

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## URUGUAYAN IMPORT SURCHARGES

### Statement by the Representative of Uruguay at the Council Meeting on 28 February 1961

In the course of the sixteenth session of the CONTRACTING PARTIES Uruguay entered into consultations under Article XII:4(b). In connexion with these consultations the delegation of Uruguay made a detailed statement concerning the measures being taken as part of a broad plan of economic reconstruction (L/1237).

Inasmuch as document L/1237 - the report of the Committee on Balance-of-Payments Restrictions - contains full particulars of the way in which the Uruguayan Government is proceeding with its plan to liberalize trade and strengthen the economy, including specific references to the surcharges which are at present occupying the Council's attention, we consider that it would be superfluous on this occasion to provide any details with which the contracting parties are already familiar.

Nevertheless, for the purpose of acquainting the contracting parties more fully with the subject, the following texts are being distributed by the secretariat:

the Act of 17 December 1959, on which the new system of economic and financial reform is based;

the Decree of 29 September 1960 to which reference is made below;

the list of items contained in the Schedule of Concessions XXI (Uruguay), to which import surcharges apply, with an indication of the amount of the surcharges.

At the end of these consultations the Committee on Balance-of-Payments Restrictions, and subsequently the plenary, approved the report contained in that document, which describes the evident progress made in the matter of the abolition of discriminatory import restrictions and mentions the intention of the Uruguayan Government to eliminate import prohibitions before the end of 1960 as well as the intention to make a further reduction in the proportion of the trade and payments covered by bilateral agreements.

Subsequently, in the Letter of Intent addressed to the International Monetary Fund on 6 September 1960, the Uruguayan Government announced that before the end of that month all import prohibitions would be eliminated and that the whole system of surcharges and deposits would be simplified.

Immediately thereafter, on 29 September, the Uruguayan Government, confirming its expressed intentions, enacted a Decree bearing that date which marked a further advance in its policy of removing barriers to international trade.

Indeed, the complete abolition of import prohibitions and the very considerable simplification of the surcharges signify a great step forward.

As will be remembered, the Act of 17 December 1959 provided machinery for the gradual adjustment of our foreign trade in its transition from the system of a managed economy to that of free trade.

The Act gave authority for fixing surcharges, requiring prior deposits and prescribing partial prohibitions. These prohibitions were eliminated, as we have said above, by the Decree of 29 September 1960.

So far as the surcharges are concerned, their maintenance is a logical consequence of our balance-of-payments position and of the general stabilization programme to which our country is committed.

The replacement of a wholly managed economy by one which is completely free in a market which for years had been used to quotas and exchange devices might have produced an excessive impact on foreign currency resources, particularly if the experiment is launched at a time of acute decline in our foreign currency reserves. In this connexion, we should cite the following comment by the IMF, as reproduced in the said document L/1237:

"With respect to Parts I and III of the Plan for Consultations, Uruguay continues to require measures to stop a serious decline in its monetary reserves. Reserves declined during 1959 despite the existence of severe restrictions."

In view of the characteristics of the economic structure of our country which is highly sensitive to trade, whose economic development is relatively limited, and, above all, whose prospects are principally long-term prospects, the imbalance of foreign trade exerts a decisive influence on the national economy. The figures given below reflect the definitely adverse trend of recent years (figures in dollars):

<u>Year</u>	<u>Exports</u>	<u>Imports</u>	<u>Balance</u>
1954	211.3	254.4	- 43.1
1955	192.5	222.4	- 29.9
1956	229.5	244.7	- 15.2
1957	113.8	214.3	- 100.5
1958	143.7	139.5	4.2
1959	79.2	139.6	- 60.4
1960	129.4	207.2	- 77.8

As will be noted, the figures of our balance of payments for recent years show unfavourable balances of considerable volume. They are due to a number of climatic and economic conditions. At the same time foreign currency reserves have declined in like manner.

In these circumstances, fluctuations in the prices of our essential export commodities in international markets have a decisive influence on the balance of payments, and unfortunately in the last few years we have been faced with a very serious drop in the prices of these commodities, particularly wool, the price of which has fallen by 20 per cent.

This situation is made even worse by the import restrictions on agricultural products which are applied by various countries and which severely limit Uruguay's export possibilities.

In these circumstances the Government had to resort to the machinery provided for in the Act of 17 December 1959 in the matter of surcharges, though it did so in a manner compatible with its policy of increasingly liberalizing foreign trade.

In the first administrative decisions taken in this connexion multiple surcharges were applied as well as certain import prohibitions, which were then simplified or abolished by the aforesaid Decree of 29 September 1960.

Under the terms of this Decree there are now no goods the import of which into the country is prohibited, and the surcharges are limited to three rates (40 per cent, 75 per cent and 150 per cent).

It can therefore be seen that in applying the legislation, the Uruguayan Government is more liberal than the Act itself, for it has not availed itself of the authority to prohibit imports and has not raised surcharges to the rate of 300 per cent provided for by the Act.

Accordingly, it may be said that, since the enactment of the Decree of 29 September 1960, there has not been any import prohibition in Uruguay affecting any merchandise or any limitation affecting the quantity imported.

Furthermore, the Uruguayan Government has the firm intention, with the progressive effectiveness of the stabilization and development plan and with the growing confidence of the public, to examine as soon as possible the possibility of a still greater simplification of the exchange system and to eliminate the surcharge system by a thorough reform of its Customs tariff.

In conclusion, the Uruguayan Government has the firm intention, already demonstrated by the facts, to promote the liberalization of trade by continuing its present policy of not imposing any quantitative restrictions or any restrictions in the matter of sources of supply. It considers in fact that this is the best way of fostering the country's economic development and the expansion of its foreign trade. It thinks it appropriate, however, to point out that in the present transitional period it ought to apply the import surcharges to which reference has been made above.

Inasmuch as the application of surcharges to the items enumerated in Schedule XXXI is incompatible with the provisions of Article II of the General Agreement, and as the Government of Uruguay is compelled to resort to these surcharges for the purpose of restoring the balance of its exchange reserves, for the reasons set forth above, it is hoped that the CONTRACTING PARTIES will agree to the waiver which will make the action contemplated possible.

