CHILEAN IMPORT CHARGES

Imposition of Temporary Tax on Imports

The following communication dated 15 April 1959 has been received from the Government of Chile with the request that this question be included in the provisional agenda for the fourteenth session:

"In view of the fact that the economic, monetary and fiscal situation is becoming ever more serious, and that the measures taken previously have proved ineffectual, the present Chilean Government has been obliged to make a general policy review with a view to finding the most appropriate means of dealing with these difficulties in a radical manner. It requested the cooperation of the International Monetary Fund in this task.

"The joint studies made have shown that it is essential first to halt inflation which has continued until now to develop so dangerously as to nullify the Government's efforts to protect the value of money, finance the budget, achieve balance-of-payments equilibrium and maintain the purchasing power of income and the standard of living of the working population.

"After examining possible solutions, both the Government and the International Monetary Fund realized that the only rapid way of treating inflation at the source was - in addition to the measures already in force - to raise the level of fiscal revenue by increasing existing internal charges, introducing new taxes and applying - as a temporary measure - a new import tax which will in some cases amount to as much as 200 per cent of the c.i.f. value and will, for some products, replace the restrictions currently applied in the form of bank deposits of up to 5000 per cent. The new tax will not be applied to cases in which the deposit system is maintained.

"The substitution of a new tax for deposits is part of a system under which the import prohibitions at present in force in order to protect the balance of payments will gradually be eliminated and replaced, at the beginning, by bank deposits of 5000 per cent, and the 2 per cent levy on foreign trade transactions will be suppressed."
"The studies made have shown that the new system should encourage international trade; it does not represent an overall increase of the present cost of imports, and it is a step forward towards a trade policy more consistent with the aims and techniques of GATT.

"As already pointed out, this system is a transitional one. If Chile's economic situation permits, it will be revised as soon as the new customs tariff now in preparation has been completed - that is to say, in less than two years' time.

"In view of the requirements of the Exchequer, and the persistent and dangerous deterioration of the economic situation, as well as commitments vis-à-vis the International Monetary Fund, the Government is obliged to take action without delay; after obtaining parliamentary approval by the emergency procedure, it will therefore have to bring the new legislation into force as soon as the implementing decrees have been promulgated.

"Mindful of its commitments towards the contracting parties, the Chilean Government wished to enter into prior consultations with the latter and, to that end, had decided to ask for a meeting of the Intersessional Committee or a special session of the CONTRACTING PARTIES. After consulting the Executive Secretary, however, and realising that a meeting of the Intersessional Committee was not appropriate and that the convocation of a special session of the CONTRACTING PARTIES would involve serious difficulties from the practical point of view, the Chilean Government concluded that since the CONTRACTING PARTIES were to meet in regular session early next month, there was no need for a special session. If, however, any contracting party were to request that such a session be convened, Chile would be prepared to present its case on that occasion.

"In these circumstances and in view of the need to act without delay, the Government has decided to bring the new duties into force progressively, being confident that the CONTRACTING PARTIES will appreciate the reasons which have forced it to do so and that - acting in accordance with Article XXV:5 of the General Agreement - they will give approval to the measures which the Chilean Government is obliged to take in order to remedy an extremely difficult and dangerous situation."