1. Legal and administrative basis of the restrictions

The statutory basis of Chile's import control system is Law No. 9,839 and Law No. 12,084, the merged text of which was set forth in Decree No. 6,973 of the Ministry of Finance dated 1 September 1956. These rules were amended by Decree Law No. 250 of 6 April 1960, and thereafter Decree No. 1,272 was issued by the Ministry of Economy, Development and Reconstruction on 7 September 1961, containing the present combined text of these rules. Under this legislation, the Ministry of Economy, Development and Reconstruction formulates the general policy governing export and import trade and foreign exchange operations. The Executive Committee of the Central Bank of Chile is responsible for laying down the general rules applicable to the above-mentioned transactions and for adopting the specific agreements which are necessary for implementing the general systems applicable to them.

The Chilean import system is fundamentally based on the provisions of the exchange law, the amended text of which, as already stated, was contained in Decree No. 1,272 of the Ministry of Economy, Development and Reconstruction, subsequently supplemented by Decree 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 and Decree No. 8,413 of 15 June 1959.

2. Methods of restriction

By law, any natural or legal person may import freely or in any quantity the goods included or which may be included in a list of permitted imports which is established by Decree of the Ministry of Economy, Development and Reconstruction, subject to approval by the Executive Committee of the Central Bank. This list may be added to at any time under the same procedure. Imports of goods not included in this list are prohibited.
As a means of protecting the balance of payments, the law authorizes the Central Bank to require deposits equivalent to a percentage of the value of imports of the goods specified. Law No. 13,305, however, authorizes the President of the Republic to establish surcharges based on the c.i.f. value of the goods imported, up to a maximum of 200 per cent, in order to permit the gradual reduction or elimination of deposits. This law was subsequently modified by Law No. 14,999 which authorizes the application of surcharges up to 400 per cent, and specifies that once the deposit has been eliminated it cannot be restored with retroactive effect. The maximum rates of surcharge applied to goods permitted for import is 200 per cent, but this percentage applies to only very few items.

The import deposits currently in force range between 5 and 10,000 per cent of the value of registered transactions, the highest percentages being reserved for those goods whose importation should, in the general interest, be prohibited but is nevertheless necessary in order to achieve essential objectives; an example is that of ambulances. In practice, this means that such items are imported only by organizations exempt from the deposit requirement, such as hospitals and the National Health Service, in the case of ambulances.

Imports of most motor vehicles are subject to a special charge amounting to 200 per cent of the f.o.b. value.

Imports subject to prior deposit

Under the rules in force, every import transaction must be registered in advance by the Central Bank of Chile through the intermediary of an authorized commercial bank, and the importer must make a deposit equivalent to a percentage of the value of the goods to be imported. For this purpose, permitted imports are classified in eight categories which are subject to the following deposit percentages:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage of the Registered Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category -</td>
<td>5 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category A</td>
<td>10 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category B</td>
<td>100 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category C</td>
<td>200 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category D</td>
<td>300 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category E</td>
<td>1,000 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category F</td>
<td>5,000 per cent of the value of the registered import</td>
</tr>
<tr>
<td>Category G</td>
<td>10,000 per cent of the value of the registered import</td>
</tr>
</tbody>
</table>
The deposit must be made in fiscal bonds or bills of hand in foreign currency, issued in accordance with Article 7 of Law No. 14,171 (bills of hand for eighteen months carrying 5 per cent interest; bills of hand for not more than thirty months carrying 7 per cent interest and bonds for thirty months carrying 7 per cent interest) and Article 79 of Law No. 13,305 (bonds for eight, five and two years and bills of hand for eighteen months) and is retained for a period of ninety days.

Subject to approval by the Ministry of Economy, Development and Reconstruction, imports made to meet the needs of the Government, public institutions, semi-official and autonomous agencies are exempt from the prior deposit requirement. Such approval is not required in the case of imports for national defence. In addition, the following are exempt from the prior deposit requirement:

(a) Imports for the larger copper and iron mining, nitrate and iodine companies, and imports financed by credits from international organizations, as well as those financed through deferred exchange payments.

(b) Imports of goods originating in countries belonging to the Latin American Free Trade Association and included in the national schedule of Chile and the franchise list of Paraguay, as agreed under the Montevideo Treaty, and imports covered by Decree Law 4,961 of the Ministry of Finance, published in the Official Gazette of 28 December 1962 (franchise list for Ecuador);

(c) Imports made in conformity with the special regulations established by Law No. 13,039 (Arica); Law No. 12,937 (Iquique, Pisagua, Taltal and Chañaral); Law No. 12,008 (Chiloé, Aysén and Magallanes); Law No. 12,858 (food-supply free zone; provinces of Tarapacá and Antofagasta, and Department of Chañaral) and Article 256 of Law 13,305 (small and medium sized companies mining copper for export in the province of Antofagasta).

(d) Imports made by the Steel Company of the Pacific and the fishing industry which, in conformity with Law No. 7,896 and Decree Law No. 266 respectively are exempt from the surcharge. Likewise, 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 necessary for the fishing industry. In addition, imports of other marine motors, winches, lines and tackle of artificial fibre, and navigational apparatus and equipment for the use of professional fishermen, provided they are approved by the appropriate maritime authority and by the Fishing and Hunting Department.
(e) Imports made by the following institutions, municipalities and universities recognized by the State: Department of Inter-American Agricultural Co-operation; welfare institutions; fire departments, subject to approval by the Special Commission established by Law No. 12,027; the National Electric Enterprise; the National Petroleum Enterprise; the National Mining Enterprise; and the following subsidiaries of the Production Development Corporation: Refrigeration Company of the Department of Industries of CORFO; Experimental Plant of Baquedano; Mining Enterprise of Caracoles; Forestry Enterprise of Colicheo; Factory and Smelting Works of Antofagasta. In addition, the national sugar industry is exempt from the deposit requirement, up to an annual import ceiling of US$450,000 and subject to approval by the Ministry of Economy, Development and Reconstruction.

(f) Household and personal effects of travellers, subject to the relevant regulations; goods imported under the agreements adopted at the 116th and 513rd meetings of the former Governing Body of the International Exchange Commission (imports of a non-commercial character valued at less than $100); and goods which are the property of immigrants and comply with the provisions of Decree Law No. 69 of 18 May 1953.

(g) Imports made in conformity with agreements for the sale of agricultural surpluses, concluded with the Government of the United States of America.

(h) Imports made in accordance with the provisions of Article 133 of Law No. 14,171, of machinery and industrial equipment to replace that damaged or destroyed in the earthquakes of May 1960 or their after-effects.

The deposit exemptions do not apply to goods subject to deposits of 5,000 and 10,000 per cent, with the exception of those included in paragraph (b) above.

Return of deposit

The import deposits made at the Central Bank of Chile must be retained for not less than ninety days, but are returnable to the commercial banks concerned only upon presentation of the relevant customs house voucher for the goods covered by the import certificate.

If only part of the goods covered by a certificate is imported, the prior import deposit is returned only upon presentation of the customs house voucher corresponding to all the goods covered by the certificate, and provided that ninety days have elapsed since the deposit was made with the Central Bank of Chile.

If the importer requests cancellation of import certificates, the corresponding deposits are returned ninety days after the deposit was made with the Central Bank of Chile.
Deposits corresponding to goods in the course of processing or which are not immediately available on the market, must be retained for a period of 120 days.

In the case of supplementary deposits or certificates which have to be made in order to cover increases in the value of pending imports but do not involve any greater volume of goods, the same procedure of deposit and certificate must be complied with as in the case of the original transaction.

Prohibited imports

On 12 January 1962, in order to combat a serious balance-of-payments situation which developed in late 1951, 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.

(Annexed to this document is a complete list of permitted imports; products not included in that list are prohibited for import.)

3. Treatment of imports from different sources

In pursuance of the obligations contracted under the Montevideo Treaty, Chile grants exemption from the prior deposit requirement on goods entering into its trade with the Latin American Free trade area, which are included in the National Schedule of Chile and in the franchise list, containing privileges granted to countries at a relatively less-advanced stage of economic development within the area and not extended to the other contracting parties, in accordance with Chapter VIII of the Treaty.

Furthermore, and also in pursuance of Chile's obligations as a signatory of the Montevideo Treaty, when Decree No. 51 of 12 January 1962 was issued, removing various goods from the list of permitted imports, an exception was made in respect of products traded by Chile within the area, since the contrary would have implied the withdrawal of concessions granted, as well as a breach of Chile's obligations.

Chile has no compensation agreements in force at the present time.
4. Commodities or groups of commodities affected by various forms of restrictions

In October 1962, the secretariat circulated a list of Permitted and Prohibited Imports showing, inter alia, the different rates of deposits and surcharges applying to individual items of imports (BOP/20). A corrigendum showing changes to that list up to 1 March 1963 is being prepared (BOP/20/Corr.1). The Chilean delegation has supplied information on further changes made between 1 March and 30 June. The secretariat intends to issue a complete revision of BOP/20 to incorporate all these changes as soon as possible.

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

As already stated, all the goods included in the list of permitted imports can be imported freely and in whatever quantity by any natural or legal person. The goods not included in that list may not be imported by anyone.

Imports made by the Agricultural Trade Undertaking, which succeeded the National Trade Institute, are only released from the deposit requirement; the purpose of this privilege is not to restrict imports but to enable the State to exercise proper control over supplies and domestic prices of goods essential for domestic consumption, as for example wheat and meat.

6. Measures taken in 1961, 1962 and 1963 in relaxing or otherwise modifying restrictions

Since June 1959, the scope and incidence of the prohibitions and prior import deposits was progressively reduced as, from that date on, these measures were gradually replaced by the system of surcharges. Thus, by the end of 1961, there were no products subject to import prohibition and only about 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. This requirement was eliminated in January 1962 for all but fifteen items but imports of some 700 other items were prohibited, effective 12 January, and prior deposits equal to the amount of the surcharge levied on imports were introduced. A summary of the principal measures taken on various dates since the time of the last consultation is given below.

On 1 July 1961 it was decided that all payments between Chile and Spain, for goods and services, would be made convertible currency.

Effective 13 November 1961 under Decree No. 19,161, almost all the prior deposits already in effect until that date were replaced by surcharges. 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, when the relevant bilateral agreements expired.
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. 14,342, the import privileges of Arica and the other free-trade zones were sharply reduced.

With effect from 15 January 1962, under Central Bank Circular No. 140, two exchange markets were instituted. The first is called the "free banking market" which operates through the commercial banks and into which are paid export earnings and receipts from invisible foreign trade, and from which payments are made to cover imports and also expenditures for invisible external trade. The second is called the "brokers' market" which handles foreign exchange not originating in foreign trade. Commercial banks and firms or undertakings authorized to do so by the Central Bank can operate in this market, and all private persons have access to it for the purchase or sale of foreign exchange, without restrictions.

On account of smaller supplies, the quotation in the "brokers' market" was higher than those on the "free banking market" where a rate of 1.053 escudos per United States dollar was set for the period until 15 October 1962.

Under the same circular, importers were required, before commencing transactions, to make a cash deposit in the Central Bank equivalent to the amount of the surcharge applicable to the goods. The purpose of this guarantee was to ensure that importation would actually take place within the established time-limits and that the importers would comply with all the legal requirements and regulations applicable to the transaction.

At the same time it was laid down that only the banks could provide import transactions with foreign exchange coverage from the free market, after a period of ninety days from the date of the relevant bills of lading; this time-limit was later extended to 120 days.

The prior deposits of 10,000 per cent which had been established were likewise eliminated, save in the case of a very few articles.

On 17 January 1962, repayment was granted of import deposits already made.

On 16 June 1962 the deposit requirement was re-established, with a retention period of ninety days, at the following rates: 10, 100, 200 and 1,000 per cent.

On 7 July 1962, by Decree No. 3,167, the Ministry of Finance issued a list of items classified as luxury imports into the free zones of Aysen, Chiloé and Magallanes; these products are now liable to the full rates of customs duties and taxes established under the customs tariff.

On 6 August 1962, prior deposit rates for various imports were fixed at from 10 to 5,000 per cent of the c.i.f. value, only very few articles being subject to the latter rate.
On 20 September 1962, it was announced that the relevant customs house voucher must be presented in order to obtain the return of deposits after expiry of the ninety days' retention period, the same document also being required in order to obtain exchange cover for imports.

On 4 October 1962, in order to make possible measures which were adopted later, the surcharge rates were raised on a list of various goods.

On 11 October 1962, Law No. 14,949 became effective, establishing rules for meeting foreign exchange obligations. It contains provisions regarding the settlement of obligations contracted outside the country, with retroactive effect to 28 December 1961. In specified cases payment can accordingly be made with foreign exchange purchased on the free market or with dollar bills of hand issued by the Autonomous Public Debt Amortization Fund which are purchased in ordinary currency at the free rate of exchange prevailing on the date of purchase of the bills of hand concerned. The Law empowered the Executive Committee of the Central Bank of Chile, in conjunction for this purpose with the Superintendent of Banks and the Director-General of Internal Revenue, to deal with applications by debtors to purchase free market foreign exchange or the bills of hand referred to. It also specified that persons whose applications were rejected could appeal to the courts.

Internal debts in foreign currency arising from contracts such as mutual or purchase arrangements, etc. must be settled in national currency, the conversion being made at the free exchange rate prevailing on the date of the relevant payment.

Under the above-mentioned law, debts contracted with Chilean banks can also be paid off through the purchase of debtor bills of hand in foreign currency which are issued by the Amortization Fund, at the free rate of exchange prevailing at the time of subscription of the bills of hand; in other words, with respect to these obligations the system followed is similar to that applicable to external debts.

Debtors who acquire the bills of hand transfer them to their creditors by endorsing the bonds.

On 13 October 1962, it was announced that exporters who turned in and settled the value of their exports after the legal time-limit would be punishable by a fine payable to the revenue authorities: this fine would amount in any case to the difference in the exchange rate, taking into consideration the parity existing on the date on which the settlement should have been made and on the date on which it was actually effected.
On 15 October 1962 in accordance with agreements of the Central Bank of Chile, foreign exchange transactions in the free market began to be effected by the commercial banks with more freedom as to quotations; this led to a rise in the bank exchange rate, which had been stationary at the level of 1.053 escudos to the dollar.

From 6 November 1962 to the present time, in accordance with various agreements concluded by the Central Bank, the deposit percentages on a number of items in the list of permitted imports have been reduced and even in some cases eliminated.

On 15 November 1962, Law No. 14,999 became effective; it amended Article 169 of Law No. 13,305 which had authorized the President of the Republic to establish surcharges in place of the import deposits. The amendments consisted in the first place in raising the ceiling from 200 to 400 per cent for the application of the restrictions to the franchises provided for under the Arica Law; in the second place it was specified that whenever the Central Bank eliminated a deposit, it could not later restore it with retroactive effect.

By Decree Nos. 478, 479, 489 and 490 of the Ministry of Finance, published in the Official Gazette of 18 February 1963, the surcharges were lowered on a large number of items which remained subject to the same deposit categories as applied to them prior to the entry into force of those Decrees.

On 3 May 1963, the Central Bank decided that only banking undertakings could operate in the brokers' market, thus withdrawing the authorization granted to exchange houses, stock exchange brokers and other non-banking concerns.

On 8 May 1963, Law No. 15,192 took effect, amending the Law on international exchanges; it lays down that transfers of gold in whatever form constitute international exchange operations and as such are subject to the rules of the Central Bank, even when such transfers do not entail any movement of funds from Chile to other countries or vice versa and whatever the contract or legal instrument under which such transfer is effected.

On the same date, by virtue of the enactment of that Law, the Central Bank announced that it was retaining exclusive authority to purchase, sell, transact or transfer, on whatever grounds, gold in coins or in bars and likewise any document representing the transfer of gold.

The Central Bank subsequently authorized certain transactions which constitute transfers of gold, when carried out by private persons such as jewellers, manufacturers, dentists, etc.

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

The delegation of Chile will furnish information in this respect.