Reply by Chile

1. The reply to the first question is in the affirmative. This is in accordance with Article XII of GATT, and also complies with the obligations derived from the acceptance of the Agreement with the International Monetary Fund.

The necessity which imposed the adoption of this measure is indicated by the tendency towards deficit shown by our balance of payments. In fact, during the year 1946 this deficit reached US $45,139,898, and in the year 1947 to US $45,342,690. In the year 1948, thanks to the measures adopted, it was possible for the balance to show a slight credit (US $5,500,000), but in the year 1949, due to the sudden fall in the world price of copper, an even graver problem had to be faced, as it was calculated that due to this a smaller income of about US $50,000,000 in foreign currency would be produced.

2. The general system of restrictions imposed on imports operates in accordance with two laws:

(a) Law No. 5107, of April 1932, which gave the distribution of the availabilities of foreign exchange to the Commission on International Exchange in compliance with certain priorities established by said law, and

(b) Law No. 8403, of December 1945, which on approving the International Monetary Agreements of Bretton Woods, established the obligation to prepare an annual Foreign Currency Budget.

In accordance with the last mentioned law, the Government should prepare annually a budget of foreign currency, in which logically, debits and credits should be balanced. The Ministry of National Economy and the Banco Central de Chile intervene in the approval of this budget, the Consejo Nacional de Comercio Exterior being the organization which attends to the preparation and administration of the running of the budget, which is subject to periodical revisions.
In order to appreciate the strictness with which the approval of this budget has been obtained, it must be taken into account that only importations for a value of US $187,678,799 have been considered, in the circumstances that adequate attention to the country's necessities would demand imports for the value of more or less US $350,000,000.

The policy which has been pursued in order to balance the expenses with income has been within the following lines:

(a) Prohibiting the importation of luxury goods, and
(b) Reducing other expenses to an absolute minimum.

In regard to the manner in which certain imports have been reduced, we give details in our reply to Question 4.

On the other hand, as a consequence of the lack of dollars which affects most countries, important exports from Chile, which were previously paid for in dollars, are now being paid for totally in sterling, or totally by merchandise, or in partial compensation with part payment in dollars or sterling. All this, necessarily, has imposed the obligation to reajust the foreign trade of the country, which has been effected by:

(a) Transferring many purchases which the country made in the dollar area to the sterling area, owing to the fact that there is more sterling available, which has occurred with tin, aluminium, lucern, coffee, cocoa, cotton goods, osnaburgo, wool and cotton cloth, caustic soda, detonators for explosives, pine resin, printing ink, wood pulp for the manufacture of paper and silks, cables, chains, ball bearings, parts for the manufacture of bicycles, press paper, paper and cardboards; and

(b) Diverting purchases from those countries with which Chile has a debit balance towards those with which she has a credit balance.

In taking these steps, there have been no discriminatory intentions against any country, but the measure has been a consequence of the exigencies imposed by certain exporting countries to be paid in dollars.

In fact, in the preparation of the Foreign Currency Budget, the requirements of the country have been divided into two groups, one comprising the purchases effected in the dollar area, that is to say those goods which it is impossible to obtain in other areas, or which in any case must be paid for in this currency (such as fuel oil, and gasoline) and another group which corresponds to the purchases which have to be made in other currencies. This last group is composed of the availabilities resulting from our exports to other countries which pay us in their own currencies in accordance with compensation agreements or payments agreements, and which, therefore, must be expended in the same market, due to the inconvertibility of said currencies into dollars.
The existence of the Foreign Currency Budget makes it necessary to adopt a special procedure for the granting of import licences, which can only be conceded to firms which have previously complied with certain special requirements, and which firms must be inscribed in the corresponding register. The import licence having been granted, it automatically gives the right to receive the corresponding foreign exchange necessary to pay the value of such imports.

3. No modifications have been introduced in the rules governing restrictions, but as a consequence of the scarcity of foreign currency, measures of greater strictness have had to be applied, as has already been stated and as is further shown by the statement drawn up in answer to Question 4.