

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## URUGUAYAN IMPORT SURCHARGES

### Report by the Government of Uruguay under the Decision of 8 May 1961

1. By Decision of 8 May 1961, valid until 1 July 1963, the Government of Uruguay was released from the obligations set forth in Article II, paragraph 1, of the General Agreement to the extent necessary to allow it to apply import surcharges to certain items specified in Schedule XXXI, as a temporary measure taken as part of its stabilization and development programme.
2. The waiver specifies that Uruguay must submit an annual report on action taken to reduce or eliminate the above-mentioned surcharges and on the circumstances which, in its view, still justify the application of the surcharges not yet eliminated. In addition, Uruguay is required to consult with the CONTRACTING PARTIES as to the nature of its balance-of-payments difficulties, alternative corrective measures which may be available, and the possible effect of the surcharges on the economies of other contracting parties.
3. The report on the last consultation, which was completed on 28 September 1962, and the basic documentation furnished for it by the International Monetary Fund, show the reasons why, despite its intention to reduce and eventually eliminate the surcharges in question, the Government of Uruguay has found itself compelled by circumstances to maintain and in certain cases to reinforce them.
4. During the period 1959-1961, Uruguay's trade balance showed a deficit of US\$195.4 million. In 1962, this already serious situation was further aggravated by a new trade deficit of US\$77 million. Therefore, over the four-year period 1959-1962, which includes the greater part of the time during which the waiver has been in force, Uruguay's trade disequilibrium attains US\$272.4 million.
5. It should further be pointed out that any real possibilities of expanding exports - and accordingly of increasing Uruguay's external purchasing power - are being impaired by obstacles of such a nature as to have led Uruguay to have recourse to Article XXIII of the General Agreement, while effective action arising from the recent ministerial meeting still lies in the future.

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6. Likewise, the problems arising for countries like Uruguay because of the constant deterioration of the terms of trade are well known; this tendency has persisted for a long time and so far as Uruguay is concerned it affects a number of its principal export products, for example meat, for which the average price, after having been US\$537 per ton during the period 1951-1955, is now at figures which oscillate between US\$300 and US\$350 per ton.

7. By note dated 29 April 1963, the secretariat was provided with the texts of the Decrees of 15 March and 14 April 1963<sup>1</sup>, which refer to modifications of the import régime.

Since then, a number of developments have taken place in Uruguay, and it is considered appropriate to attach the text of the following government measures which are, directly or indirectly, relevant to the need to maintain the surcharge system in force:

- (a) Decree of 20 May 1963<sup>1</sup> provisionally prohibiting the importation of goods subject to surcharge and previous deposit requirements.
- (b) Decree modifying surcharges established in the Decree of 14 April 1963.<sup>1</sup>
- (c) Draft law forwarded to the Legislature by the Executive Power, on 23 May 1963<sup>1</sup>, concerning the modification of the legal par value of the Uruguayan peso.

Simultaneously, a number of other Decrees have been issued, and draft laws forwarded to the Legislature, all connected with the country's present economic situation.

8. In these circumstances, the Government of Uruguay considers that it is not in a position to modify its policy on import charges, for the time being without running grave and unforeseeable risks. Nevertheless it once more states its firm intention to reduce and eliminate the surcharges in question as and when the adverse factors affecting the present economic situation are overcome.

In the meantime, it feels obliged to request a three-year extension of the waiver, to be granted in accordance with the urgent measures recently taken in Montevideo, in the light of serious existing conditions and of uncertain future prospects.

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<sup>1</sup>These texts can be examined at the secretariat offices.

