

No. 13944

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**UNITED STATES OF AMERICA  
and  
CHILE**

**Agreement regarding the consolidation and rescheduling of certain debts owed to, guaranteed or insured by the United States Government and its agencies (with annexes, Memorandum of Agreement between Belgium, Canada, Chile, Denmark, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States of America regarding the consolidation of Chilean debts, dated at Paris on 19 April 1972, and related declarations). Signed at Washington on 6 February 1974**

*Authentic texts of the Agreement and annexes: English.*

*Authentic texts of the Memorandum of Agreement and related declarations: English and French.*

*Registered by the United States of America on 7 May 1975.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CHILE REGARDING THE CONSOLIDATION AND RESCHEDULING OF CERTAIN DEBTS OWED TO, GUARANTEED OR INSURED BY THE UNITED STATES GOVERNMENT AND ITS AGENCIES

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The Government of the United States of America and the Government of Chile agree as follows:

*Article I.* APPLICATION OF AGREEMENT

1. In accordance with the provisions of the Memorandum of Understanding agreed upon *ad referendum* by representatives of the Government of the United States of America and the Government of Chile on December 19, 1973, the Government of the United States of America and the Government of Chile have agreed to consolidate and reschedule certain Chilean debts owed to, guaranteed or insured by the United States Government and its Agencies, as provided for in this Agreement.
2. This Agreement shall be implemented by separate bilateral agreements between the Government of Chile and the Agency for International Development,<sup>2</sup> the Export-Import Bank of the United States, the Overseas Private Investment Corporation, and the United States Government with respect to P.L. 480 Agreements.<sup>3</sup>

*Article II.* DEFINITIONS

For purposes of this Agreement:

1. The term "original agreements" shall refer to agreements concluded between the Government of Chile, its agencies or nationals, and the Government of the United States, its agencies or nationals, which are listed in annex A.
2. The term "consolidated debt" shall refer to seventy percent (70%) of the sum of dollar repayable principal and interest payments falling due from November 1, 1971, through December 31, 1972, in accordance with the original agreements, as designated in the separate bilateral agreements referred to in article I, paragraph 2.
3. The term "consolidation interest" shall refer to interest on the consolidated debt. Consolidation interest shall begin to accrue on the due dates specified in each of the original agreements for each payment of principal or interest which is part of the consolidated debt.

*Article III.* TERMS AND CONDITIONS OF PAYMENT

1. The Government of Chile agrees to repay the consolidated debt in accordance with the following terms and conditions:
  - (a) The consolidated debt amounting to \$68,522,639.61 shall be repaid in 13 equal semi-annual installments on due dates of January 1, and July 1 of each year beginning January 1, 1975 and ending January 1, 1981.
  - (b) The consolidation interest rate shall be 6 percent per annum on the outstanding balance of the consolidated debt.

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<sup>1</sup> Came into force on 6 February 1974, the date when it had been signed and when the bilateral agreements provided for in article I (2) had been signed, in accordance with article V.

<sup>2</sup> See p. 63 of this volume.

<sup>3</sup> See p. 77 of this volume.

- (c) Consolidation interest accruing from January 1, 1974,\* shall be paid semi-annually beginning July 1, 1974.
- (d) A table summarizing the amounts of the consolidated debt owed to the United States Government and each Agency is attached as annex B.

2. (A) The Government of Chile agrees to make payments totalling \$60,471,415.70 on certain other debts which are listed in paragraph (B) below in accordance with the following schedule:

- (1) \$16,177,282.25 on or before the date of the coming into force of this Agreement.
- (2) \$16,177,282.25 in four quarterly installments with the first payment on March 31, 1974.
- (3) The balance of \$28,116,851.20\*\* in 12 quarterly installments with the first payment on March 31, 1975.

(B) Debts covered under article III, paragraph 2 (A) shall include:

- (1) Thirty percent (30%) of the sum of dollar repayable principal and interest payments falling due from November 1, 1971 through December 31, 1972, in accordance with the original agreements, less any such payments made prior to December 31, 1972, as designated in the separate bilateral agreements referred to in article I, paragraph 2.
- (2) The sum of principal and interest payment due and unpaid as of December 31, 1972, as designated in the separate bilateral agreements referred to in article I, paragraph 2, under:
- (a) Debt rescheduled prior to this Agreement.
- (b) Loans with a maturity of 40 years or more.
- (c) OPIC investment guarantees (Sociedad Minera El Teniente, S.A.: Series A Notes).
- (d) Promissory notes dated on or after January 1, 1971, and insured or guaranteed by Eximbank under its Exporter Credit Program.
- (3) Amounts due and unpaid as of November 1, 1971, under Eximbank direct, guaranteed and insured debt.
- (4) Eximbank commitment fees and other charges which were due and unpaid as of December 28, 1973.
- (5) Consolidation interest accruing from the due dates under the original agreements through December 31, 1973.\*
- (6) Interest on amounts due under subparagraphs (1), (2) and (3) of this paragraph calculated at their contractual interest rates from the due dates through December 31, 1973.\*

(C) Interest shall accrue on the outstanding balance of the amounts deferred under subparagraphs (A)(2) and (3) of paragraph 2 of this article at the rate of 6 per cent per annum from January 1, 1974,\* and shall be payable at each of the payment dates specified in those subparagraphs.

(D) A table summarizing the amounts of the debts owed to the United States Government and each Agency referred to in paragraph 2(B) is attached as annex C.

\* December 28, 1973, for certain debts described in the separate bilateral agreements with the Export-Import Bank of the United States referred to in article I, paragraph 2.

\*\* This figure is subject to adjustment resulting from amendment of the separate bilateral agreements with the Export-Import Bank of the United States referred to in article I, paragraph 2.

3. It is understood that minor adjustments may be made in the amounts specified in paragraphs 1 and 2 of this article by amendment of the implementing bilateral agreements referred to in article I, paragraph 2.

*Article IV. GENERAL PROVISIONS*

1. The Government of Chile will notify the Government of the United States of America of the terms that it may hereafter accord to any other creditor country with regard to the consolidation and rescheduling of 70 percent of installments of principal and interest on debts to that country falling due during the consolidation period in respect of (a) commercial credits guaranteed by appropriate agencies or the government of the creditor country pursuant to contracts entered into on or before January 1, 1971, under which payments are due over a period of more than one year, and (b) loans by the government or government agencies of the creditor country concluded prior to January 1, 1971 for which the repayment period is less than 40 years except for loans granted in connection with a prior consolidation. If such terms or any future modifications thereof are or may become more favorable than those which the Government of Chile has accorded the Government of the United States of America in this Agreement or will accord the Government of the United States of America in modifications of this Agreement, the Government of the United States of America shall have the right to have this Agreement (as presently concluded or as modified by future agreements) conform to the more favorable terms granted to other countries.

2. The provisions of paragraph 1 above shall not be applicable to creditor countries whose claims for payment of principal and interest on comparable debts during the consolidation period constitute less than \$1 million.

3. The Government of Chile agrees to guarantee the free transferability of payments relating to the debts covered by this Agreement.

4. The Government of Chile reaffirms the commitments made by the Chilean delegation in article 4 of the Memorandum of Agreement Regarding the Consolidation of Chilean Debts of April 1972, and undertakes to carry out direct negotiations under subparagraph 2 of that article for the purpose of reaching an agreement on just compensation.

*Article V. ENTRY INTO FORCE*

This Agreement shall enter into force on the date when:

- (a) It has been signed in duplicate by representatives of the Government of the United States of America and the Government of Chile and
- (b) The bilateral agreements provided for in article I, paragraph 2, of this Agreement have been signed by the respective parties to these agreements.

DONE at Washington in duplicate this 6th day of February, 1974.

For the Government of the United States of America:

[Signed — Signé]<sup>1</sup>

[Signed — Signé]<sup>2</sup>

For the Government of Chile:

[Signed — Signé]<sup>3</sup>

[Signed — Signé]<sup>4</sup>

<sup>1</sup> Signed by Harry W. Shlaudeman — Signé par Harry W. Shlaudeman.

<sup>2</sup> Signed by J. M. Hennessy — Signé par J. M. Hennessy.

<sup>3</sup> Signed by W. Heitmann — Signé par W. Heitmann.

<sup>4</sup> Signed by Raúl Sáez — Signé par Raúl Sáez.

## ANNEX A

CHILE — AGENCY FOR INTERNATIONAL DEVELOPMENT  
AGREEMENT IDENTIFICATION

## Loan Agreements

513-B-002  
513-G-003  
513-A-006  
513-L-026  
513-M-011

CHILE — P.L. 480 TITLE I  
AGREEMENT IDENTIFICATION

<i>Treasury Loan Number</i>	<i>Date of Agreement</i>
62-0156	8-07-62
67-0056	12-29-67
69-0017	4-29-69

CHILE — OVERSEAS PRIVATE INVESTMENT CORPORATION  
AGREEMENT IDENTIFICATION

<i>Date</i>	<i>Borrower</i>	<i>Lender</i>
June 27, 1968	Industrias de Celulosa Arauco, S.A.	Bank of America

CHILE — EXPORT-IMPORT BANK OF THE UNITED STATES  
AGREEMENT IDENTIFICATION  
Direct Credits

<i>Credit No.</i>	<i>Obligor</i>	<i>Guarantor</i>
374	Corporación de Fomento de la Producción	Republic of Chile
808	Anglo-Lautaro Nitrate Corporation	CORFO
809	Cía. Salitrera de Tarapacá y Antofagasta	None
1172	(Corporación de Fomento de la Producción) Banco Central de Chile	None
1299	Cía. Chilena de Electricidad, Ltda.	Republic of Chile
1340	Chilean State Railways	Republic of Chile
2139	Corporación de Fomento de la Producción	None
2152	Banco Central de Chile	None
2187	Bosques e Industrias Madereras, S.A.	CORFO
2381	Cía. de Acero del Pacífico, S.A.	Republic of Chile
2382	Sociedad Minera El Teniente, S.A.	Republic of Chile
2383	Compañía Minera Andina, S.A.	Republic of Chile
2393	Compañía de Productos de Acero, S.A.	CORFO
2416	Línea Aérea Nacional — Chile	Republic of Chile
2418	Manufacturas de Cobre, S.A.	Republic of Chile
2435	Compañía de Cobre Salvador, S.A.	None

<i>Credit No.</i>	<i>Obligor</i>	<i>Guarantor</i>
2436	Compañía de Cobre Chuquicamata, S.A.	None
2437	Cía. Minera Exótica, S.A.	None
2471	Empresa Nacional de Telecomunicaciones	CORFO
2486	Chilean State Railways	Republic of Chile
2551	Petroquímica - Dow, S.A.	CORFO
2601	Refractarios Chilenos S.A.	Republic of Chile
2609	Empresa Nacional del Petróleo	CORFO
2183	Rayon Said Industrias Químicas, S.A.	Antonio, Juan, Jacobo, Domingo, & Jose Said K
2196	Comandari, S.A.	Juan Hector Comandari & Manuel Comandari
2221	Laja Crown S.A. Papeles Especiales	None

## Guarantees

<i>Guarantee No.</i>	<i>Obligor</i>	<i>Guarantor</i>	<i>*Exporter Retentions</i>
G-1-541	Empresa Nacional de Electricidad	None	
OG-1-573	Cía. Minera Disputada de Las Condes, S.A.	Banco de Chile	
G-6-166	Corporación de Fomento de la Producción	None	
G-7-54	Cía. Minera Disputada Las Condes	CORFO	30%
G-8-59	Sociedad Productos Lácteos Hayskzim, S.A.	Banco Pan Americano	30%
G-8-93	Hugo Leon Puelma	Banco Israelita de Chile	30%
G-9-240	Sociedad Minera El Teniente, S.A.	None	
G-10-135	Algodones Hirmas, S.A.	Herman Briones G. & Miguel Hirmas	
G-10-219	Compañía Manufacturera de Papeles y Cartones, S.A.	Herman Briones	
G-10-245	Cía. Manufacturera de Papeles y Cartones, S.A.	None	
G-12-148	Municipality of Conchali	Banco del Estado de Chile	
G-20-5	Algodones Hirmas, S.A.	Hirmas Ataza Family	
G-20-10	Fuerza Aérea de Chile	CORFO	
G-21-30	Minera Santa Fe, S.A.	Minera Santa Barbara	
G-23-16	Empresas Ralco, S.A.	None	
G-29-3	Algodones Hirmas, S.A.	Hirmas Ataza Family	
G-40-197	Matadero Industrial San Miguel	Banco Pan Americano	
G-40-225	Empresa Nacional de Telecomunicaciones (Entel)	CORFO	
G-40-254	CORFO	None	30%
G-40-256	CORFO	None	
G-40-271	Treasurer General of the Republic of Chile	None	
G-40-283	Compañía de Refinería de Azúcar de Viña del Mar	None	
G-41-18	Empresa El Mercurio, S.A.P.	None	
G-47-121	Cía. Minera Disputada de Las Condes	None	
G-47-137	Cemento Cerro Blanco de Polpaíco	None	
G-47-140	Establecimientos Nobis	Banco de A. Edwards y Cía.	
G-47-218	Constructora Longhi	Salinas y Fabres (SALFA)	
G-47-231	Jaime Urdangarin Beltran	Salinas y Fabres (SALFA)	
G-47-231	Jaime Urdangarin Beltran	Salinas y Fabres (SALFA)	50%
G-47-277	Jaime Urdangarin B.	None	
G-50-82	CORFO	None	30%

\*Exporter retentions which are not included in rescheduling.

<i>Guarantee No.</i>	<i>Obligor</i>	<i>Guarantor</i>	<i>*Exporter Retentions</i>
G-50-89	CORFO	None	30%
G-50-89	CORFO	None	30%
G-50-100	Consorcio Periodístico de Chile	Banco Español Chile	30%
G-50-211	Club Aéreo de Carabineros	Banco del Estado de Chile	30%
G-50-239	CORFO	None	30%
G-50-240	Allende Cousino Ugarte Ltda.	Banco de Chile	10%
G-50-245	Sociedad Periodística «Chile» Ltda.	Banco del Estado de Chile	10%
G-50-265	Servicio de Equipos Agrícolas Mecanizados (CORFO)	None	30%
G-50-269	Compañía de Acero del Pacífico, S.A.	None	10%
G-56-9	Petroquímica Chilena S.A.	CORFO	
G-73-6	Empresa Nacional de Minería	None	30%
G-73-6	Empresa Nacional de Minería	None	30%
G-73-6	Empresa Nacional de Minería	None	30%
G-73-6	Empresa Nacional de Minería	None	30%
G-73-6	Empresa Nacional de Minería	None	30%
G-73-13	Empresa Nacional de Minería	None	30%
G-73-14	Empresa Nacional de Minería	None	30%
G-73-14	Empresa Nacional de Minería	None	30%
G-88-13	Bosques e Industrias Madereras	None	
G-138-9	Empresa El Mercurio S.A.P.	Banco de A. Edwards y Cía.	30%
G-161-3	Compañía de Acero del Pacífico, S.A.	None	

\* Exporter retentions which are not included in rescheduling.

### Insurance

<i>Policy No.</i>	<i>Obligor</i>	<i>Guarantor</i>	<i>*Exporter Retentions</i>
MT-1418	Industrias Pesqueras Delucchi & Cía., Ltda.	Ernesto Delucchi Marinkovic, Eduardo Cepada Godoy, Flores, Iversen y Labra Ltda.	
MT-2565	Sedylan SAC	Victor Guillermo and Fernando Anania	
MT-2607	CORFO	None	
MT-2915	Hilandería Lo Espejo Ltda.	Juan, Solomon and Abraham Massu	
MT-3161	Industone S.A.P.	Compañía Industrial	
MT-3289	Empresa Pesquera Emperva S.A.	Grace y Cía., S.A.	
MT-3857	Universidad Católica de Chile	None	
MT-3864	Municipalidad Viña del Mar	Banco de Chile	30 %
MT-3926	Bezanilla Salinas	Gildemeister	30 %
MT-3950	Cervecerías Unidas	None	
MT-4114	Empresa Ing. Civil, S.A.	Gildemeister	30 %
MT-4120	Comunidad Navarro Infante	Gildemeister	30 %
MT-412	Algodones Hirmas, S.A.	Hirmas Ataza Family	
MT-4204	Cía. Standard Electric	None	
MT-4254	Cuerpo de Bomberos de Nunca	Treasurer General of the Republic	
MT-4295	Figalem Ing.	Gildemeister	30 %
MT-4370	Abalos y González	Gildemeister	30 %
MT-4374	Rosenberg Hermanos	None	
MT-4501	Concretos Ready Mix	Banco Sud Americano	
MT-4542	Constructora Longhi	Gildemeister	30 %
MT-4756	CORFO	None	30 %

\* Exporter retentions which are not included in rescheduling.

<i>Policy No.</i>	<i>Obligor</i>	<i>Guarantor</i>	<i>*Exporter Retentions</i>
MT-5009	Ing. y Obras, S.A.	Banco de Crédito e Inversiones	30%
MT-5103	Peter Rajsick	Gildemeister	30%
MT-5162	Oscar Speichiger & Cía. Ltda.	Gildemeister	30%
MT-5173	Cía. Minera Disputada Las Condes, S.A.	Gildemeister	30%
MT-5204	Yaconi Hnos y Cía.	Gildemeister	30%
MT-5214	Empresa Constructora Delta S.A.	Gildemeister	30%
MT-5485	Compañía Minera Disputada Figalem Ing.	Banco de A. Edwards y Cía.	30%
MT-5548	Figalem Ing.	None	30%
MT-5623	Cía. Minera Metalmine	Gildemeister	30%
MT-0-5644	Cía. Manufacturera de Papeles y Cartones, S.A.	None	
MT-5646	Miguel Calvo Aguirre	Banco del Estado de Chile	
MT-5686	Tesorero General de la República	None	
MT-5978	Transportes Pareschi Soc. Ltd.	Banco Sud Americano	
MT-6009	Tesorero General de la República	None	
MT-6032	Claro, Vicuña, Valenzuela y Cía. Ltda.	None	
MT-6049	Figuroa Alemparte Figalem Ingeniería S.A.	None	
MT-6135	Tesorero General de la República	None	
MT-6147	Club Aéreo de Carabineros	Banco del Estado de Chile	
MT-6249	CORFO	None	10%
MT-6290	Cuerpo Bomberos de Talca	Ministry of Finance	
MT-6291	Cemento Cerro Blanco de Polpaico	None	10%
MT-6292	Peter Rajsic Kukic	Gildemeister	10%
MT-6320	Figuroa y Alemparte Figalem Ingeniería	Gildemeister	10%
MT-6325	Constructora Longhi S.A.	Gildemeister	10%
MT-6384	Constructora Longhi, S.A.	Lorca Castillo S.A.	
MT-6395	Constructora Faenas Mecanizadas	Gildemeister	10%
MT-6396	Dirección General de Investigaciones	None	
MT-6405	Municipalidad de Quilpué	Banco del Estado de Chile	30%
MT-6419	Empresa Constructora Belfi, S.A.	Gildemeister	30%
MT-6453	Soc. Cons. Alca Ltda.	Gildemeister	10%
MT-6460	Industrias Forestales S. A.	CORFO	
MT-6480	Selim Pualuam	Gildemeister	10%
MT-0-6546	Club Aéreo de la Serena y Coquimbo	Banco Nacional del Trabajo	
MT-6584	Figalem Ingeniería S. A.	Gildemeister	10%
MT-6596	Aerotaxi Ltda. Chile	Sociedad el Tattersall	
MT-6648	Aste Cofre y Dela Cerda Ingeniería Civil, Ltda.	Sociedad el Tattersall	10%
MT-6746	Eduardo y Hernán Godoy Pena	Gildemeister	10%
MT-6785	Claro, Vicuña, Valenzuela & Cía Ltda.	Gildemeister	10%
MT-6820	Periodística Chile	Banco del Estado de Chile	
MT-6891	Industrias Forestales S.A.	Gildemeister	10%
MT-0-6921	Cía. Minera Santa Fe	Gildemeister	17%
MT-7140	Productora de Azufre Carrasco	Banco Nacional del Trabajo	
MT-7195	Municipalidad de Valparaíso	Banco del Estado de Chile	30%
MT-8056	Juan Torreabla Morales	Gildemeister	30%
MT-8058	Soc. Clasificadora de Materiales de Minería Ltda.	Gildemeister	30%
MTP-350	Canadera Tierra del Fuego S.A.	Banco Sud Americano	
MTP-464	Línea Aérea Alas Agrícolas	Aéreo Salta Ltda. & S.A.C.I. Salinas y Fabres	

\*Exporter retentions which are not included in rescheduling.



## Financial Guaranties

<i>Guarantee No.</i>	<i>Obligor</i>	<i>Guarantor</i>	<i>*Exporter Retentions</i>
2390 Morgan	Industria Nacional de Neumáticos S.A.	None	
2601 Citybank	Refractarios Chilenos S.A.	None	

\*Exporter retentions which are not included in rescheduling.

## ANNEX B

## CONSOLIDATED DEBT

Agency for International Development .....	\$3,351,889.98
Overseas Private Investment Corporation .....	\$1,957,172.56
United States Government for P.L. 480 .....	\$4,470,474.73
Export-Import Bank of the United States .....	\$58,743,092.34*
TOTAL	<u>\$68,522,639.61</u>

\* This figure is subject to adjustment by amendment of the separate bilateral agreements with the Export-Import Bank of the United States referred to in article 1, paragraph 2.

## ANNEX C

## OTHER DEBTS

Agency for International Development .....	\$6,816,667.55
Overseas Private Investment Corporation .....	\$6,271,148.47
United States Government for P.L. 480 .....	\$2,383,599.68
Export-Import Bank of the United States .....	\$45,000,000.00
TOTAL	<u>\$60,471,415.70</u>

## MEMORANDUM OF AGREEMENT REGARDING THE CONSOLIDATION OF CHILEAN DEBTS

1. Following earlier meetings in Paris on February 2-4, February 16-17, and March 29-30, 1972, representatives of Belgium, Canada, Denmark, the Federal Republic of Germany, France, Italy, Japan, the Netherlands, Spain, Switzerland, the United Kingdom, and the United States of America (the participating Governments) reconvened on April 17-18 and 19, 1972, to consider with representatives of the Government of Chile the request of that Government for financial assistance in alleviating balance of payment difficulties. Representatives of the International Monetary Fund, the International Bank for Reconstruction and Development, the Organization for Economic Cooperation and Development, and the Inter-American Development Bank attended the meeting. Sweden and Norway were also represented by observers.

2. The Chilean representatives outlined the economic and financial program of their Government, emphasizing its intention to work towards a progressive recovery in the internal financial situation, an improvement of its balance of payments and to exercise a strict control over the external indebtedness of the country.

While the participating countries considered an International Monetary Fund standby with Chile to be a necessary condition for rescheduling, Chile proposed, and the participating countries agreed, as an exception, on an alternative arrangement under which Chile set forth its economic and financial policies and objectives for achieving both external and internal goals. This alternative arrangement is further detailed in paragraph 6 of this Memorandum of Agreement, and in the two attached statements of the Chilean Delegation.

3. The representatives of the participating countries agreed to recommend that their governments or appropriate governmental institutions make available to the Chilean Government debt relief equivalent to 70 percent of installments of principal and interest on debts to these countries falling due between November 1, 1971 and December 31, 1972, in respect of (a) commercial credits guaranteed by appropriate agencies or governments or participating countries pursuant to contracts entered into on or before January 1, 1971 under which payments are due over a period of more than one year and (b) loans by governments or government agencies concluded prior to January 1, 1971 for which the repayment period is less than 40 years and except for loans granted in connection with a prior debt consolidation.

The procedures for making available this debt relief will be determined under bilateral agreements to be concluded between each of the participating countries and the Chilean Government in accordance with the following principles:

- a) The debt relief provided for in the bilateral agreements will be made available to the Chilean Government in 1972 in proportion to the payments already due or falling due during the period defined above as such payments are made.
- b) That part of the installments which Chile will continue to pay in accordance with original contractual schedules and which represents 30 percent of the principal and interest, may, at the choice of each participating country, be allocated in whole or in part to interest payments due.
- c) The rate and terms of the interest to be paid on such debt relief will be determined bilaterally between Chile and each of the participating countries.
- d) Repayment by Chile of such debt relief will be made in 13 equal semiannual installments, the first installment payable on January 1, 1975.

- e) The Chilean Government will grant each of the participating countries treatment which will be no less favorable than that which may be accorded to any other creditor country for the consolidation of debts of comparable terms.
  - f) The provisions of the preceding paragraph do not apply to countries whose claims of principal and interest payable during the refinancing period are less than \$1 million.
  - g) Each participating country will grant debt relief to Chile according to the rules established in the bilateral agreements which are to be concluded and which will make use, as appropriate, of the technique of financing or refinancing.
  - h) The Chilean representatives declared that the points of principle set forth above constitute an acceptable basis for the bilateral negotiations which their government is ready to begin immediately with a view to reaching final agreements.
4. The Chilean delegation declared that in conformity with its policy it is a decision of the Chilean Government:
1. (A) To recognize the validity of all debts that have been contracted or guaranteed by the Chilean Government, by Chilean public entities and by Chilean mixed enterprises and private enterprises with the guarantee of the State, with private enterprises, public entities, or governmental agencies of the participating countries whatever the nature of these debts or the sector of activity concerned.  
(B) To repay the debts described in paragraph 1 (A) as agreed by the two parties taking into account the balance of payments situation of Chile. To this end negotiations will be undertaken to determine the appropriate financial arrangements.
  2. To carry out direct negotiations for the purpose of finding a prompt solution to the problems which may arise as regards payments of compensation between the Chilean Government and the Governments of the interested countries or their nationals.
  3. In cases of nationalization, to grant just compensation in accordance with Chilean legislation and international law, as reflected in the principles of resolution 1803 of the United Nations.
5. The Creditor countries call the attention of the Chilean Government to the importance which they give to this declaration as it applies to any nationalization past or future.
6. The Chilean representatives declared that their government:
- a) Will follow, in the interest of improving their balance of payments situation, the internal and external policies set forth in the two Declarations attached to the present Memorandum of Agreement and will communicate quarterly to the participating countries beginning on June 30, 1972, through the International Monetary Fund, pertinent information on developments in the Chilean economy.
  - b) Will guarantee the free transferability of payments relating to the commercial credits and governmental loans covered by the present provisions.
7. The Chilean representatives expressed the desire of their government for negotiations with the participating countries regarding the 1973 installments on the debts covered by the the present agreement. The representatives of the participating countries agreed to propose to their governments that this request should be examined in December 1972, taking into account the economic and financial situation of Chile at that time. They will also examine the fulfillment of all the commitments contained in this agreement.

8. The representatives of the participating countries agreed that the alternative solution to an IMF standby arrangement agreed to in this memorandum of agreement will not constitute a precedent with respect to any future request for rescheduling of external debt.

INOSTROZA

NEBOT

EMBAJADA DE CHILE<sup>1</sup>

### CHILE'S DECLARATION TO CREDITOR COUNTRIES

1. The Government of Chile has found itself confronted with payment of a foreign debt contracted in the past, greatly exceeding the country's repayment capability under the present terms, and this has led the Government to suspend payments from November 1971. At that time, the Government of Chile announced to its creditors its intention of renegotiating the repayment terms of this debt and at the same time examined its foreign trade policies with the aim of adopting measures concerning the level of its international reserves and the amount and terms for new loans. The measures described in the following — which are subject to Chile obtaining adequate alleviation of the burden of its present debt — offer the certainty that the country will be able to continue normally in the development of its economic activities and, at the same time, give its creditors the guarantee that its obligations will be met on time.

2. As Chile's international reserves are close to the minimum operating balance level, the authorities are convinced that the country cannot support any considerable balance of payments deficit. With this in mind, they will be examining in the future exchange and foreign trade policies and applying to them the adjustments needed to prevent considerable losses of international reserves. More especially, these policies will be implemented to ensure that the quarterly international reserves forecasts up to the end of March 1973, shown in the Appendix of Statistics, can be achieved. The forecasts show that the net international reserves at the Central Bank will undergo a moderate fall at a decreasing rate during this period. Quarterly forecasts for international reserves for later periods will be prepared in due time with a view to reaching a state of equilibrium in the balance of payments.

3. With regard to the handling of the foreign debt, the Government intends to firmly control the contracting of new debts in order to reduce the short and medium term loan balance. More particularly, the Government has decided that new loans for the public and private sectors authorized from the 31 March 1972 for more than one year and less than eight years shall at no time, up to the 1st January 1975, be greater than the net amortization for debts of this category subsequent to the 31 March 1972 (net of any refinancing as may be obtained in respect of these amortization payments).

In order to determine these quantitative limits, a new loan for the public sector is defined as any loan (excluding refinancing loans) to be contracted by the Central Government, the CORFO, the nationalised copper firms and other nationalised concerns or any other decentralised public body, plus any new loan (excluding refinancing loans) to be contracted by the Central Bank provided it is not considered a liability in calculating the official net international reserves of the country. New

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<sup>1</sup> Embassy of Chile.

foreign loans for the private sector are defined as any new loans (excluding refinancing loans) to be contracted by individuals or private concerns, plus loans contracted by commercial banks.

The Government has decided to set up, through the medium of the Treasury, the Central Bank and the Executive Secretary for Foreign Trade, strict coordinated control of new debts, from their negotiation to their utilization. Negotiation of new foreign debts will not be permitted either for the public or the private sector without the prior express authorization of these bodies.

4. The authorities will prevent any arrears in renegotiated payments of capital and in current payments and furthermore will maintain import payments on a prompt basis as far as possible. To this end, as regards goods imported before payment, the authorities will not increase the compulsory minimum period between the date of shipment of the goods and the date of the relevant payment, throughout the period in which Chile benefits from alleviation of the debt. This minimum period is equal to the compulsory period preceding the deferred foreign exchange payment contract plus the time required for the Central Bank to deliver the currency required.

APPENDIX ON STATISTICS TARGETS FOR THE NET FOREIGN RESERVES POSITION  
OF THE CENTRAL BANK\*

	<i>\$ US million</i>
31 March 1972 .....	120
30 June 1972 .....	100
30 September 1972 .....	85
31 December 1972 .....	70
31 March 1973 .....	60

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SUPPLEMENTARY DECLARATION BY THE CHILEAN DELEGATION  
DATED 18 APRIL 1972

The Chilean delegation, as requested by the Paris Club members, and in relation to information given at earlier meetings makes the following supplementary declaration:

In accordance with the economic policy drawn up for 1972 it is the purpose of the Government of Chile, as recognised in the IMF report to reduce the rate of expansion of the domestic financial variables bearing in mind that the different constituents of these variables must be consistent with the levels proposed for the variables on external finance.

In 1971 the fiscal budget showed a deficit equivalent to 33% of the total of current and capital expenditures. In 1972 the plan provides for a deficit equivalent to

\* For the purpose of these forecasts, the net international reserves position of the Central Bank is defined as the foreign assets at the Central Bank less the sum of (a) foreign liabilities at the Central Bank payable within one year, (b) liabilities incurred by the Central Bank in respect of the use of balance of payments loans, and (c) liabilities of the Central Bank with respect to the IMF.

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24% of the total of those expenditures. The Government has adopted a series of measures designed to keep the execution of the 1972 budget within the limit of the deficit forecast. To this end important efforts are being made to reduce tax evasion; bills are being brought forward to secure greater tax revenue, and measures are being taken to rationalise the tax system. For the same purpose periodic reviews of fiscal expenditures are carried out.

As regards monetary policy, the government proposes to reduce significantly the rate of expansion of internal credit reached in 1971, i.e. 114%. Accordingly, the monetary authorities have taken the necessary measures to regulate all credit operations of public and private companies.

Since in 1971 important progress was made towards the aim of achieving a more equitable distribution of national income, for 1972 the authorities expect the average rate of increase of real wages to be less. The average rate of adjustment of money wages for 1972 both in the public and private sector is less than that accorded in the previous year, which was in excess of 50%.

In regard to prices the government's policy is one of adjustments at varying rates, which may result in an annual rate of inflation higher than that of 1971, which was 22.1%. In practice, prices are being readjusted selectively, with a view on the one hand to enable the public services and undertakings to improve their financial position, and on the other at least to maintain the gains achieved in 1971 in the distribution of income.

As regards foreign exchange and trade policies, the government reaffirms its intention to keep them under permanent review and to make any modification necessary to maintain the foreign exchange reserves at an adequate level, which has already been indicated. As part of this, they intend to apply a policy of flexible exchange rates, i.e. to adjust the rates according to the circumstances.

The Government of Chile, in accordance with its policy towards information for international organisations, will provide quarterly to the secretariat of the Club through the IMF, statistics on the variables mentioned above.

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