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EBS/82/137

CONFIDENTIAL

July 29, 1982

To: Members of the Executive Board

From: The Acting Secretary

Subject: Chile - Use of Fund Resources - Compensatory Financing Facility

Attached for consideration by the Executive Directors is a paper on a request expected to be received from Chile for a purchase equivalent to SDR 274.3 million under the compensatory financing facility. A draft decision appears on page 12.

This subject has been tentatively scheduled for discussion on Monday, August 23, 1982.

Att: (1)

INTERNATIONAL MONETARY FUND

CHILE

Use of Fund Resources--Compensatory Financing Facility

Prepared by the Research and Western Hemisphere Departments

(In consultation with the Exchange and Trade Relations,
Legal, and Treasurer's Departments)

Approved by Wm. C. Hood and E. W. Robichek

July 28, 1982

The Managing Director has been informed that the Chilean authorities will shortly request a purchase equivalent to SDR 274.3 million (84.3 per cent of quota) under the compensatory financing decision. The request, the first by Chile since May 1976, is being made with respect to a shortfall in export earnings for the 12 months ended June 1982, and is expected to be considered by the Executive Board together with a request for a stand-by arrangement in an amount equivalent to SDR 450.0 million (138.2 per cent of quota). If approved, the proposed CF purchase would raise the Fund's holdings of the member's currency from 86.4 to 170.7 per cent of quota.

This paper, which is being circulated in advance of the formal request from Chile, is presented in five sections and an annex. The sections deal with: (1) the balance of payments position and cooperation with the Fund; (2) estimation of the export shortfall; (3) causes of the shortfall and earnings prospects; (4) repurchase; and (5) staff appraisal and proposed decision. The relations of Chile with the Fund are summarized in the annex.

1. Balance of payments position and cooperation with the Fund

a. Balance of payments position 1/

After five years of large overall surpluses, Chile's balance of payments returned to equilibrium for 1981 as a whole (Table 1). The current account deficit widened from 7.2 per cent of GDP in 1980 to 14.6 per cent in 1981. There was a sharp fall in exports in 1981, reflecting declines in the price of copper and of other mineral exports (in particular, silver and molybdenum), and weak world demand for other basic exports, notably pine-wood. Imports rose by 30 per cent in 1981 and at the same time there was a sharp rise in interest payments on the private sector's external debt. In the latter part of 1981, Chile experienced a loss of international reserves,

1/ Developments in the balance of payments for 1981 and prospects for 1982 are reviewed in detail in the staff report for the 1982 Article IV consultation and use of Fund resources under a stand-by arrangement.

Table 1. Chile: Summary Balance of Payments

(In millions of SDRs)

	1979	1980	1981 Estimated	1982 Projected
A. Current account	-920	-1,514	-4,082	-2,364
Trade balance	-275	-587	-2,203	-62
Exports	(2,968)	(3,615)	(3,358)	(3,353)
Imports	(-3,243)	(-4,202)	(-5,561)	(-3,415)
Services (net)	-707	-1,014	-1,964	-2,408
Credits	(944)	(1,207)	(1,823)	(1,809)
Debits	(-1,651)	(-2,221)	(-3,787)	(-4,217)
Transfers	62	87	85	106
B. Capital account	1,741	2,432	4,063	2,134
Official	(265)	(65)	(249)	(757)
Private medium and long-term	(1,195)	(1,944)	(3,267)	(1,200)
Private short-term	(281)	(423)	(547)	(177)
C. Errors and omissions	-3	38	79	--
D. SDR allocation	23	23	23	--
E. Overall balance (A+B+C+D)	841	970	83	-230
F. Valuation adjustment	-23	44	162	15
G. Change in reserve position				
(increase -)	-818	-1,023	-245	215
Reserve position with Fund	--	27	--	...
Holdings of SDRs	-1	19	-13	...
Central Bank gold and foreign exchange (net)	-687	-976	-177	...
Use of Fund credit	-130	-39	-55	...
<u>Memoranda items</u>				
Current account balance as per cent of GDP	-5.7	-7.2	-14.6	-9.1
Overall balance as per cent of GDP	5.2	4.6	0.2	-0.5
Gross international reserves (in millions of SDRs)	1,568	2,525	2,740	2,525
Gross international reserves in months of imports (c.i.f.)	5.2	6.4	5.3	7.9
Gross international reserves in months of current payments	3.8	4.7	3.5	4.0

Source: Data provided by the Chilean authorities; and Fund staff estimates.

and it continued to lose reserves in the first six months of 1981. Consequently, Chile's gross reserves fell by about SDR 400 million during the period October 1981-June 1982.

In the second half of 1982, Chile's balance of payments is projected to return to equilibrium, and the deficit for the year as a whole is expected to be SDR 230 million. The deficit, the first experienced by Chile since 1975, would occur notwithstanding a large decline in the deficit on the current account of the balance of payments, as an even larger decline in private capital inflows has been projected. The decline in the inflow of capital would reflect a slowdown in import demand and financing, as well as a generally reduced availability of foreign credits to Chile.

The gross international reserves of the Central Bank of Chile climbed from the equivalent of less than four weeks of imports at the end of 1975 to the equivalent of six months of imports at the end of 1980. They rose further in 1981 (mostly because of the effects of the rise in the SDR value of Chile's U.S. dollar holdings), but their increase was outpaced by that of imports. At the end of 1981, Chile's reserves were equivalent to about five months of imports. If reserves are measured with reference to total current payments, rather than just imports--as would seem appropriate in view of the importance of interest payments on the foreign debt--reserves at the end of 1981 amounted to 3.5 months of current payments, down from the equivalent of 4.7 months of current payments at the end of 1980. In 1982, Chile's international reserves are projected to decline by SDR 215 million. 1/

b. Cooperation with the Fund

The proposed purchase under the CFF exceeds 50 per cent of quota; therefore, the request may be approved only if the Fund is satisfied that Chile has been cooperating with the Fund in efforts to find, where required, appropriate solutions for its balance of payments difficulties. Chile has had several stand-by arrangements with the Fund; the most recent, which terminated on March 18, 1976, was for a total of SDR 79 million. The Chilean authorities have framed a financial program for 1982-83 in support of which a stand-by arrangement is being proposed for Board consideration concurrently with the request for a compensatory financing drawing. The staff is satisfied that the stricter test of cooperation required for the proposed purchase is met by this stabilization effort.

2. Estimation of the export shortfall

After expanding at an average rate of 30 per cent a year from 1977 to 1980, total export earnings have stagnated from 1979/80 to 1981/82. They are projected to recover modestly by 10 per cent in 1982/83 and then resume a more vigorous growth in 1983/84 with a 21 per cent increase.

1/ This figure differs from the balance of payments deficit estimated in the year due to changes in the SDR value of Chile's U.S. dollar holdings.

Total exports in the shortfall year ending June 1982 amounted to SDR 3,351.2 million, one per cent less than the average export earnings realized in the two preceding years and 17.6 per cent less than the average export earnings projected for the two post-shortfall years. ^{1/} On the basis of these export movements, the shortfall for the year ending June 1982 is estimated at SDR 274.3 million, the amount of the proposed purchase (Table 2).

Table 2. Chile: Estimation of the Export Shortfall

(In millions of SDRs)

	Years Ending June				
	1980	1981	1982	Projected Exports 1/ 1983	1984
Exports	3,387.4	3,367.0	3,351.2	3,686.0	4,446.0
Shortfall			274.3		
Proposed purchase			274.3		

^{1/} Based on the judgmental forecast of earnings given in Table 3.

3. Causes of the shortfall and export prospects

The total export shortfall of SDR 274.3 million is due largely to a shortfall of SDR 163.7 million in copper exports, which account for 44 per cent of total exports (Table 3). Smaller shortfalls are estimated for molybdenum (SDR 36.9 million), pinewood (SDR 36.0 million), pulp and cellulose products (SDR 11.2 million), and miscellaneous exports grouped under "other exports" (SDR 30.1 million).

The shortfall in copper earnings is entirely attributable to low prices in the shortfall year, which were 12 per cent below the average price of the two pre-shortfall years and 17 per cent below the average projected price for the two post-shortfall years (Table 4). Similarly, the shortfall in molybdenum is due entirely to low prices in the shortfall year, as increased output by Chile and other major producers resulted in a glut on the market in 1981/82. The shortfall in pinewood exports, on the other hand, was due entirely to

^{1/} Actual data on export earnings are available through April 1982, and the staff, in conjunction with the authorities, has estimated exports for the last two months of the shortfall year. The value of exports during the May-June 1982 period is estimated to average SDR 255.0 million per month compared with SDR 264.7 million per month for the corresponding period of 1981.

Table 3.. Chile: Export Earnings and Shortfalls by Major Commodities

	Years Ending June					Shortfall		
	1979	1980	1981	1982	1983	1984	Geometric	Arithmetic
	-- -- -- -- -- (In millions of SDRs) -- -- -- -- --							
<u>Total</u>	<u>2,338.6</u>	<u>3,387.4</u>	<u>3,367.0</u>	<u>3,351.2</u>	<u>3,686</u>	<u>4,446</u>	<u>274.3</u>	<u>296.3</u>
Copper	1,168.3	1,650.9	1,488.8	1,478.9	1,624	2,026	163.7	174.8
Iron ore	83.0	110.8	122.5	143.1	143	166	-7.3	-6.0
Nitrates and iodine	42.7	57.0	68.1	74.9	75	88	-3.0	-2.3
Molybdenum	216.4	302.6	190.9	182.7	193	251	36.9	41.3
Fishmeal	84.8	141.9	182.4	189.4	180	217	-8.9	-7.3
Pinewood	61.3	129.0	122.5	70.5	97	127	36.0	38.7
Pulp and cellulose products	102.4	154.4	150.2	146.4	158	181	11.2	11.6
Others	579.7	840.8	1,041.6	1,065.3	1,216	1,390	30.1	45.4
	-- -- -- -- -- (Percentage changes) -- -- -- -- --							
<u>Total</u>	<u>45</u>	<u>-1</u>	<u>--</u>	<u>--</u>	<u>10</u>	<u>21</u>		
Copper	41	-10	-1	-1	10	25		
Iron ore	33	11	17	10	--	16		
Nitrates and iodine	33	19	10	-4	--	17		
Molybdenum	40	-37	29	4	6	30		
Fishmeal	67	29	-5	-42	-5	21		
Pinewood	110	-5	-3	2	38	31		
Pulp and cellulose products	51	-3	24	8	14	15		
Others	45	24	2	14	14	14		

Table 4. Chile: Value, Volume and Unit Value by Major Commodities

(1982=100: In terms of SDRs)

	Value Share in Total Exports in 1982 (In Per Cent)	Years Ending June					Shortfall in Per Cent of Level in Shortfall Year	
		1979	1980	1981	1982	1983		1984
<u>Value</u>								
Copper	68.3 44.1	77 79	111 112	102 101	100 100	108 110	134 137	10.4 11.3
Iron ore	4.3	58	77	86	100	100	116	-5.1 (excess)
Nitrates and iodine	2.2	57	76	91	100	100	117	-4.1 (excess)
Molybdenum	5.5	118	166	104	100	106	137	20.2
Fishmeal	5.7	45	75	96	100	95	115	-4.7 (excess)
Pinewood	2.1	87	183	174	100	137	180	51.0
Pulp and cellulose products	4.4	70	105	103	100	108	124	7.7
<u>Volume</u>								
Copper	88 87	88 87	100 95	96 93	100 100	99 99	106 105	0.1 -1.7 (excess)
Iron ore	111	111	120	115	100	96	99	5.6
Nitrates and iodine	114	114	123	106	100	100	108	7.1
Molybdenum	73	73	70	77	100	96	103	-11.8 (excess)
Fishmeal	50	50	84	85	100	91	99	-8.4 (excess)
Pinewood	143	143	218	173	100	132	158	51.1
Pulp and cellulose products	110	110	121	102	100	101	111	6.7
<u>Unit value</u>								
Copper	87 91	87 91	112 118	106 108	100 100	109 111	126 130	10.3 13.0
Iron ore	52	52	65	74	100	104	118	-10.0 (excess)
Nitrates and iodine	50	50	62	86	100	100	109	-10.3 (excess)
Molybdenum	162	162	236	136	100	110	134	36.5
Fishmeal	90	90	89	114	100	105	116	4.3
Pinewood	61	61	84	101	100	104	114	0.1
Pulp and cellulose products	64	64	87	101	100	106	111	0.7

reduced volume caused primarily by the depressed condition of world construction activity. Lower volume was also entirely responsible for the shortfall in pulp and cellulose exports, mainly due to weak external demand. Finally, the shortfall in other exports was due to an interruption of the rapid growth of this category of mostly nontraditional exports due to the world recession in 1981/82.

a. Copper

Exports of copper, which contributed about three quarters of total export earnings in the early 1970s, have diminished in relative importance in recent years, and in the shortfall year constituted 44 per cent of total exports. The estimated shortfall of SDR 163.7 million is due entirely to a decline in the world price of copper.

After reaching a cyclical peak in the first quarter of 1980, world copper prices began to decline due to a weakness in demand resulting particularly from slowdowns in the transport, construction, and energy sectors in industrial countries. Because of the strengthening of the U.S. dollar vis-a-vis the SDR, the decline was more rapid in U.S. dollar terms than in SDR terms since 1980 (Table 5). The SDR unit value of Chile's exports

Table 5. Chile: Recent Copper Price and Unit Value Movements

	Years Ending June					
	1977	1978	1978	1980	1981	1982 Estimated
International price ^{1/}						
Cents/pound	64.2	56.4	75.1	99.1	87.0	72.7
Per cent change		(-12.15)	(34.93)	(30.22)	(-12.21)	(-16.44)
.01 SDR/pound	55.5	47.0	59.4	76.2	69.1	63.8
Per cent change		(-15.32)	(26.38)	(28.28)	(-9.32)	(-7.67)
Unit value						
Cents/pound	...	...	71.2	93.8	83.4	69.75
Per cent change		...	...	(31.74)	(-11.09)	(-16.37)
.01 SDR/pound	...	...	55.6	72.1	66.1	61.2
Per cent change		...	...	(29.68)	(-8.32)	(-7.41)

^{1/} London Metal Exchange, electrolytic wirebars, spot London (The Journal of Commerce, New York), average of daily quotations.

declined by 8.3 per cent (11.1 per cent in U.S. dollars) in 1980/81 and by 7.4 per cent (16.4 per cent in U.S. dollars) in 1981/82, closely following movements in world prices. This resulted in a 10 per cent decline in the value of copper exports in 1980/81 and a one per cent decline in 1981/82. The value of these exports would have declined further in the shortfall year if Chile had not increased the volume of its exports by 7.5 per cent by drawing on stocks and raising production back to normal levels after the strike-depressed level of 1980/81. Other major copper producers also drew down stocks during this period because of the high cost of holding stocks related to high interest rates, and many in industrial countries also cut back output.

Earnings from copper exports are projected to recover modestly in 1982/83 as an 11 per cent increase in unit value is partially offset by a one per cent decline in volume, resulting in a 10 per cent increase in copper export earnings. The volume decline is partly due to the unusually large export volume in 1981/82 from the drawdown of stocks and partly due to the temporary closure of some small- and medium-sized mines with relatively high unit costs. These mines will require several months lag-time to resume production when prices reach adequate levels. In anticipation of a recovery in world demand, copper prices are projected to increase in 1983/84 by 17 per cent, and with new investment in capacity at the Chuquicamata mine contributing to a 6 per cent rise in volume, copper export earnings are forecast to increase by 25 per cent.

b. Iron ore

Earnings from iron ore exports have risen steadily in recent years to SDR 143.1 million in 1981/82, 22 per cent above the average of the two pre-shortfall years, accounting for an estimated SDR 7.3 million excess. They are expected to level off in 1982/83 because of a 12 per cent decline in volume contracts with Japan that offsets a 4 per cent rise in unit value, and then to recover in 1983/84 with a 16 per cent increase in earnings. Chile's iron ore exports consist of two main products, ore and pellets. In recent years, production has been shifting in favor of pellets which have a higher mineral concentration and unit value. This has caused the unit value of Chile's total iron ore exports to increase more rapidly than the world price of iron ore and the volume of exports to decrease.

c. Nitrates and iodine

Exports of nitrates and iodine rose to SDR 74.9 million in 1981/82, equal to 2.3 per cent of total export earnings and 20 per cent above the average of the two pre-shortfall years. This relatively strong performance resulted in an estimated excess of SDR 3.0 million. The outlook for 1982/83 is for a leveling off in exports, mainly due to projected low world agricultural prices and the consequent weak demand for fertilizers. In 1983/84 exports are expected to increase by 17 per cent in response to a projected recovery in world demand for fertilizers.

d. Molybdenum

In 1981, a serious oversupply situation developed in the world molybdenum market. While world demand fell in 1981 by 6 million pounds, major producers continued to produce at 1980 levels, causing world stocks to increase during 1981 by 53 million pounds to a level more than double the normal amount. Prices have reacted accordingly, dropping by about one third during 1981 and exhibiting continuing weakness in the first half of 1982. Major producers have recently begun cutting back production in an effort to bring supply more in line with demand.

Chile produces about 15 per cent of the world's molybdenum supply. Exports peaked in 1979/80 at SDR 302.6 million, and then declined to SDR 190.9 million and SDR 182.7 million in 1980/81 and 1981/82, respectively, because of falling world prices. A shortfall of SDR 36.9 million is estimated for 1981/82, entirely as a result of price factors. Molybdenum exports are projected to recover by 6 per cent in 1982/83 to SDR 193 million as output reductions by Chile and other major producers reverse the decline in prices which are projected to increase by 10 per cent in 1982/83. In response to a recovery in world demand in 1983/84, earnings are expected to increase by 30 per cent to SDR 251 million, which is still 17 per cent below the 1979/80 level.

e. Fishmeal

Chile is a major supplier of fishmeal, accounting for about 20 per cent of world exports. The existence of a close substitute, soybean meal, limits the extent to which a single producer can influence fishmeal prices. In 1981/82, fishmeal exports contributed slightly less than 6 per cent of Chile's total export earnings.

Exports reached SDR 189.4 million in 1981/82, 17 per cent greater than the average of the two pre-shortfall years, resulting in an estimated excess of SDR 8.9 million. The increase in exports was due to the large catch in 1981 (20 per cent greater than 1980) which led to a buildup of stocks that were eventually drawn down in the first half of 1982. The increased volume in 1981/82 was partially offset by a 12 per cent decline in unit value due to increasing competition from soybean meal, which was declining in price.

Earnings are expected to decline by 5 per cent in 1982/83 from the abnormally high level in 1981/82, but a 21 per cent rate of growth is projected in 1983/84 in the expectation of strengthened world demand and higher prices of competing products.

f. Pinewood

Export earnings from pinewood dropped to SDR 70.5 million in 1981/82, 44 per cent below the average earnings for the two pre-shortfall years. The estimated shortfall of SDR 36.0 million was caused entirely by volume factors. The recession in construction activity worldwide and notably in

Japan, Chile's main export market, has resulted in a contraction of world trade in timber. The rapid increase in timber prices in the late 1970s, due mainly to world supply constraints in the face of increasing demand, appears to have ceased temporarily, but resistance to downward movements is evident, with prices declining only slightly in 1981/82. Chile has also been adversely affected by increasing competition from Canada which is diverting exports from the depressed construction market in the United States to Far Eastern markets.

Pinewood exports in 1982/83 are projected to recover by 38 per cent. Increased competitiveness because of the recent devaluation is expected to enable Chile to recover its market share, especially in the Far East. Keen competition for markets is expected to moderate unit value increases in 1982/83 and 1983/84. Chile is well equipped to take advantage of the projected recovery in world construction activity in 1983/84 with acreage under pine having been expanded by about 20 per cent over the last few years. Pinewood exports are accordingly forecast to increase by 31 per cent in 1983/84, although they will still be below 1979/80 levels.

g. Pulp and cellulose products

The world pulp and paper industry has weakened considerably in the last few years, with capacity utilization falling from 95 per cent in 1979 to 89 per cent in the first half of 1982. Lower demand has caused Chile's exports of pulp and cellulose products to drop to SDR 146.4 million in 1981/82, 4 per cent less than the average of the two pre-shortfall years. The estimated shortfall of SDR 11.2 million is attributable to volume factors.

Exports are projected to increase modestly in 1982/83 to SDR 158 million. Although unit values are forecast to increase by 6 per cent in 1982/83, volume is expected to increase by only one per cent. No recovery in export volume is projected in 1982/83 because world pulp inventories held by paper producers reached 1.8 million tons in the first half of 1982, 31 per cent above normal levels, and these are expected to be drawn down to normal levels during 1982/83. In 1983/84, Chile's exports are forecast to increase by 15 per cent, with recovery occurring in both volume and prices.

h. Other exports

Other exports, composed mainly of nontraditional products such as metal manufactures, fruit and vegetables, and petrochemical products, have grown rapidly in recent years before slowing down sharply in 1981 because of the world recession. After growing at an average annual rate of 35 per cent in the two pre-shortfall years, these exports increased by only 2 per cent in 1981/82. Declines in metal manufactures (mostly copper manufactures) and silver exports were only slightly more than offset by increases in agricultural and other nontraditional exports. The metal export declines were mainly due to weak world markets and lower prices for silver and copper.

The estimated shortfall for other exports of SDR 30.1 million was caused by the temporary stagnation of these exports in 1981/82, which is expected to be followed by a recovery of 14 per cent in each of the two post-shortfall years. The main factors expected to contribute to this growth are the recovery in world demand, increased competitiveness because of the recent devaluation, and investment in expanded acreage for fruit and vegetable exports due to come on stream in 1982/83.

4. Repurchase

In accordance with paragraph 7 of the compensatory financing decision, the Chilean authorities are expected to represent that they will make a prompt repurchase in respect of any outstanding part of this purchase if the amount purchased on the basis of partly estimated data (i.e., estimates for the two-month period May-June 1982) exceeds the amount that could have been purchased on the basis of actual data for the entire shortfall year. The amount to be repurchased would be equivalent to the excess purchased by using partly estimated, rather than actual data for the entire shortfall year.

5. Staff appraisal and proposed decision

The Chilean authorities are expected to request a purchase of SDR 274.3 million (equivalent to 84.3 per cent of quota) under the compensatory financing facility in respect of a shortfall for the same amount estimated for the year ended June 1982. The shortfall is based on estimated data for the last two months of the shortfall year, and, in accordance with paragraph 7 of the 1979 CF decision (Executive Board Decision No. 6224-(79/135)), the request for a purchase is expected to include a representation that Chile will make a prompt repurchase of the amount, if any, by which the proposed purchase exceeds the amount that could have been purchased on the basis of actual, rather than estimated exports for the entire shortfall year.

In 1981 Chile's current account deficit deteriorated sharply to 14.6 per cent of GDP from 7.2 per cent in 1980, due to a decline in export earnings and a rise in interest payments on the private sector's external debt. With a continuing low level of exports estimated for 1982, along with a further rise in interest payments and a sharp decline in private capital inflows, Chile's overall balance of payments is projected to register a deficit of SDR 230 million, even though because of the recession in Chile, imports are estimated to decline by 40 per cent. Chile's international reserves, which had fallen by SDR 400 million during the period October 1981-June 1982, are projected to decline by SDR 215 million in 1982. The staff considers that the balance of payments need of Chile justifies the proposed purchase under the compensatory financing decision.

Export earnings in the shortfall year ending June 1982 were one per cent less than the average of the two pre-shortfall years and 17.6 per cent less than the average projected for the two post-shortfall years. The shortfall for the year ended June 1982 is estimated at SDR 274.3 million. The largest shortfall is estimated for copper (SDR 163.7 million); shortfalls

are also estimated for pinewood (SDR 36.0 million), molybdenum (SDR 36.9 million), pulp and cellulose products (SDR 11.2 million), and other exports (SDR 30.1 million). Low prices related to weak world demand were entirely responsible for the shortfalls in copper and molybdenum exports. A decline in export volume, on the other hand, resulting from the recession in world construction activity, was responsible for the shortfall in pinewood exports. Given the protracted nature of the current world recession, Chile's export earnings are expected to recover modestly in 1982/83 and then resume more vigorous growth in 1983/84. The staff considers that the shortfall in Chile's export earnings, being related predominantly to weak world demand and low prices, was largely attributable to factors beyond Chile's control.

The staff also considers that Chile has been cooperating with the Fund in efforts to find, where required, appropriate solutions for its balance of payments difficulties as evidenced by the adoption by Chile of a financial program under a stand-by arrangement which will be considered by the Board concurrently with the request for a CF purchase. The request for a compensatory financing purchase is expected to include a statement that Chile will cooperate with the Fund in efforts to find, where required, appropriate solutions for its balance of payments difficulties. The staff considers that the expected request will meet all the requirements set forth in the compensatory financing decision. Accordingly, the following draft decision is proposed for adoption by the Executive Board after a duly authenticated request has been received:

1. The Fund has received a request from the Government of Chile for a purchase of SDR 274.3 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979).

2. The Fund notes the representation of Chile and approves the purchase in accordance with the request.

Fund Relations with Chile
(As of June 30, 1982)

Quota: SDR 325.5 million.

Fund holding of Chilean pesos:	Millions of SDRs	Per Cent of Quota
Total, of which	276.3	84.8
Oil facility	(21.3)	(6.5)

SDR position:	Millions of SDRs	Per Cent of Net Cumulative Allocation
Net cumulative allocation	121.9	100.0
Holdings	(33.9)	(27.8)

Exchange rate: The exchange rate was fixed at US\$1 - CH\$39.00 on June 30, 1979.

Gold distribution: Chile has received four distributions totaling 135,220 troy ounces of fine gold.

Distribution of profits from gold sales: Chile received a total of US\$25.1 million.

Last consultation: The 1982 Article IV consultation discussions were completed in June 1982 (EBS/82/134, 7/27/82).