1. The Council at its meeting of 17 November referred to a Working Party a request made by the Government of Chile, as set out in documents L/2706 and L/2710, for a waiver from its obligations under Article II in order to apply a new customs tariff on 1 January 1967, without prior renegotiation of Chile's Schedule VII. The Working Party met on 18 November.

2. The representative of Chile reiterated some of the points made in the aforesaid documents. By Law 16,464 of 25 April 1966 the President of Chile was empowered to replace the present obsolete tariff classification by the Brussels Tariff Nomenclature. He recalled in this connexion that the GATT had provided to his Government the valuable collaboration of Mr. Kaae, a Danish Customs Expert. The new tariff will reproduce the same level of incidence that existed on 25 April 1966, with few exceptions not exceeding 15 per cent, up or down, which might be made necessary for technical reasons. The new tariff does not, then, represent a new trend in trade policy, except for the adoption of the Brussels Tariff Nomenclature. The representative of Chile stressed that the President was required to put into force the new tariff not later than 1 January 1967, and that, in consequence, time was short.

3. One representative referred to Chilean statement made in previous years to the effect that Chile would incorporate in its new tariff not only a specific and ad valorem charge but a "transitory surcharge" designed to make up the difference between the incidence of the specific and ad valorem components and the total of the charges collected at the time
the old tariff was replaced. The representative of Chile replied that no new temporary or "transitory" surcharges were envisaged and that the new tariff would contain only two columns: one specific, the other ad valorem. It was the intention of his Government to eventually eliminate specific duties. Furthermore, a series of reductions of the ad valorem duties and surcharges effected after 25 April 1966, would be restored the day after the new tariff came into force.

4. A representative inquired into the reasons that made it necessary to incorporate permanently into the tariff the temporary surcharges applied since 1959. The representative of Chile recalled that the CONTRACTING PARTIES had authorized the surcharges on bound items as a temporary measure. In April 1966 the Chilean Congress had decided to consolidate the numerous existing duties and to adopt the Brussels Nomenclature. For the future Law 16,464, mentioned above, gave permanent powers to the President to reduce, suspend, or increase duties as necessity demanded. In reply to a further question as to whether these faculties given to the Executive implied that Chile would gradually eliminate the surcharges from its tariff, the representative of Chile said that the question of surcharges had bearing on this matter only in relation to Schedule VII and that this was a matter for discussion in the renegotiation stage.

5. Asked whether the new tariff would imply a wider margin of preference for Latin American Free Trade Association countries, the representative of Chile replied that since there was no change in tariff levels, margins of preference had been maintained. If a product-by-product study revealed some products in Schedule VII to be affected, his Government was prepared in the Article XXVIII renegotiations to discuss the matter of compensation.

6. The question was asked whether the 15 per cent margin had, on the whole, been applied upwards or downwards. The representative of Chile replied that there was no pattern and that any deviation from the 25 April 1966 level of incidence was required by technical reasons.
7. A representative asked what was the formula used to convert all existing charges into the specific and ad valorem duties applied to each item. The representative of Chile said that whenever it had been possible to reproduce the same specific duty they had not resorted to the 15 per cent latitude allowed by the Law. When it had not been possible to maintain the same specific duty they had resorted to the 15 per cent latitude in establishing the new ad valorem duty. The representative of Chile said that it was the desire of his Government to arrive eventually to a single-column tariff in order to comply with a decision of the LAFTA countries.

8. In answer to a question the representative of Chile said that a further move to consolidate the Chilean tariff to a single-column ad valorem tariff was not contemplated within the period foreseen for the forthcoming renegotiations of Schedule VII.

9. A question was asked whether "prior import deposits" has in any manner been linked to the tariff. The representative of Chile said that there was no link between the tariff and the requirement of prior import deposits, the latter being a purely financial measure. Furthermore, the whole system had been overhauled in 1964, so that today it was no more than a minor obstacle to trade. It was the Government's intention further to reduce prior import deposits until their elimination. However, a sudden release of the total amount at present deposited would undoubtedly create serious monetary problems.

10. The Chilean representative agreed that his Government would provide contracting parties with a correlation between the old and the new schedules in time for the renegotiations. Work on this had already been started.

11. The Working Party agreed to recommend that the request of the Chilean Government be granted and has prepared a draft decision which it submits to the Council as an annex to this report.