

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/2713

24 November 1966

Limited Distribution

COUNCIL

24 November 1966

RENEGOTIATION OF CHILEAN SCHEDULE

Report of the Working Party

1. The Council at its meeting of 17 November referred to a Working Party a request made by the Government of Chile, as set out in documents L/2706 and L/2710, for a waiver from its obligations under Article II in order to apply a new customs tariff on 1 January 1967, without prior renegotiation of Chile's Schedule VII. The Working Party met on 18 and 23 November.
2. The representative of Chile reiterated some of the points made in the aforesaid documents. By Law 16,464 of 25 April 1966 the President of Chile was empowered to replace the present obsolete tariff classification by the Brussels Tariff Nomenclature. He recalled in this connexion that the GATT had secured for his Government the valuable collaboration of Mr. Kaae, a Danish Customs Expert. The new tariff will reproduce the same level of incidence that existed on 25 April 1966, with few exceptions not exceeding 15 per cent, up or down, which might be made necessary for technical reasons. The new tariff does not, then, represent a new trend in trade policy, except for the adoption of the Brussels Tariff Nomenclature. The representative of Chile stressed that the President was required to put into force the new tariff not later than 1 January 1967, and that, in consequence, time was short.
3. One representative inquired whether Chile would incorporate in its new tariff not only a specific and ad valorem charge but a "transitory surcharge" designed to make up the difference between the incidence of the specific and ad valorem components and the total of the charges collected at the time the old tariff was replaced. The representative of Chile replied that no new temporary or "transitory" surcharges were envisaged and that the new tariff would contain only two columns: one specific, the other ad valorem. It was the intention of his Government to eliminate specific duties at a later stage. Furthermore, a series of reductions of the ad valorem duties and surcharges effected after 25 April 1966, would be restored the day after the new tariff came into force.
4. A representative inquired into the reasons that made it necessary to incorporate permanently into the tariff the temporary surcharges applied since 1959. The representative of Chile recalled that the CONTRACTING PARTIES had authorized the surcharges on bound items as a temporary measure. In April 1966 the Chilean Congress had decided to consolidate the numerous existing duties and to adopt the

Brussels Nomenclature. For the future, Law 16,464 gave permanent powers to the President to reduce, suspend, or increase duties as necessity demanded. In reply to a further question as to whether these powers given to the Executive implied that Chile would gradually eliminate the surcharges from its tariff, the representative of Chile said that the question of surcharges had bearing on this matter only in relation to Schedule VII and that this was a matter for discussion in the renegotiation stage.

5. Asked whether the new tariff would imply a wider margin of preference for Latin American Free Trade Association countries, the representative of Chile replied that since there was no change in tariff levels, margins of preference had been maintained. If a product-by-product study revealed some products in Schedule VII to be affected, his Government was prepared in the Article XXVIII renegotiations to discuss the matter of compensation.

6. The question was asked whether the 15 per cent margin had, on the whole, been applied upwards or downwards. The representative of Chile replied that there was no pattern and that any deviation from the 25 April 1966 level of incidence was required by technical reasons.

7. A representative asked what was the formula used to convert all existing charges into the specific and ad valorem duties applied to each item. The representative of Chile said that whenever it had been possible to reproduce the same specific duty they had not resorted to the 15 per cent latitude allowed by the Law. When it had not been possible to maintain, because of changes in nomenclature, the same specific duty they had resorted to the 15 per cent latitude in establishing the equivalent new ad valorem duty. The representative of Chile reiterated that it was the desire of his Government to eliminate the specific duties at a later stage.

8. In answer to a question the representative of Chile said that a further move to consolidate the Chilean tariff to a single-column ad valorem tariff was not contemplated within the period foreseen for the forthcoming renegotiations of Schedule VII.

9. A question was asked whether "prior import deposits" had in any manner been linked to the tariff. The representative of Chile said that there was no link between the tariff and the requirement of prior import deposits, the latter being a purely financial measure. Furthermore, the whole system had been overhauled in 1964, so that today it was no more than a minor obstacle to trade. It was the Government's intention further to reduce prior import deposits until their elimination. However, a sudden release of the total amount at present deposited would undoubtedly create serious monetary problems.

10. The Chilean representative agreed that his Government would provide contracting parties with a correlation table in time for the renegotiations. Work on this had already been started.

11. The Working Party agreed to recommend that the request of the Chilean Government be granted and has prepared a draft decision which it submits to the Council as an annex to this report.

ANNEX

CHILEAN SCHEDULE - RENEGOTIATIONS

Draft Decision

Recalling their Decision of 15 March 1965 whereby Chile was authorized to continue to maintain until the entry into force of the new Customs Tariff or until 31 December 1966, whichever is the earlier, surcharges specified in the Decision of 27 May 1959, subject to certain terms and conditions;

Considering that the Government of Chile has notified the CONTRACTING PARTIES that it is carrying out a tariff reform which will involve the adoption of the Brussels Tariff Nomenclature and the incorporation in the customs duties of all charges, including surcharges, previously applied on importation;

Considering that the new tariff may involve the increase of a number of rates of duty negotiated by Chile and incorporated in Schedule VII annexed to the General Agreement;

Considering the assurances given by the Government of Chile that the level of duties and charges in the new tariff will, with few exceptions made necessary for technical reasons, be no higher than those applied on 25 April 1966;

Considering that the new tariff is designed greatly to simplify formalities connected with importation;

Considering that the new tariff is also designed to constitute a more appropriate instrument for the promotion of economic development;

Considering that negotiations under Article XXVIII of GATT cannot be completed by 31 December 1966, which is the date of expiry of the aforementioned Decision of 15 March 1965;

The CONTRACTING PARTIES, acting pursuant to the provisions of Article XXV:5 of the General Agreement and in accordance with the procedures adopted by them on 1 November 1956,

Decide, in view of the exceptional circumstances, to suspend the application of the provisions of Article II of the General Agreement to the extent necessary to enable the Government of Chile to put into force the rates of duty provided in its new tariff to be introduced on 1 January 1967 which may exceed those bound in Schedule VII, pending completion of negotiations for the modification or withdrawal of concessions in that Schedule on items to which the new rates apply, subject to the following conditions:

1. The Government of Chile will promptly enter into negotiations or consultations with interested contracting parties pursuant to paragraphs 1-3 of Article XXVIII.
2. Part IV of the General Agreement, including Article XXVI:8, is applicable to the negotiations between contracting parties which have accepted the Protocol amending the General Agreement on Tariffs and Trade to Introduce a Part IV on Trade and Development; and other contracting parties, negotiating with Chile, likewise accept the principle enunciated in Article XXVI:8 as applicable to the negotiations.
3. The negotiations and consultations mentioned above shall be related to the concessions to be offered by the Government of Chile as compensation for the modifications and withdrawals and to any requests made by interested contracting parties for other or additional compensation with a view to reaching a satisfactory adjustment consistent with the requirements of paragraph 2 of Article XXVIII and to the establishment of a new Schedule VII.
4. The negotiations or consultations mentioned above shall be completed before 31 December 1967.
5. Pending the entry into force of the results of the negotiations or consultations mentioned above, the other contracting parties will be free to suspend concessions initially negotiated with Chile to the extent that they consider that adequate compensation, bearing in mind the provisions of paragraph 2 of this Decision, is not offered within a reasonable time by the Government of Chile (subject to the right of any third contracting party having a principal supplying interest or a substantial interest therein to withdraw substantially equivalent concessions initially negotiated with such other contracting parties).
6. Except as may be otherwise provided in this Decision, the negotiations or consultations mentioned above shall be conducted in conformity with the relevant provisions of Article XXVIII.