EXTENSION OF THE URUGUAYAN WAIVER ON IMPORT RESTRICTIONS

Report of the Committee on Balance-of-Payments Restrictions

1. The Committee in the course of its consultation with Uruguay under Article XII:4(b) (unrevised) reported upon in document BOP/R/20 also examined the balance-of-payments aspects of the Uruguayan request for a further extension of the waiver of 8 May 1961 relating to Uruguay's import surcharges. This report should accordingly be read in conjunction with that document.

2. The Committee noted that the waiver had originally been granted by a Decision of 8 May 1961 and had been successively renewed by Decisions of 20 July 1963, 31 January 1964, and 18 March 1964; extended and amended by the Decision of 23 March 1965 and further extended by the Decision of 14 September 1965 until the end of the twenty-fourth session of the CONTRACTING PARTIES. At that session it was decided by the CONTRACTING PARTIES on 17 November 1967 that the Government of Uruguay be authorized to maintain the surcharges then applied by it until 30 June 1968 (document L/2940).

3. The CONTRACTING PARTIES had considered that a careful and detailed examination of the surcharges and of the balance-of-payments reasons therefore was essential but could most advantageously be carried out in conjunction with Uruguay's balance-of-payments consultations early in 1968.

4. The balance-of-payments consultation having been completed, the representative of Uruguay reiterated the necessity for his country to continue maintaining, for the time being, the import surcharges to take account of the present serious situation of the balance of payments and prevent it from deteriorating further. He, therefore, requested on behalf of his Government an extension for a period of two years of the authorization granted to his country to apply import surcharges, on the understanding that such authorization would be subject to the terms and conditions established by the Decision of 8 May 1961. The discussion showed that the Committee, in view of the balance-of-payments situation of Uruguay, was clearly in favour of a limited extension of the waiver. However, members expressed the hope that the balance-of-payments situation would improve to the point where a further extension would not be necessary, and they noted in this context that the representative of Uruguay expected that his Government would review, as soon as circumstances permitted, the relevant measures. As regards the

---

1 The full text of the statement by the representative of Uruguay is attached hereto in Annex II.
duration of the proposed extension, it was agreed that an extension until the end of the last regular session of the CONTRACTING PARTIES in 1969 would be reasonable under the present conditions.

5. In the light of the discussion, and taking into account the statement made by the International Monetary Fund (see paragraph 3 of document BOP/R/20) the Committee thus recommends an extension of the waiver until the end of the last regular session of the CONTRACTING PARTIES in 1969, subject to the relevant terms and conditions specified in the Decision of 8 May 1961.

6. The Committee has accordingly prepared the draft decision contained in Annex I.
ANNEX I

Draft Decision

Considering that the CONTRACTING PARTIES, by Decision of 8 May 1961\(^1\) waived, subject to specified terms and conditions, the provisions of paragraph 1 of Article II of the General Agreement to the extent necessary to allow the Government of Uruguay to apply the import surcharges provided for in its Decree of 29 September 1960, as a temporary measure, taken as part of and in conjunction with its stabilization and development programme, to those items specified in Schedule XXXI enumerated in the table annexed to that Decision on the understanding that the surcharges be levied in a manner consistent with the provisions of Article I of the General Agreement;

Considering that the above-mentioned Decision was successively extended by Decisions of 20 July 1963, 31 January 1964, and 13 March 1964; extended and amended by Decision of 23 March 1965 and further extended by Decisions of 14 December 1965, and 17 November 1967\(^2\) until 30 June 1968;

Considering that the Government of Uruguay has requested an extension of the above-mentioned Decision on the grounds of continuing balance-of-payments difficulties;

Having carried out a careful and detailed examination of the surcharges applied by Uruguay for balance-of-payments reasons in conjunction with Uruguay’s consultation with the CONTRACTING PARTIES pursuant to Article XII:4(b) (unrevised);

Having consulted fully with the International Monetary Fund and taken into account the assessment provided by the Fund in that consultation,

The CONTRACTING PARTIES, acting pursuant to the provisions of paragraph 5 of Article XXV of the General Agreement and in accordance with the procedures adopted by them on 1 November 1956,

Decide that the Government of Uruguay be authorized to maintain the surcharges at present applied by it, subject to the relevant terms and conditions of the Decision of 8 May 1961 until the end of the last regular session of the CONTRACTING PARTIES in 1969, it being understood that the Government of Uruguay will submit before 15 September 1969 a report on action taken to reduce or eliminate the surcharges maintained under this Decision and on the circumstances which, in its view, still justify the application of the surcharges not yet eliminated.

\(^1\) BISD, Tenth Supplement, page 51.

\(^2\) L/3040.
ANNEX II

Statement by H.E. Dr. Héctor Gros Espiell,
Ambassador of Uruguay, on 26 April 1968

1. By a Decision of 8 May 1961 the CONTRACTING PARTIES authorized the Uruguayan Government to apply import surcharges, as a temporary measure and in the context of its stabilization and development programme, and subject to specified terms and conditions.

The authorization was subsequently extended by the Decisions of 20 July 1963, 31 January 1964, and 18 March 1964. The last of these was then extended and amended by the Decision of 23 March 1965, which in turn was extended by the Decision of 14 December 1965 until the end of the first regular session of the CONTRACTING PARTIES.

2. At the twenty-fourth session of the CONTRACTING PARTIES the Uruguayan Government requested a six-months' extension of the waiver (document L/2880 dated 2 November 1967).

The request was in the following terms:

"The circumstances underlying the request for extension of the original Decision of the CONTRACTING PARTIES have not changed; indeed, they have worsened so that the Uruguayan Government has been obliged to take severe measures in order to prevent further deterioration in the balance of payments and to be able to meet the substantial commitments of the country's external debt.

"Accordingly, the Uruguayan Government intends to request an extension of the above-mentioned Decision for a further period. In view of the implications of the relevant consultation, however, and taking into account the institutional and political changes that have occurred in the country since 1 March 1967, and the changes that it is intended to make in the 1959 currency and exchange reform law - which constitutes the legal basis for the measures covered by the existing waiver - the Uruguayan Government considers it necessary that a reasonable period of time be allowed so that the above-mentioned consultation can be carried out in the appropriate conditions, in other words on the basis of a coherent set of provisions regulating the various aspects of the country's external trade."

3. On 17 November 1967 (SR.24/11, pages 147-148), the CONTRACTING PARTIES adopted a decision by fifty votes in favour and four abstentions, agreeing "... that the Government of Uruguay be authorized to maintain until 30 June 1968 the surcharges at present applied by it, subject to the relevant terms and conditions of the Decision of 8 May 1961".
4. The very serious and difficult balance-of-payments situation now facing Uruguay has been reported to this meeting.

Because of it and in the context of a broad and comprehensive set of economic measures adopted since November 1967, my Government has revoked all import prohibitions (Decrees of 6 November and 1 December 1967 and of 9 January 1968). It has nevertheless been necessary, as may readily be understood, to maintain for the time being a system providing for the rational application of import surcharges to take account of the present serious situation of the balance of payments and prevent it from deteriorating further.

There are no immediate prospects for any improvement in the balance of payments in the short term.

As a direct consequence of a disastrous drought that was followed by floods, the level of exports for 1968 will be relatively low, imports will not diminish and in addition the country will have to make substantial debt repayments. World market prices of Uruguay's export products are unlikely to recover from the low levels reached in 1967. This and all the other factors inevitably point to the conclusion that Uruguay's balance-of-payments situation will continue to be serious in 1968.

In these circumstances, the authorities cannot contemplate revoking the import surcharges which are the only regulating elements in force, together with the prior deposits and consignations provided for under the present Uruguayan trade régime. I repeat, however, the maintenance of surcharges is a temporary measure, as expressly stated by the Uruguayan Government in the Economic and Financial Programme for 1968. They will be abolished when circumstances so permit, but today they still correspond to an undeniable factual situation and meet a need that cannot be ignored.

5. In present conditions, my Government considers that the application of these import surcharges is strictly in conformity with the rules of the General Agreement.

Furthermore, the legal basis for these surcharges - the law of 19 December 1959 - has already been examined in consultations held by the Committee on Balance-of-Payments Restrictions in 1960, 1962 and 1965.

6. Because of the situation which I have described, and taking into account the results of this consultation, I have the honour to request, on behalf of my Government, an extension for a reasonable period of the authorization to apply import surcharges, on the understanding that such authorization would be granted subject to the conditions established by the Decision of 8 May 1961.

I would add, to conclude, that we consider as reasonable an extension of two years, a period in which the possible modification of the present system could be studied in the framework of the Government programme already announced.