



United States  
General Accounting Office  
Washington, D.C. 20548

General Government Division

B-259525

December 14, 1994

The Honorable E (Kika) de la Garza  
Chairman, Committee on Agriculture  
House of Representatives

Dear Mr. Chairman:

This letter responds to your request for information concerning Chilean government restrictions on the sale of fresh lettuce. These restrictions affect the operations of the McDonald's Corporation's fast food restaurants in that country.

RESULTS IN BRIEF

Since 1991, Chile has imposed a ban on the sale of certain fresh fruits and vegetables, including lettuce, in commercial establishments in the Santiago metropolitan region as a precautionary measure against possible outbreaks of cholera. Chilean officials maintain that the microorganism responsible for cholera may be present in these products. The ban applies to all commercial establishments that sell food directly to the public; there is no distinction between domestic-owned and foreign-owned enterprises.

According to a spokesman for McDonald's Corporation, in early September 1994, Chilean Ministry of Health officials indicated they were prepared to accede to McDonald's request to be allowed to serve fresh lettuce in its restaurants that would be guaranteed free of the cholera-causing microorganism. The ministry's action, however, was conditioned on approval by the Ministry of Agriculture and final authorization by the Chilean Congress. As of early November 1994, those actions had not been completed.

BACKGROUND

In April 1991, in response to the threat of an outbreak of cholera in the Santiago metropolitan region, the Environmental Health Service of the Chilean Ministry of Health banned the sale of certain fresh fruits and vegetables and raw seafood in commercial establishments that serve food

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directly to the public.<sup>1</sup> These establishments include restaurants, hotels, soda fountains, and businesses that offer carry-out food. The ban applied specifically to fresh fruits and vegetables grown at ground level, which includes lettuce. These crops were considered potentially dangerous because they could be grown using contaminated irrigation water and could spread cholera if eaten fresh. Crops that grow on trees, such as avocados, were permitted to be served fresh. Chilean authorities allowed cooked vegetables, such as steamed carrots or boiled cabbage, to be served in restaurants. The ban applied to all commercial establishments in the Santiago region that serve food directly to the public.

According to a McDonald's representative in Chile, the ban on the sale of fresh vegetables has had a particularly adverse impact on McDonald's restaurants in Chile, since certain dishes offered by the fast food chain are customarily accompanied by fresh lettuce. An official with the U.S. embassy, Santiago, explained that the embassy has been concerned about the difficulties for McDonald's posed by the regulation. However, the embassy considered the ban an internal Chilean matter intended to protect public health. An embassy official noted that the regulation had been implemented impartially on all restaurants and could not be challenged as a discriminatory measure against foreign-owned establishments.

#### SCOPE AND METHODOLOGY

To develop our information, we reviewed the pertinent regulation from the Chilean Ministry of Health; interviewed officials of the U.S. Department of Agriculture in Washington, D.C.; and spoke by telephone with an official from the U.S. embassy Santiago, Chile. We also interviewed by telephone the representative of McDonald's Corporation in Chile. The information in this report concerning Chilean law does not reflect our original legal analysis, but is based on interviews with U.S. embassy officials in Chile.

#### ALTERNATIVE SYSTEM PROPOSED

According to a representative of McDonald's, since 1991 the company has been working with Chilean officials to resolve the problem presented by the ban on fresh lettuce. At one time, McDonald's proposed importing fresh lettuce. However, Chile does not allow imports of most fresh fruits and vegetables, as

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<sup>1</sup>The provisions of the ban are embodied in Resolution No. 303806, April 22, 1991.



discussed in our September 1994 report.<sup>2</sup> Alternatively, McDonald's proposed establishing a closed system in Chile for the production, processing, and distribution of fresh lettuce. A spokesman for McDonald's said that this approach could allow the company to guarantee the safety of lettuce served in its restaurants in Chile. Such a system would have appropriate sanitary controls to prevent the possible spread of cholera and would be monitored by McDonald's quality assurance staff, as well as any entity designated by the Chilean government. Chilean authorities initially raised objections to this proposal, arguing that (1) it would give a false impression to the Chilean consumer that the danger of cholera was over and (2) it would complicate the government's efforts to maintain control over other commercial establishments that may also want to serve fresh lettuce but that do not have appropriate sanitary controls.

Nevertheless, in 1994, following a change in the Chilean government, McDonald's once again approached the Ministry of Health regarding the possibility of establishing a closed system of production for lettuce. According to a spokesman for McDonald's, in early September 1994 Chilean Ministry of Health officials indicated they were prepared to approve such an arrangement and allow McDonald's to serve fresh lettuce in its restaurants. Final authorization was pending approval by the Ministry of Agriculture and the Chilean Congress as of early November 1994.

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We will send copies of this letter to the U.S. Department of Agriculture and the U.S. embassy in Santiago. Copies will also be made available to other interested parties upon request.

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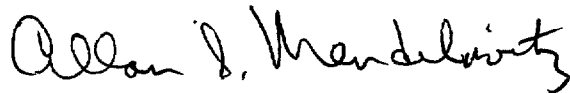
<sup>2</sup>In U.S. Chilean Trade: Pesticide Standards and Concerns Regarding Chilean Sanitary Rules (GAO/GGD-94-198, Sept. 28, 1994), we noted that Chilean authorities have "not established phytosanitary rules necessary to allow the entry of fresh fruit and vegetable imports. . . . In effect, the absence of these rules bans virtually all U.S. exports of fruits and vegetables to Chile."



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If you have any questions concerning this letter, please call me at (202) 512-4812. The information in this letter was developed by Curtis Turnbow, Assistant Director; Juan Gobel, Evaluator-in-Charge; and Carolyn Black, Evaluator.

Sincerely yours,

A handwritten signature in cursive script that reads "Allan I. Mendelowitz".

Allan I. Mendelowitz, Managing Director  
International Trade, Finance,  
and Competitiveness

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