Agricultural labour represents approximately 30 per cent of total active labour. Chile is an importer of food products. The main items of imports are wheat and flour, livestock, vegetable oils, sugar and bananas. Generally speaking, Chile supplies between 80 and 90 per cent of its own requirements of agricultural produce, but an increased production of crops should raise
that percentage in the next few years. The most important agricultural exports are wool, vegetables, onions, barley, oats and fruit, though it should be mentioned that by far the majority of exports are mineral products, their value representing 70 to 80 per cent of total exports.

Chile cannot expect, even under a sound system of production, to be self-sufficient in foodstuffs. Certain items (wheat, for instance) must be imported, others (such as fruit, wine seeds, vegetables, etc.), can be exported. Agriculture is, however, capable of achieving a position of economic sufficiency enabling it to compensate its agricultural imports with exports of other farm products. The balance of the agricultural foreign trade, which at present shows a deficit (averaging 50 million dollars yearly) will thus become positive, after the financing of imports of foodstuffs and agricultural costs.

While the area of arable land is small, Chile's climate and soil are such as to allow for widely diversified forms of agricultural production, this diversification being a further objective of the agricultural policy.

The growing of wheat and the breeding of livestock constitute the main agricultural activities, although the volume of production is not sufficient to cover domestic requirements. Vegetable produce, fruit and raisins, wool, barley and oats are grown both for home consumption and for export. Maize, rice, sugar, oil seeds, hemp and tobacco provide substantial crops, although they generally must, to a certain extent, be supplemented by imports. On the other hand, Chile depends entirely on foreign markets for her supplies of products such as cotton.

The exchange and trade reforms are to be supported by the additional aids provided in the long-term agricultural and transportation programme initiated in 1954. It is hoped that recent legislation aiming at the decentralization of banking control under a system of deposits for reserves and re-discount will provide funds for medium and long-term agricultural credits. Irrigation is being developed: on the basis of present plans, the area under irrigation is to be increased to about five million acres, or approximately one third of the arable land. Roads to agricultural markets are being improved; agricultural research and the extension of services to farmers are being expanded with the co-operation of the Ministry for Agriculture, the local universities and various international technical assistance agencies.

The Chilean Government has taken a great interest in the intensification of trade through a multilateral programme with the neighbouring Latin American countries. The Montevideo Treaty, which establishes a Latin American free-trade area, contains special provisions in respect of agriculture. Although it provides that the contracting parties to the Montevideo Treaty will endeavour to co-ordinate their policies in order to derive the maximum advantage from their natural resources, the Treaty contains provisions which, during the transitional period, authorize, under certain circumstances, the maintenance of certain limitations on trade competition between Member States in respect of agricultural products.
B. Special Measures

The principal instruments used at present to implement the agricultural policy are the systems of free trade, replacement of restrictions by advance bank deposits on imports, State monopolies, export control and the fixing of prices.

The old multiple exchange system used to regulate foreign trade has been replaced by a single rate exchange plan supplemented by the system of advance bank deposits (see under Section VI).

All agricultural products may be freely imported, with the exception of wheat and frozen meat, which are the most important agricultural imports. The exclusive right to import these two items is held by a government agency, the "Instituto Nacional de Comercio".

Agricultural exports, on the other hand, are subject to licensing in order to ensure the recoupment of exchange and to control the application of the export quotas. Agricultural products, however, have been exonerated from export duties and the majority of products of which the export was previously prohibited, or which were subject to quotas, may now be freely exported. With a view to maintaining adequate supplies for the domestic market, thus safeguarding the consumers' interests, exports of foodstuffs are subject to a quantitative control by means of export quotas.

The domestic market has been, to a large extent, freed of trade restrictions and price controls. In 1958, in pursuance of her policy of free competition, Chile removed wholesale and retail price controls on the majority of goods. However, the prospects of reduced crops as a result of the damage caused by heavy storms brought about, in the early months of 1959, an abrupt rise in the prices of foodstuffs. This situation led the Government to temporarily re-instate price controls on rice, sugar, flour and bread. With a view to obviating price speculation, the allowable profit margin was fixed on the sale of fresh vegetables, both wholesale and retail.

In order to stimulate production of wheat and oil seeds (sunflower seed), the Chilean Government continued to maintain guaranteed prices to producers. The minimum support price on wheat for 1958-1959 was fixed at 6.398 pesos per 100 kilos ($1.65 per bushel) for the month of January 1959. This minimum price rose monthly, reaching a maximum of 7.428 pesos per 100 kilos ($1.92 per bushel) in September. Government also fixed the minimum price of oil seeds (sunflower) for 1958-1959 at 9.220 pesos per 100 kilos (approximately 4 ct. per pound). The price of wheat was maintained through the purchasing operations of INACO, a Government trading concern, which guaranteed the purchase at a fixed price of all the wheat offered by the producers. The prices of oil seeds were maintained by COMARSA, an association of vegetable oil producers. The price of meat was "frozen".
A special Committee for the economic and social re-organization of agriculture completed, at the beginning of 1960, the first part of a Report on immediate measures for the development of agriculture, agricultural credit, the policy of support prices, agricultural wages and the establishment of an agricultural corporation. These proposals have been submitted to the President of the Republic for his consideration.

II. SUBSIDIES

(Including all forms of income and price support)

Guaranteed prices for producers of wheat and oil-seed were dealt with in Section I/B, which also referred to Government purchases of domestic wheat at a guaranteed price. The temporary price control for rice, sugar, flour, and bread, and fresh vegetables was also described in that section.

While a large number of subsidies were eliminated during the last three years, the Government maintained its assistance to wheat growers in the southern production area, guaranteeing them a 50 per cent rebate on transportation costs. The emphasis placed on wheat production is further reflected in the shape of a recent subsidy granted on fertilizers used for wheat cultivation during the agricultural year of 1957-58. A similar subsidy on transportation costs will also be paid to potato growers in the same region for 1958.

In accordance with the programme for the development of agriculture and transport, new milk-processing plants have been built and old ones modernized. New refrigerated slaughter-houses were erected in Osorna and Los Angeles in Southern Chile. INACO is planning to expand storage and drying facilities with a view to improving the marketing of grain production in the southern area. A new sugar plant has been built in Llanquihue, in the centre of the southern part of Chile, with a yearly capacity of approximately 20,000 metric tons of refined sugar.

III. COST OF PROGRAMMES AND PRODUCERS' NET INCOME

A. Total Cost of Government Support Programmes

for Each of the Last Three Years

The necessary information on this point is not yet available. It can only be stated that allowances granted in respect of fertilizers in 1959 amounted to approximately 2,500 million pesos, representing an average of 230 pesos per metric quintal (at the average price of approximately 7,000 pesos per metric quintal).

B. Amount of Net Agricultural Income

and Value of Farm Production

(in million pesos)

<table>
<thead>
<tr>
<th></th>
<th>1956</th>
<th>1957</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of production</td>
<td>248,937</td>
<td>334,511</td>
<td>462,880</td>
</tr>
<tr>
<td>Amount of net income</td>
<td>195,636</td>
<td>250,549</td>
<td>322,661</td>
</tr>
</tbody>
</table>
IV. MLING REGULATIONS

None.

V. STATE-TRADING OPERATIONS

As stated in Section I/B, imports of wheat and frozen meat are in the hands of a State monopoly. The Government also ensures the sale of all the wheat offered by producers at a guaranteed price.

A recent Government decree abolishes the quantitative restrictions on livestock, and allows them to be transported freely throughout the country. The Government hopes in this way to put an end to local monopolies and to improve the competitive position of cattle produced in areas far from the main centres of population.

VI. IMPORT RESTRICTIONS

Chile is continuing to get rid of quantitative restrictions and other limitations on international trade. Import licences have already been done away with to a large extent.

The restrictions are generally being replaced by a system of advance bank deposits, payable in dollars or in pesos, for which customs surcharges have now been substituted; this system will in turn be superseded by customs duties as soon as the new tariff, now under study, becomes effective. The size of the deposits varies, ranging from 5 per cent on raw sugar to 100 per cent on wheat and coffee in beans, and to 1,500 per cent on certain fishery, stock-raising, agriculture and market-garden products, etc. These deposits are to disappear in due course, and are being progressively replaced by a system of import duties.

There are a number of exceptions to the general application of the system of advance deposits on agricultural imports. It does not apply to purchases by the "Instituto Nacional de Comercio" which, as previously mentioned, is the sole importer of wheat and frozen meat. Nor does it apply in the case of imports from countries with which Chile maintains bilateral trade agreements (Argentina, Bolivia, Brazil, Ecuador, France, Federal Republic of Germany, Italy, Spain and Yugoslavia). Likewise, the system is not applicable to purchases made by the CONVENSA in accordance with agreements signed with Denmark, Egypt, Holland, Portugal and Sweden, such purchases being payable according to the method and in the currency specified by the respective agreements. Further, the obligation in respect of advance deposits is also waived in the case of purchases made on the basis of the North-American legislation on agricultural surpluses.
VII. MEASURES TENDING TO REDUCE OR REMOVE THE NEED
FOR NON-TARIFF MEASURES OF PROTECTION OR PRICE SUPPORT

The general policy of the Government of Chile is tending gradually toward
the removal of all restrictions and the restoral of the protective function of
the Customs tariff. To this end, as already stated, a new tariff is under
study, and will be brought to the attention of the CONTRACTING PARTIES in due
course.

On the other hand, the economic plan now under consideration by the
Chilean Government gives priority to agriculture in its programme of investments
intended to carry into effect a policy of which the chief objectives are:
(a) an intensified and more complete utilization of available land; (b) diver-
sification of production; (c) reduction of costs; (d) a sound replacement of
certain imports; (e) the export of surpluses.