

GENERAL AGREEMENT ON TARIFFS AND TRADE

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URUGUAYAN IMPORT SURCHARGES

Statement of the International Monetary Fund¹

March 20, 1961

In December 1959 and during 1960 Uruguay instituted a reform of its exchange system and a liberalization of the restrictive measures affecting trade and payments, including the elimination of import licensing and prohibitions. From the end of September 1960, in conjunction with the elimination of import prohibitions, import surcharges were applied at the rates of 40 per cent, 75 per cent, and 150 per cent. For some imports advance deposits were required. This new system involved a substantial liberalization and simplification of preceding practices and the Government of Uruguay announced that it intended to eliminate the surcharges through the introduction of a revised customs tariff. Associated with the exchange reform and reduction in the general level of restrictions was the implementation of a stabilization program designed to end inflation and thus provide a sound basis for further growth.

In recent years Uruguay has experienced unfavorable balance of payments developments and a substantial reduction in gold and net foreign exchange reserves. From the end of 1957 to the end of 1959 gold and net foreign reserves were reduced by approximately one third and a similar percentage reduction occurred during 1960. Despite a recent improvement, resulting in large part from a movement of inventories of wool, the measures applied by Uruguay to restrict imports, including the import surcharges, do not go beyond the extent necessary at the present time to stop a serious decline in Uruguay's monetary reserves.

Certain of the causes of inflationary pressures during 1960 have now disappeared or are being felt with less force; in particular, foreign exchange is no longer being sold at less than the Bank of the Republic's cost. Nevertheless, continued attention to the stabilization program is vital to the achievement of internal and external stability by Uruguay. The likely fiscal effects of the various measures undertaken, including the import surcharges, do not appear to be in excess of what is required to assure the success of the program.

¹This is the complete text of the IMF statement, of which an extract was circulated at the Council meeting on 24 March 1961 in Spec(61)107.