

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/18

25 September 1962

Limited Distribution

Committee on Balance-of-Payments Restrictions

1962 CONSULTATION UNDER ARTICLE XVIII:12(a)¹ WITH

C H I L E

Basic Document for the Consultation²

1. Legal and administrative basis of the restrictions

The statutory basis of the import control system is Law No. 12,084 of 13 August 1956, as amended by Decree Law No. 250 of 30 March 1960. The Chilean Ministry of Economy, Development and Reconstruction is the authority responsible for formulating general policies governing export and import trade and foreign exchange operations. The Central Bank of Chile, acting through a special Executive Committee, is charged with the administration of import and exchange restrictions. The basic framework of the present import control system in Chile is based on Decree Law No. 357 of 3 April 1956, as amended by Decree Law No. 859 of 9 August 1956, Law No. 13,305 of 4 April 1959, Decree Law No. 8,413 of 15 June 1959 and Supreme Decree No. 1,272 of 11 November 1961.

2. Methods of restriction

Unless specifically exempted all imports are subject to an advance deposit. With certain exceptions imports are also subject to a special surcharge. There are now thirteen surcharge categories with rates ranging from 0.1 to 200 per cent of the c.i.f. value of the import, depending on the essentiality of the product

¹Since this consultation was initiated in May by the Council, Chile has signed the Protocol Amending the Preamble and Part II and III of the General Agreement on Tariffs and Trade. It is suggested that the consultation should be deemed to have been instituted under the provisions of paragraph 12(a) of Article XVIII.

²Prepared by the secretariat on the basis of available information and circulated subject to verification and amendment by the Chilean authorities. A document containing details of the Chilean import controls applicable to different products will be issued separately (BOP/20) and should be deemed to constitute an annex to this document.

concerned.¹ Imports of most types of motor vehicles are also subject to a special tax of 200 per cent of their f.o.b. value. Imports of a wide range of products are prohibited. For details regarding the prior deposit rates and surcharges applied to the different products and for a list of prohibited items see BOP/20.

Imports subject to prior deposit

Advance deposits apply to most imports and the rates are fixed from time to time by the Foreign Exchange Commission. Depending on the essentiality of the import, deposit rates have been established at 10, 100, 200, 1,000 and 5,000 per cent of the c.i.f. value of the imported goods. Imports subject to prior deposits must be registered with the Central Bank of Chile through an authorized commercial bank and the deposit is made at the time of registration. Import deposits may be made in Chilean currency or in dollar bonds of the General Treasury or the Caja de Amortizacion de la Deuda Publica. When bonds are deposited, however, they must be equal to five times the amount of the surcharge (additional tax) on the registered import. The import deposit is returned to the importer upon presentation of the corresponding shipping documents. If the importation is cancelled, the deposit is returned provided that the importer establishes that he had good reasons for cancelling the importation. The import deposits for all categories of goods are retained by the Central Bank of Chile for ninety days.

The following imports are exempt from a prior import deposit:²

- (a) imports made by the Government, public institutions and semi-official agencies;
- (b) imports for the larger copper and iron mining, nitrate and iodine companies;
- (c) imports financed by credits from international lending organizations and imports financed through deferred exchange payments;
- (d) imports from LAFTA countries of goods included in Chile's national list and in the list of exemptions to Paraguay as concessions under the terms of the LAFTA Agreement;
- (e) imports made in conformity with the special regulations that govern imports into the Departments of Arica, Iquique, Pisagua, Taltal, Chanaral, Chiloe, Aysen, Magallanes, and the Provinces of Tarapaca and Antofagasta;

¹The surcharges, being outside the scope of the consultation, are not described further in this document.

²The exemption does not, however, apply to items falling into the 5,000 per cent category except for imports from LAFTA countries.

- (f) imports made by the Steel Company of the Pacific (Compania de Acero del Pacifico) and the national fishing industry which in conformity with special regulations are specifically exempted from the additional ad valorem surcharge;
- (g) imports made by universities recognized by the State, Department of Inter-American Agricultural Co-operation, welfare institutions, fire departments, the National Electric Enterprise (ENDESA), the National Petroleum Enterprise (ENAP), the National Smelting Company (ENAF), and the subsidiaries of the Chilean Development Corporation (CORFO), namely Refrigeration Company of the Department of Industries of CORFO, Experimental Plant of Baquedano, Mining Enterprises of Caracoles; Forestry Enterprises of Colicheo, and Factory and Smelter of Antofagasta;
- (h) imports of a non-commercial character valued at less than \$100;
- (i) personal effects of travellers and goods entering Chile as the property of immigrants;
- (j) all imports which have been exempted from the additional ad valorem surcharge;
- (k) imports made under the United States Public Law 480;
- (l) imports of machinery and industrial equipment to replace that destroyed in the 1960 earthquakes;
- (m) imports of fishing nets and ropes of natural or synthetic fibres, hooks, harpoons, professional divers' equipment, floats for nets, tackle, inboard diesel marine engines and other equipment for the fishing industry;
- (n) imports of all other types of marine motors, winches, lines and tackle of artificial fibre and navigational apparatus and equipment for the use of professional fishermen provided they are approved in each case by the appropriate Port Authority.

Goods on the list of prohibited imports (see below) but which may be imported under exceptional authorizations, are subject to a 100 per cent deposit held for a period of ninety days, unless they are declared legally free from deposit.

Prohibited imports

On 12 January 1962, in order to combat a serious balance-of-payments situation which developed in late 1961, the Chilean Government removed approximately 700 items from its list of permitted imports. Items affected by the import prohibition include alcoholic beverages; tobacco; many food products; leather; textiles; garments; many chemicals and related products;

some steel and certain other metal products, hardware, hand tools; electric motors and transformers; electric fittings and conductors; most motor vehicles; all domestic appliances; certain household utensils; photographic equipment; paper products and plastic manufactures.¹

3. Treatment of Imports from different sources

The restrictions are applied to all countries without discrimination. Imports from LAFTA countries of goods included in Chile's national list and in the list of exemptions to Paraguay as concessions under the terms of the LAFTA Agreement are exempt, however, from the prior deposit requirement. Also, the import prohibition does not apply to imports originating in member States of the Latin American Free Trade Association.

Chile has a bilateral payments agreement with Yugoslavia which requires settlement through an account in clearing dollars.

4. Commodities or groups of commodities affected by various forms of restrictions

The Chilean authorities have supplied detailed information on the products affected by the various modifications referred to in Section 6 below. On the basis of this and other information which has subsequently become available, the secretariat has prepared a revised list of products subject to the various rates of prior deposit and the special surcharge or subject to prohibition. This list, which supersedes the list appearing on pages 9 to 83 of document L/1540, is being processed and will be circulated as BOP/20.

5. Use of State trading or government monopoly in restricting imports

Imports of wheat and frozen meat are handled by a State monopoly ("Instituto Nacional de Comercio"). It is not the purpose of this monopoly to restrict imports, imports being permitted to the extent necessary to satisfy domestic consumption.

6. Measures taken in 1961 and 1962 in relaxing or otherwise modifying restrictions

Since June 1959, when the surcharges were first introduced, their scope and incidence was progressively reduced until, by the end of 1961, only fifteen items, comprising machinery, apparatus, implements and tools for agriculture, remained subject to the lodgment of a prior deposit. However, on 27 December 1961 the Government, in order to combat the rapidly deteriorating balance-of-payments situation, re-imposed a 10,000 per cent prior deposit on most imports. The 10,000 per cent deposit requirement was eliminated in January for all but fifteen items but imports of some 700 items were prohibited, effective 12 January and prior import deposits equal to the amount of the surcharge levied on imports were introduced. At the same time effective surcharge rates for most categories of imports were increased. A summary of important measures taken on various dates since the time of the last consultation is given below:

¹For a full list of prohibited items see BOP/20.

On 1 July 1961 all payments between Chile and Spain, for goods and services, were placed on a convertible currency basis.

Effective 13 November 1961 under Decree No. 19,161, prior deposits were replaced by surcharges (impuesto adicional) for an additional group of tariff classifications. This action virtually completed the transition to the import surcharges and eliminated the use of prior deposit system with the exception of about fifteen products. Goods in bond and certain commodities imported from Argentina, Brazil and Spain remained subject, however, to lodgment of prior deposits until the end of 1961.

On 27 December 1961 the Government announced the freezing of all foreign currency exchange operations until 6 January 1962. At the same time all permitted imports were made subject to a prior deposit of 10,000 per cent.

On 12 January 1962, under Decree No. 41, it was decided to prohibit the import of approximately 700 individual items, comprising luxury goods, many other non-essential commodities and a wide range of articles produced in the country. Also, under Law No. 14,842, the import privileges of Arica and the other free-trade zones were sharply reduced.

Effective 15 January 1962, under Central Bank Circular No. 140, a new dual exchange system was introduced providing two rates of exchange - the fixed official rate of escudo 1.053 per United States dollar and a fluctuating rate for brokers' market. The official rate is applicable to most import and export transactions and a free rate for imports of goods classified as luxury items. Exchange cover for imports is not approved until ninety days after the date of the bill of lading. Effective this date, the 10,000 per cent prior deposit requirement was abolished but henceforth importers were required to make a prior deposit equal to the amount of the additional surcharge (impuesto adicional).

On 5 March 1962, a 200 per cent surcharge on the c.i.f. value of the import of secondhand goods into Chile was imposed with few exceptions. On the other hand the import deposit requirement for certain used equipment was reduced.

On 18 June 1962, the prior deposit requirement was further extended by the addition of new items to the list subject to this requirement. At the same time the rates of surcharge currently in force for the various categories were fixed and prior deposit rates were established at 10, 100, 200, 1,000 per cent. Prior deposits were henceforth to be lodged with the Central Bank of Chile at the time of import registration for retention for ninety days.

On 7 July 1962, under Decree No. 3,167, the Chilean Ministry of Finance issued a list of items classified as luxury imports into free zones of Aysen, Chiloe and Magallanes liable to full rates of customs duties and taxes.

In August 1962 prior deposit rates for many categories of imports were fixed at 5,000 per cent of their c.i.f. values.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons

Statement to be supplied by the authorities of Chile.¹

¹For the statement made by the representative of Chile at the Council Meeting on 30 May 1962, see BOP/9.

