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GENERAL AGREEMENT ON TARIFFS AND TRADE

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1968 CONSULTATION WITH URUGUAY

Basic Document for the Consultation[1]

I.

1. The purpose of this document is to inform the Committee on Balance-of-Payments Restrictions of changes made by the Uruguay Government in the import régime since the last balance-of-payments consultation in 1965.

On that occasion the Uruguayan delegation described the problems facing the Republic in balance-of-payments matters, and the measures that it had been necessary to introduce in order to improve the situation. The Committee recognized that those measures were necessary. Special reference was made in the Committee to the monetary and exchange reform law of 17 December 1959, under which the Government has the right to apply import surcharges, to prohibit in general or in specific cases all or part of the imports of goods, and to impose a general system of prior deposits.

2. Since the last consultation (November 1965) the balance-of-payments situation has deteriorated still further. Exports have declined sharply as a result of an unfortunate combination of circumstances, including in particular a series of disasters due to weather conditions, and difficulties that deprive Uruguay's exportable surpluses of normal and equitable access to world markets.

3. The legal basis for the present régime is still the law of 17 December 1959 which has already been examined by the Committee on Balance-of-Payments Restrictions (document BOP/16 of 5 September 1962).

Since the last consultation in 1965 the principal decrees regulating Uruguay's import régime, pursuant to the provisions of the 1959 law, have been notified in documents L/2503/Add.2 and Add.3 of 6 April and 9 November 1967.

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[1] Material supplied by the Government of Uruguay.

4. The decree of 18 July 1967 was issued because of the serious balance-of-payments situation; it prohibited imports of non-essential and luxury goods and those competing with national industry, with exceptions to permit imports of authorized goods.

II.

Since November 1967, in the context of a new economic policy, the Uruguay Government has adopted a series of important measures which together constitute the implementation of a comprehensive stabilization and development programme.

The following measures have been adopted with respect to exchange matters and foreign trade:

1. Exchange measures

On 6 November 1967 the official currency quotation was adjusted and the Central Bank instructed the Bank of the Republic to purchase all foreign exchange offered to it at the rate of US$198, and to sell at the rate of US$200.

In practice this implied a devaluation of 102 per cent in the official exchange rate and of approximately 35 per cent in the free exchange rate, and a return to a unified exchange rate.

2. Foreign trade measures with respect to imports

Immediately following the exchange rate adjustment of 6 November 1967, foreign exchange reserves increased as a result of the marketing of the wool clip which had been held up until then; large amounts of foreign exchange that people had been hoarding were repurchased, so that the Government was able to liberalize imports again and revoke the decrees under which restrictions or prohibitions were being applied.

The new import régime, whose legal basis is the law of 17 December 1959, was established with a view to the following objectives:

(a) to ensure adequate supplies of imported consumer goods and raw materials in order to meet the requirements of the consumer population and of domestic industry;

(b) by means of appropriate controls, to prevent imports in excessive quantities which could be stockpiled for speculation purposes;

(c) to reduce as much as possible the cost of imported goods, as a contribution to the Government's stabilization policy.

In order to attain these objectives a series of important measures have been introduced, including the following:

A. Measures to ensure regular supplies of essential consumer goods and raw materials for industry

(a) By a decree dated 6 November 1967, imports of fuels, staple foodstuffs and products required to maintain agricultural productivity in the country were liberalized to ensure unrestricted and regular supplies, resulting in liberalized imports of a value of some $70 million.[1]

(b) By a decree dated 1 December 1967, certain products were added to the list for which the supply situation was to be made normal, including raw materials for industry and other basic imports; this represented a further liberalization equivalent to some $55 million.[2]

(c) By a decree dated 9 January 1968, imports of almost all luxury goods were liberalized.[3]

Accordingly, practically all imports are now free of restriction.

B. Provisions for controlling the volume and rate of imports

In order to maintain imports within the limits permissible for the country, on 1 December 1967 the Central Bank issued Circular No.48 which provided as follows:[4]

(a) With effect from 1 December import declarations in respect of goods covered by Article 1(a) (b) of the Decree of 1 December 1967 are exempt from any consignation where the value thereof for the importer does not exceed, for the four-month period 1 December 1967-30 March 1968, 20 per cent of the value of total imports of such goods in the period 1 July 1966-31 October 1967.

(b) Importers whose declarations are in excess of the above-mentioned amount during the four-month period are required to pay a consignation of 200 per cent on the excess.

(c) These provisions are not applicable to public institutions, which remain completely exempt from the consignation requirements in respect of such goods.

(d) Import transactions carried out under the LAFTA régime are subject to the provisions of paragraphs 1 and 2, with the exception that the percentage mentioned in paragraph 2 is in this case 140 per cent.

(e) New importing firms wishing to use this system must present a schedule of requirements which after examination will serve as a basis for fixing the amount to be exempted from consignation, in accordance with the system established by this circular.

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[1] See Annex I

[2] See Annex II

[3] See Annex III

[4] See also footnote to Annex III concerning modification of this system, effective, 15 January 1968.

The system established by the Decrees of 6 November and 1 December 1967 and by Central Bank Circular No. 48 of the latter date has the following effects:

- It assures regular and minimum supplies for consumer and industrial requirements, thus preventing any speculation based on shortages.

- For the time being, it does not change the existing system with respect to surcharges.

- Any undertaking which restrains its own imports is no longer faced with the financial burden of prior consignations which hitherto had been a substantial element in the cost of imported raw materials.

The measures outlined in paragraphs 1 and 2 above, which are designed to free practically all imports from restrictions or prohibitions, are being maintained. It should be noted, however, that because of fiscal considerations, the Government has also decided to liberalize imports of luxury goods which until now were severely restricted.

The assurance can be given that the Uruguayan Government's policy is to maintain the import régime without introducing any new prohibitions or quantitative restrictions.

3. Other provisions

(a) An administrative reorganization of the National Port Authority is being carried out in order to qualify Montevideo as a "clean" port. The measures already taken have reduced by 66.5 per cent the surcharge on freight to and from Montevideo, and it is hoped that the remaining 33.5 per cent can be eliminated in the near future.

This will represent savings in foreign exchange of the order of at least 7.5 million dollars annually in freight costs.

Thus a substantial reduction has been achieved in the cost of import services.

(b) The existing system of port charges is also being revised, and will include the following:

- reduction of charges from 15 to 12 per cent on the c.i.f. value of imports;

- reduction of up to 80 per cent in port charges on essential consumer goods and products required for agriculture;

- revision of port charges applicable to imports of raw materials;

- a substantial reduction in the operating costs of the State Railway Administration (AFE) and the National Administration for Fuel, Alcohol and Cement (ANCAP), in order to contribute in the case of the latter to reducing the cost of importing fuel.

(c) A revision of the present consular fees system is to be studied.

It should be noted that the Executive, in consultation with the Ministers of Finance, Industry and Commerce and with the Planning and Budget Office, is shortly to review the entire system of protection afforded through exchange, tariff and foreign trade measures, bringing these up to date and ensuring that they can contribute to making national activity more efficient and more competitive in world markets.

III.

The Uruguayan delegation has already forwarded to the secretariat notices of products liberalized under the Decrees of 6 November 1967, 1 December 1967 and 9 January 1968.[1]

IV.

The import surcharges now in force are for the moment a fundamental element of the stabilization programme adopted by the Uruguayan Government, in that they are essential for helping to reduce the budget deficit.

Consideration is already being given, nevertheless, to revising the surcharges and incorporating them in a new system which would permit their gradual elimination.

V.

The aforementioned measures relating to exchange and foreign trade matters, together with other decisions adopted in the banking and credit sector and, in general, in all aspects of economic and financial policy, form part of a stabilization and development plan which clearly shows the Uruguayan Government's firm conviction that it is urgent and necessary to apply severe measures at internal level in order to remedy the country's balance-of-payments problems.

In practical terms, so far as foreign trade is concerned the liberalization has been extensive and radical and the policy pursued since November 1967 will be maintained and will make it possible to eliminate practically all prohibitions or restrictions on imports.

Plans and measures at internal level are, however, only one aspect of the campaign to bring Uruguay's trade balance into equilibrium. Any action at the internal level that is not accompanied by a positive attitude at international

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[1] See Annexes

level would only intensify our balance-of-payments problems and would counteract Uruguay's efforts to achieve a desirable rate of economic growth. The disastrous conditions prevailing in the world market for our principal export products have been and continue to be a major burden for the Uruguayan economy. They have undoubtedly made a direct and predominant contribution to the progressive deterioration of the balance of payments.

All the measures adopted, and in particular the broad liberalization introduced in the import market, go to show that Uruguay is resolved to try to solve its own problems. At the same time, however, Uruguay would like to know what its trading partners are prepared to do in the field of international trade to improve conditions of access to their markets and thus to guarantee an external sector compatible with the measures that have been introduced at the internal level in the past few months.

Note: Annexes I and III to be distributed later.

ANNEX II

Ministry of the Treasury
Ministry of Industry and Commerce
Montevideo, 1 December 1967

HAVING REGARD to the provisions in force with respect to import prohibitions;

HAVING REGARD also to the fact that the elimination of quantitative restrictions on basic imports would make it possible to ensure adequate supplies in the market and thus help to ease pressures at present affecting the price system as a result of the absence of regular and abundant supplies of goods;

CONSIDERING that without prejudice to attainment of this objective through the progressive liberalization of essential imports, the competent authorities, acting under the authority conferred upon them, are resolved to establish a consignation system which while lowering financial costs will afford an effective instrument for regulating imports so as to keep them at levels compatible with foreign exchange availabilities.

THE PRESIDENT OF THE REPUBLIC HEREBY DECREES AS FOLLOWS:

Article 1: Import prohibitions are hereby revoked with respect to goods included in any of the following categories:

(a) Imports listed as being free of surcharges or subject to surcharges of not more than 10 per cent and falling within the following headings of the Merchandise Code of the Bank of the Republic:

Heading 30 - Stores and foodstuffs in general.

Heading 31 - Live animals.

Heading 32 - Lumber and materials for the building industry.

Heading 34 - Fuels and lubricants.

Heading 35 - Drugs, chemicals and pharmaceuticals.

Heading 36 - Electricity in general.

Heading 42 - Raw materials.

Heading 43 - Raw materials.

Heading 45 - Orthopaedic, optical, surgical and hygienic articles.

Heading 46 - Seeds, fodder, plants and trees.

Heading 50 - Natural vegetables in general.

(b) Imports listed as being subject to a surcharge of 60 per cent or more and included in any of the aforementioned headings, for which an exemption or reduction of surcharges is obtained pursuant to provisions in force on the date of this decree.

(c) Imports authorized by the Ministry of the Treasury acting on a recommendation by the Advisory Commission established by the decree of 17 February 1960, comprising raw materials and materials necessary for industry, agriculture or for public bodies, and replacement parts falling within headings 40 and 41 of the Code of Marchandise of the Bank of the Republic. The provisions of this paragraph do not cover imports of materials for the assembly, fractionation or finishing in Uruguay of products considered to be of a non-essential or luxury character.

(d) Goods which entered the country prior to 17 July 1967 and are warehoused in the free ports or free zones of Colonia, Nueva Palmira and Montevideo where the Bank of the Republic specifically determines that the import of such goods does not occasion any foreign exchange expenditure.

(e) Capital goods which comply fully with the provisions of Article 6 of Decree No. 469/65 of 18 October 1965, and which were embarked prior to 17 July 1967 and are now warehoused in free ports or free zones.

Article 2: The period of import prohibition established under Article 1 of Decree No. 438/67 of 17 July 1967 is hereby extended until 30 April 1968. This extension shall not apply to imports of capital goods included in list (a) and referred to by Article 6 of Decree No. 469/65 of 18 October 1965.

Article 3: Article 7 of Decree No. 469/65 of 18 October 1965 is hereby amended to read as follows:

> "Article 7: The Central Bank of Uruguay is hereby authorized to require consignations in national currency on imports, without prejudice to any prior deposits that may be applicable." [1]

Article 4: Article 7 of the decree of 14 April 1963, authorizing the Ministry of the Treasury to exempt from the minimum surcharge all imports of machinery for industry, agriculture and roadworks, and Article 3 of Decree No. 438/67 of 17 July 1967, are hereby revoked. With effect from the date of the present decree the Bank of the Republic will not register import declarations covered by licences granted by the Ministry of the Treasury pursuant to the above-mentioned Decree No. 438/67 of 17 July 1967.

Article 5: This decree shall take effect immediately.

Article 6: This decree shall be brought to the notice of the General Assembly.

Article 7: This decree shall be communicated, etc.

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[1] See text, paragraph B., page 3.