I. Legal and administrative basis of the restrictions

1. The statutory basis of the import control system is Law No. 12,084 of 13 August 1956, as amended by Decree Law No. 250 of 30 March 1960. The Chilean Ministry of Economy is the authority responsible for formulating general policies governing export and import trade and foreign exchange operations. The Central Bank of Chile, acting through a special Executive Committee, is charged with the administration of import and exchange restrictions. The basic framework of the present import control system in Chile is based on Decree Law 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 Law No. 8,413 of 15 June 1959.

2. Imports into the free-trade zones of the ports of Arica, Chiloé, Aysén and Magallanes are subject to a different import régime involving quota restrictions. By Law No. 12,858 certain import privileges have been granted to the provinces of Tarapaca, Antofagasta and the department of Chanaral.

II. Methods of restriction

3. Apart from imports under the special régimes applying to the free zones, and except for motor cars used as taxicabs, all imports are free of licensing restriction. Most imports are subject to either a surcharge or an advance deposit. Surcharges are levied at six different rates, ranging from 5 to 200 per cent of the c.i.f. value. Advance deposits apply to most imports not subject to surcharge. The rates are fixed from time to time by the Foreign Exchange Commission. Depending on the essentiality of the import, deposit rates have been established at 5, 20, 50, 100, 200, 400, 1,000 and 1,500 per cent of the value of the imported goods.

1 Provisional text prepared by the secretariat, subject to verification and amendment by the Chilean authorities.

2 The surcharges, being outside the scope of the consultation, are not described further in the present document.
4. Imports subject to prior deposits must be registered with the Central Bank of Chile through an authorized commercial bank and the deposit is made at the time of registration. Deposits must be made in United States dollar bonds issued by the General Treasury or the Caja de Amortización de la Deuda Pública, except for goods subject to the lowest deposit rate of 5 per cent which may be paid in United States dollars. Deposits at the three lowest rates (5, 20 and 50 per cent) are held by the Central Bank for a period of thirty days. Deposits at the higher rates are held for a period of ninety days, unless otherwise specified in the "Import List".

5. It has been estimated by the Central Bank of Chile that at present approximately two-fifths of total actual imports are subject to advance deposits. Since June 1959, when the surcharges were first introduced, the scope and incidence of the deposit requirement has been reduced. The prior deposits, as well as the import surcharges which replace the deposits on certain products, it is understood, are eventually to be eliminated with the coming into force of a new customs tariff.

6. The following imports are exempt from the payment of a prior deposit (or a surcharge): (a) imports made on a deferred payment basis with payments extending over a period exceeding one year; (b) goods imported on a consignment basis; (c) imports of certain capital goods; (d) imports under loans or credit from the IBRD, the United States Export-Import Bank or under United States Public Law 480; (e) all imports, except motor vehicles and imports subject to a deposit of 1,000 per cent or more, from countries with which Chile has bilateral trade and payments agreements;1 (f) imports of goods subject to a deposit of 1,000 per cent or less by the large companies engaged in the mining of copper, iron ore, nitrate and iodine; (g) imports of wheat and frozen meat by the "Instituto Nacional de Comercio", the sole importer of these commodities; (h) imports by governmental and semi-governmental bodies and municipalities, except goods subject to deposit rates above 1,000 per cent and imports of motor cars and station wagons; (i) imports of samples and models for industry up to a specified maximum value; (j) imports of merchandise valued at US$100 or less, destined for the personal use of the importer, provided that the merchandise in question is subject to deposit of 1,000 per cent or less.

III. Treatment of imports from different sources

7. Imports of goods subject to a deposit of 1,000 per cent or less are exempted from the deposit requirement when coming from countries with which Chile has bilateral payments or compensation agreements. Such agreements are in force at present with Argentina, Bolivia, Brazil, Ecuador, and Yugoslavia. Nor does the prior deposit requirement apply to purchases made by the Chilean Nitrate and Iodine Sales Corporation (COVENSAL) from Denmark, the Netherlands, Portugal, Sweden, Yugoslavia and the UAR (Egypt) in accordance with the method and currency of payment stipulated in the agreements between these countries and Chile.

1 See Section III below.
IV. Commodities or groups of commodities affected by various forms of restrictions

8. As may be seen from Section VI below, the list of products subject to prior deposits (and surcharges) has been subject to modification at short intervals. On the basis of available information, the secretariat has attempted to draw up such a list. Owing to the uncertainty of its accuracy, this has not been attached for circulation; it may be consulted at the secretariat. The Chilean authorities may be in a position to supply an up-to-date list which, if received, will be circulated to contracting parties.

V. Use of State trading or Government monopoly in restricting imports

9. Imports of wheat and frozen meat are in the hands of a State monopoly ("Instituto Nacional de Comercio"). Imports of wheat and frozen meat are permitted to the extent necessary to satisfy domestic consumption.

VI. Measures taken in 1959 and 1960 in relaxing or otherwise modifying restrictions

10. Principal changes in the list of products subject to the prior deposits and in the rates of deposits include the following:

On 4 April 1959 under Law No. 13,305, the President was granted extensive powers to decree changes in customs duty and exchange taxes and surcharges. At the same time the 2 per cent tax on sales of foreign exchange was abolished. Imports of fuel oils destined for the nitrate and iodine industries were exempted from import taxes, surcharges and prior deposits.

On 29 April 1959, the payment of prior deposits in local currency was discontinued. Henceforth deposits must be made in short-term U.S. dollar obligations issued by the General Treasury of Chile or, for imports subject to retention of the deposit for thirty days, in U.S. dollars.

On 30 April 1959, a new rate of deposit of 1,000 per cent was established for all goods formerly subject to deposits of 1,500 and 5,000 per cent, except for goods imported against a "certificate of necessity" and certain commercial vehicles.

On 9 May 1959, the Foreign Exchange Commission announced that in addition to short-term U.S. dollar obligations issued by the General Treasury, deposits could also be made in certain longer-term U.S. dollar bonds and obligations of the Caja de Amortización de la Deuda Pública. At the same time rules governing imports on a deferred payments basis were revised.
On 15 May 1959, a new list of permitted imports was issued, including most goods formerly excluded from the permitted list. The newly permitted imports were made subject, however, to a prior deposit of 5,000 per cent.

On 22 June 1959, deposits on a number of imports were replaced by surcharges ranging in six categories from 5 to 200 per cent of the c.i.f. value and payable in U.S. dollars.

On 30 June 1959, reductions in advance deposits on certain imports were announced. Included were bulk tobacco, reduced from 5,000 to 200 per cent, and motor chassis, reduced from 5,000 to 1,000 per cent.

On 10 August 1959, a further list of imports which would be subject to surcharges in place of prior deposits was announced. Included were wheat, flour, edible oils and certain electric motors.

On 18 August 1959, prior deposits on certain imports, including some electrical goods and certain types of ships, were reduced. However, imports of all used merchandise, irrespective of category, were made subject to a prior deposit of 5,000 per cent, calculated on the c.i.f. value of equivalent merchandise in an unused condition. At the same time a quota of 200 units was fixed for imports of automobiles to be used at taxicabs in Chile.

On 25 August 1959, the advance deposit on imports of certain used capital equipment was reduced.

On 27 August 1959, the payment of prior deposits in U.S. dollars, formerly permitted only for deposits for which the minimum retention period was thirty days, was now permitted for goods subject to prior deposits of 5, 10 and 100 per cent. Prior deposits for imports on deferred terms were abolished.

On 14 September 1959, prior deposits on imports of sherry, port, cognac and brandy were reduced from 5,000 to 1,000 per cent.

On 19 November 1959, for a large number of items, surcharges replacing advance deposits were introduced and deposit percentages for other items were reduced.

From 12 December 1959, deposits exceeding 100 per cent of the c.i.f. value were to be made in U.S. dollar bonds issued by the General Treasury in the following proportions: if in eight-year bonds, one third of the deposit; if in five-year bonds, one half of the deposit; if in eighteen-month or two-year bonds, the full amount of the deposit.

On 30 December 1959, prior deposit categories were reduced from ten to seven, as follows: imports formerly subject to a deposit of 150 per cent were made subject to a prior deposit of 100 per cent and
those subject to a deposit of 600 per cent were reduced to a deposit of 400 per cent. Deposits for imports in category "J" (i.e. all goods not on the permitted list) were reduced from 5,000 per cent to 3,500 per cent and made applicable to all goods not specifically mentioned on the "permitted list". The goods previously specified as requiring a deposit of 5,000 per cent were made subject to a deposit of 1,000 per cent.

On 31 December 1959, deposit on imports of agricultural machinery was reduced from 1,000 per cent to 400 per cent and that on industrial machinery from 1,000 per cent to 200 per cent.

On 12 February 1960, the maximum deposit rate was reduced from 3,500 per cent to 1,500 per cent.

On 30 March 1960, the Chilean Ministry of Economy was made the authority responsible for formulating general policies governing exports and imports and foreign exchange operations. The Central Bank of Chile took over the executive functions of the International Exchange Commission formerly responsible for the administration of import controls.

On 28 April and 2 May 1960, import deposits for spare parts and accessories for agricultural, mining and industrial equipment, were reduced from 100 to 5 per cent. At the same time it was announced that these items could be imported on a consignment basis. The obligation to make prior deposits in an amount equivalent to the surcharge was abolished for goods subject to the surcharges; henceforth surcharges were to be paid to customs at the time of clearance of the goods.

On 3 June 1960, the range of capital goods importable on consignment and paid for on deferred payment terms was further extended.

On 17 June 1960, a new rate of deposit of 20 per cent, to be held for thirty days, was introduced. It was also decided that deposits for goods subject to rates of 20 per cent and above should only be made in Treasury bonds or promissory notes or in receipts issued by the "Caja de Amortización de la Deuda Pública" for the purchase of such bonds and notes. U.S. dollars could only be deposited for goods subject to the lowest rates of 5 per cent. The period of retention for deposits of 50 per cent was reduced to thirty days.
Effective 16 September 1960, deposits were to be made to the full amount in U.S. dollar bonds, except for those of the lowest rate for which deposits continued to be payable in cash.

On 10 and 18 October 1960, it was decided that all mining and agricultural machinery mentioned in Groups 59, 61 and 62 of Section XI of the Import List could also be imported on consignment. Motor lorries were to be importable henceforth on deferred payment terms and certain types of motor lorries were to be free of deposit.

During 1960 the range of goods subject to import surcharges instead of prior deposits was continually extended and the rates of prior deposit were in many instances further reduced. Similar changes in this direction continued to be made in the early months of 1961.

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

At the seventeenth session, the Chilean delegation made a general statement on these subjects, which has been circulated in L/1365. Any further statement supplied by the Chilean authorities will be circulated separately.

Annex I

Import List showing Rates of Surcharges and Deposits

Text not circulated. See paragraph 8 above.