

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.14/17
23 May 1959

Limited Distribution

CONTRACTING PARTIES
Fourteenth Session

WORKING PARTY ON CHILEAN IMPORT CHARGES

Draft Decision

CONSIDERING that the Government of Chile notified the CONTRACTING PARTIES on 15 April 1959 that the economic, monetary and budgetary situation of Chile had progressively deteriorated to such an extent that radical reform was necessary; and that the International Monetary Fund has confirmed that Chile was in a weak balance-of-payments position and that its foreign exchange reserves, particularly when considered in the light of medium and short-term foreign obligations, stood at a very low level;

CONSIDERING that in the view of the Government of Chile the first essential step was to halt inflation which had developed so as to nullify the Government's efforts to protect the value of its currency, to finance the budget expenditures, to achieve balance-of-payments equilibrium and to maintain the purchasing power of incomes and the standard of living of the population, and in its view, the one important method of checking inflation at the source was to raise the level of fiscal revenue by increasing existing internal charges, introducing new taxes and temporarily applying additional charges on imports;

NOTING that it is the firm intention of the Chilean Government to abolish all import restrictions and in the near future to rely on the sole protection of tariffs and, during the transitional period covered by this Decision, to replace import prohibitions by prior deposits and then the latter progressively by import surcharges which will in no case exceed 200 per cent and that it is not the intention of the Chilean Government to impose on any product both a surcharge and a prior deposit;

NOTING further the statement of the representative of the Chilean Government that in his view the new system will be less restrictive of imports and less detrimental to the trade interests of the other contracting parties than the system now in force;

NOTING that the Government of Chile intends to carry out in 1960 the necessary renegotiations under Article XXVIII of the General Agreement in order to apply the new Chilean tariff as from 1 January 1961 and that the system of surcharges on imported goods will be discontinued by the time the new tariff enters into force;

CONSIDERING, however, that the imposition of surcharges is inconsistent with the provisions of Article II of the General Agreement in so far as the surcharges are applied to products specified in Schedule VII;

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 to waive, subject to the terms and conditions laid down hereafter and in view of the statements of the Chilean Government referred to above, the provisions of paragraph 1 of Article II to the extent necessary to allow the Government of Chile to maintain, as an emergency measure designed to overcome the existing threat to its monetary reserves and to ensure the success of its stabilization programme, surcharges additional to the import duties provided for in Schedule VII - Chile, which shall be applied in a manner consistent with the provisions of Article I of the General Agreement:

1. The surcharges levied on the importation of products described in Schedule VII shall not exceed the ceiling indicated by the Government of Chile and referred to in the preamble to this Decision.
2. They shall be progressively reduced or suppressed as the balance-of-payments position of Chile improves, and shall be maintained only to the extent that the circumstances giving rise to their imposition still justify their application. The Chilean Government will endeavour to reduce and eliminate first the surcharges maintained on products described in Schedule VII. All surcharges maintained under this Decision shall be eliminated before 1 January 1961.
3. In the application of the surcharges maintained under this Decision, the Government of Chile shall take appropriate measures to avoid unnecessary damage to the commercial or economic interests of other contracting parties and impairment to regular channels of trade.
4. The Government of Chile shall notify the secretariat of the CONTRACTING PARTIES as well as contracting parties through diplomatic channels of any action taken under this Decision. If any contracting party considers that the imposition of any surcharges under this Decision would be unduly restrictive and that damage to its trade is threatened or caused thereby, it may make representations to the Government of Chile which shall accord sympathetic consideration to such representations and afford that contracting party adequate opportunity for consultation.
5. If such consultation does not lead to satisfactory results, the contracting party concerned may request the CONTRACTING PARTIES to invite Chile to enter into consultation with them. If, as a result of these consultations with the CONTRACTING PARTIES, no agreement is reached and they determine that the effect of the surcharges is unduly restrictive and that serious damage to the trade of the contracting party initiating the procedure is threatened or caused thereby, the contracting party initiating the procedure will be released from its obligation to apply to the trade of Chile concessions initially negotiated with Chile to the extent that the CONTRACTING PARTIES determine to be appropriate in the circumstances.