1. Decision of the Executive Board of the International Monetary Fund

At the time of the consultation with Uruguay under Article XII:4(b) (unrevised) concerning Uruguay's balance-of-payments restrictions, the Committee on Balance-of-Payments Restrictions was informed by the representative of the International Monetary Fund that consultations with Uruguay under Article XIV of the Fund Agreement were then in progress (November 1965) and that the Fund would transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it became available.

The Executive Board decision taken on 14 January 1966 has now been received from the International Monetary Fund and is as follows:

"1. The Government of Uruguay has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.

"2. Over the past three years Uruguay has experienced a severe inflation based on the large-scale extension of credit to the private sector and on fiscal deficits. There has been a substantial flight of capital. Exports have reached satisfactory levels, but the domestic economy has stagnated, and there have been large balance-of-payments deficits. The banking system has incurred heavy foreign indebtedness, and there has been a rapid depreciation of the peso. The financial structure of the country has suffered damage.

"3. During 1965 the Government has taken steps to limit the growth of credit and to improve the fiscal position. Much, however, remains to be done to contain the inflation, and create favorable conditions for the execution of Uruguay's development program. The situation calls for a comprehensive stabilization program, including additional measures to remedy the prospective budget deficit, to reduce the over-all rate of monetary expansion, and to correct existing price distortions which are hampering the rate of economic expansion."
4. Export prospects for 1966 are satisfactory, but import demand continues to be repressed by import prohibitions, and substantial debt repayments fall due in the near future. It is essential, therefore, that Uruguay pursue internal and external financial policies which will bring about balance of payments equilibrium and strengthen confidence in the peso.

5. The Fund welcomes the recent adjustment of the exchange rate, the partial liberalization of imports, and the simplification of the system of exchange rates for exports. The Fund believes that Uruguay should adhere firmly to its schedule for removing import prohibitions. It also urges that Uruguay proceed promptly to the unification of official and free exchange markets followed by further simplification of the exchange system, particularly by reducing the diversity of export taxes and by lowering the higher import surcharges. The Fund notes that pending the unification of the exchange markets it is the intention of the Uruguayan authorities to maintain a flexible official exchange rate in line with the free market rate. It urges Uruguay to adhere to this policy and in the meantime does not object, on a temporary basis, to the maintenance of the existing restrictions on current payments and transfers and multiple currency practices.

6. In concluding the 1965 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Uruguay.

2. Recent Uruguayan Decrees concerning the foreign trade system

At the time of the consultation with Uruguay, the representative of Uruguay promised (paragraph 4, L/2503) to submit for the information of contracting parties the Decrees of October 1965, establishing the new foreign trade régime which he described to the Committee on Balance-of-Payments Restrictions. The Decrees in question are reproduced below.

The representative of Uruguay also referred (paragraph 9, L/2503) to draft legislation introduced on 18 October 1965 concerning various internal problems affecting the Uruguayan economy and Uruguay’s ability to export. Copies of these drafts have been received and are available in the secretariat for consultation by interested contracting parties.

A. Decree No. 460/965 to modify the surcharge on the export of the meat of bovine animals.

B. Decree No. 461/965 to modify the surcharges on the export of linseed and the sub-products thereof.

C. Decree No. 462/965 to modify the surcharges on the export of bovine hides and sheepskins, dried, salted or pickled.

D. Decree No. 463/965 to modify the surcharges on the export of sunflower seed and the by-products derived from the industrial processing thereof.

E. Decree No. 464/965 to repeal the Decree fixing the conventional f.o.b. values for the export of wheat and bran.

F. Decree No. 465/965 to modify the surcharges on the exportation of wool.

G. Decree of 28 October 1965.
A. Decree No. 460/965 to modify the surcharge on the export of the meat of bovine animals.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Article 6 of Law No. 12,670 of 17 December 1959:

Considering: that the new par value fixed by the Bank of the Republic makes it necessary to modify and revise the surcharges established on the exportation of the meat of bovine animals:

The Bank of the Republic of Uruguay having been consulted;

The National Council of Government hereby

DECREES

Article 1. A surcharge of \( \frac{33}{3} \) (thirty-three per cent) on the proceeds of the sale expressed in national currency shall be levied on the export of the meat of bovine animals of every category and however prepared, with the exception of bovine meat cooked, frozen and packed in cases.

Article 2. This Decree shall come into force as from today.

Article 3. This Decree shall be brought to the notice of the General Assembly.

Article 4. This Decree shall be communicated, etc.

B. Decree No. 461/965 to modify the surcharges on the export of linseed and the sub-products thereof.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Law No. 12,670 of 17 December 1959:

Considering: the new rates of foreign exchange and the international prices of linseed and the derivatives resulting from the industrial processing thereof:

The Bank of the Republic of Uruguay having been consulted;

The National Council of Government hereby

DECREES
Article 1. The following surcharges shall be imposed for every one thousand kilogrammes (1,000 kgs.) on the export of linseed and on the products resulting from the industrial processing thereof:

(a) linseed oil $1,980.00 (one thousand, nine hundred and eighty pesos);
(b) linseed expellers $1,320.00 (one thousand, three hundred and twenty pesos);
(c) linseed meal $1,238.00 (one thousand, two hundred and thirty-eight pesos);
(d) linseed $2,350.00 (two thousand, three hundred and fifty pesos).

Article 2. This Decree shall come into force as from today.

Article 3. This Decree shall be brought to the notice of the General Assembly.

Article 4. This Decree shall be communicated, etc.

C. Decree No. 462/965 to modify the surcharges on the export of bovine hides and sheepskins, dried, salted or pickled.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Law No. 12,670 of 17 December 1959:

Considering:

I. The new rates of foreign exchange and the international prices of bovine hides and sheepskins, dried, salted or pickled.

II. The need to protect the national industry by adjusting to the facts stated above the surcharges on raw hides of those qualities which affect its normal operation.

The Bank of the Republic of Uruguay having been consulted:

The National Council of Government hereby:
Article 1. The following surcharges shall be imposed on the export of bovine hides and sheepskins, dried, salted or pickled:

(a) on every ten kilogrammes (10 kgs.) exported:
   1. sheepskins dried: one hundred and forty-one pesos ($141.00);
   2. bovine hides, dried: sixty-six pesos ($66.00);

(b) on every one hundred kilogrammes exported:
   bovine hides, salted and pickled:
   1. young bulls and cows: six hundred and ninety-three pesos ($693.00);
   2. heifer calves and young cows: eight hundred and eighty-six pesos ($886.00);
   3. bulls and steers: three hundred and eighty-five pesos ($385.00);
   4. young bulls and cows declared unfit for consumption: six hundred and thirty-five pesos ($635.00);
   5. heifer calves and young cows declared unfit for consumption: seven hundred and thirty-two pesos ($732.00);
   6. bulls and steers declared unfit for consumption: three hundred and twenty-seven pesos ($327.00).

Article 2. A surcharge of one hundred and ninety-three pesos ($193.00) per piece not exceeding ten kilogrammes (10 kgs.) in weight shall be imposed on the export of hides of calf-foetuses or sucking calves, whether salted or pickled.

Article 3. This Decree shall come into force as from today.

Article 4. This Decree shall be brought to the notice of the General Assembly.

Article 5. This Decree shall be communicated, etc.
D. Decree No. 463/965 to modify the surcharges on the export of sunflower seed and the by-products derived from the industrial processing thereof.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Law No. 12,670 of 17 December 1959:

Considering: the new rates of foreign exchange and the international prices of sunflower seed and the by-products derived from the industrial processing thereof:

The Bank of the Republic of Uruguay having been consulted:

The National Council of Government hereby

DECLARES

Article 1. The following surcharges shall be imposed for every one thousand kilograms (1,000 kgs.) on the export of sunflower seed and the by-products derived from the industrial processing thereof:

(a) Sunflower oil: $2,849.00 (two thousand, eight hundred and forty-nine pesos)
(b) Sunflower expellers: $1,229.00 (one thousand, two hundred and twenty-nine pesos).
(c) Sunflower meal: $982.00 (nine hundred and eighty-two pesos).
(d) Sunflower seed: $2,100.00 (two thousand, one hundred pesos).

Article 2. This Decree shall come into force as from today.

Article 3. This Decree shall be brought to the notice of the General Assembly.

Article 4. This Decree shall be communicated, etc.
E. Decree No. 464/965 to repeal the Decree fixing the *conventional* f.o.b. values for the export of wheat and bran.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Decree No. 93/965 of 18 March 1965 respecting the export of wheat and bran:

Noting: that the said Decree fixes conventional f.o.b. values for the exportation of the said items:

Considering: that under the provisions in force it is not necessary to fix conventional f.o.b. values to regulate the exportation in accordance with the internal needs for wheat:

The National Council of Government hereby

**DECREES**

Article 1. Decree No. 93/965 of 18 March 1965 fixing the conventional f.o.b. values for the export of wheat and bran is hereby repealed.

Article 2. This Decree shall be brought to the notice of the General Assembly.

Article 3. This Decree shall be communicated, etc.

F. Decree No. 465/965 to modify the surcharges on the exportation of wool.

The Ministry of Finance
The Ministry of Agriculture

Montevideo, 18 October 1965

Having regard to: Article 6 of Law No. 12,670 of 17 December 1959:

Noting: that the rate of the Uruguayan peso has been changed by more than 5 per cent, thus entitling the Executive Authority to change the amount of the surcharges:
Considering: that it is necessary to adjust the amount of the surcharges so as to permit the rapid marketing of the exportable balance and at the same time ensure for the exporters receipts not less than those they would have received at the previous rate of exchange:

The Bank of the Republic of Uruguay having been consulted:

The National Council of Government hereby

DECREES

Article 1. At the exportation of the following products the surcharges fixed below shall be imposed on every 10 (ten) kilogrammes exported.

Sheep’s wool, greasy: $234.54 (two hundred and thirty-four pesos and 54/100).

Sheep’s wool, fleece-washed: $360.82 (three hundred and sixty pesos and 82/100).

Sheep’s wool, combed: $388.16 (three hundred and eighty-eight pesos and 16/100).

Article 2. This Decree shall come into force as from today.

Article 3. This Decree shall be brought to the notice of the General Assembly.

Article 4. This Decree shall be communicated, etc.

G. Decree of 28 October 1965.

Article 1. The régime established by Decree 469,965 of 18 October 1965 shall also apply to the importation of products covered by the mechanisms specified in the Treaty of Montevideo in conformity with the provisions of Chapter VI of that Treaty concerning the "Escape Clauses" and in conformity with the field of application established by Article 25.

Article 2. The exceptions specified in sub-paragraph (a) of Article 4 of Decree 469,965 do not affect the tax exceptions or reductions which would have been granted by applying the mechanism specified in the Treaty of Montevideo.

Article 3. This Decree shall be communicated to the General Assembly and to the Standing Executive Committee of the Latin American Free Trade Association.