

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

C/33

19 June 1963

Limited Distribution

COUNCIL
19-21 June 1963

EXTENSION OF THE CHILEAN WAIVER ON IMPORT SURCHARGES

Report of the Committee on Balance-of-Payments Restrictions

1. The Committee, in the course of conducting the consultation with Chile which had been initiated by the CONTRACTING PARTIES in May 1962 following a substantial intensification of Chile's import restrictions, also examined the balance-of-payments aspects of the Chilean request for a further extension of the waiver relating to the Chilean import surcharges. The present report sets out the views of the Committee on this matter, which it submits for consideration by the Council.
2. The Committee noted that the waiver had originally been granted by a Decision dated 27 May 1959, to be valid until 1 June 1961. Its validity had since been successively extended by Decisions of 18 November 1960, 8 December 1961, and 13 November 1962.
3. The Committee recalled that the Decision of 27 May 1959 granting this waiver had been based, among other things, on the submission of the Chilean Government that the economic, monetary and budgetary situation of Chile had progressively deteriorated to such an extent that radical reform was necessary, the determination of the International Monetary Fund 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, and the view of the Chilean authorities that, in order to halt inflation, to finance the budget expenditure, to achieve balance-of-payments equilibrium and to maintain the purchasing power of incomes and the standard of living of the population, it was essential to raise the level of fiscal revenue through increasing existing internal charges, introducing new taxes and temporarily applying additional charges on imports. In extending the waiver on 18 November 1960, the CONTRACTING PARTIES took the view of the Chilean Government that, owing to certain natural events which had adversely affected the Chilean economy, the operation of the stabilization programme, which comprised the imposition of the surcharges on imports, had to be continued, and the view of the IMF that "the revenue resulting from the various elements of this stabilization programme, including the measures covered by the above Decision of the CONTRACTING PARTIES, is not more than is consistent with the success of the stabilization programme". The further extension granted on 8 December 1961, was based on the determination of the IMF that "fiscal, internal credit and balance-of-payments developments in Chile have

not been favourable during the first nine months of 1961, due in part to the earthquake reconstruction efforts" and that "the revenue resulting from the various elements of Chile's stabilization programme, including the measures covered by the above-mentioned Decision of the CONTRACTING PARTIES, is not more than is consistent with the success of the stabilization programme".

4. At their twentieth session in November 1962, the Government of Chile informed the CONTRACTING PARTIES of its intention to request a further extension of the waiver for a period of one year. Because important changes had just been made in the exchange system of Chile, involving recourse to a new system of exchange rates, and in the import surcharge system, the CONTRACTING PARTIES considered that time was needed for a careful and detailed examination of the continued maintenance of the import surcharges in the new situation. Consequently they provisionally authorized the maintenance of the surcharges specified in a Decision of 27 May 1959, subject to the terms and conditions of that Decision, until the completion of the examination of the request by the Council not later than 30 June 1963.

5. Although the Committee intended to discuss only the balance-of-payments aspects of the request, it nevertheless took note of certain statements made by the representative of Chile which in its view had a bearing upon the question of whether a further extension should or should not be granted. The Chilean representative stated that a bill establishing a new customs tariff had been submitted to the Congress for adoption. The proposed new tariff would contain three columns: the first two columns would comprise ad valorem and specific duties which in combination were considered to provide an optimum level of protective incidence. Rates in the third column would be equivalent to the difference between the total import duties, surcharges and other levies at present payable by the importer and the total of the rates specified in the first two columns. The intention was that this third column would be gradually removed from the permanent customs tariff over a transitional period. The Chilean representative reaffirmed that it remained the intention of his Government to enter into the necessary renegotiations under Article XXVIII of the General Agreement at the earliest possible moment after the completion of legislative procedures for the establishment of the new tariff and that the whole system of surcharges on imported goods would be discontinued by the time the new tariff entered into force.

6. In conjunction with the consultation on balance-of-payments quantitative restrictions, the IMF had been invited by the CONTRACTING PARTIES to consult with them also on this question of extending the Chilean waiver. The documentation supplied by the Fund and the statements made by the representative of the Fund in the Committee will be noted in the Committee's report on that consultation. For the present purpose, the Committee notes the Fund's statement that "the general level of the various restrictive and import surcharge measures currently applied by Chile does not go beyond the extent necessary at the present time to achieve a reasonable rate of increase in its foreign exchange reserves. The revenue to be derived from the import charges is not expected to prevent a substantial budget deficit in 1963."

7. In the light of the discussions in the Committee and the various assurances given by the Chilean representative, and taking account of the statement of the IMF quoted above, the Committee is of the view that the balance-of-payments position of Chile justifies a further extension of the waiver, subject to the terms and conditions specified in the Decision of 27 May 1959. The Committee notes that it would be for the Council, in the light of all relevant factors, to decide upon the length of period for which the requested extension should be granted.

8. Some members of the Committee, while concurring fully in the recommendation for a further renewal of the Chilean waiver, stated that, in the view of their Governments, the discriminatory application of the import surcharges maintained for balance-of-payments reasons was contrary to the terms of the waiver as well as damaging to the economic interest of Chile and the trade of contracting parties not enjoying the preferential treatment. The Chilean representative stated that his Government did not share this view.