1. The Working Party was instructed to examine the request by the Government of Uruguay for authorization to adjust the specific rates and "aforos" in Schedule XXXI in accordance with the terms of paragraph 6(a) of Article II of the General Agreement; and to report thereon to the eighteenth session of the CONTRACTING PARTIES.

2. The Working Party first considered the information supplied by Uruguay and the International Monetary Fund concerning the extent of the change in the Uruguayan exchange rates. The Working Party noted that:

(a) Following 6 October 1949, the Uruguayan exchange rate applying to most private imports, and maintained consistently with the Articles of Agreement of the Fund, had been 1.90 pesos per US dollar. At present the rate of exchange recognized by the Fund as applicable to all imports was the free market rate, which since October 1960 had been stable at 11.03 pesos per US dollar; this rate was maintained consistently with the Fund Agreement. Thus, between 10 October 1949 and the present, the rate of exchange for the Uruguayan peso applicable to most private imports had been reduced by 82.8 per cent. The change represented an increase of 480 per cent in the number of pesos per US dollar.

(b) On 10 October 1949 Uruguay also maintained, consistently with the Fund Agreement, a rate of 2.45 pesos per US dollar for imports of luxury articles and non-essentials and a rate of 1.519 pesos per US dollar for government transactions and imports of newsprint, inks and cardboard matrice. With the import rate presently standing at 11.03, the respective depreciations from these two rates were 77.8 per cent and 86.2 per cent. The respective percentage increases in the number of pesos per US dollar were 550 per cent and 625 per cent.

3. The Government of Uruguay considered that, the reductions being consistent with the Fund Agreement and exceeding 20 per cent, Uruguay was entitled, under Article II:6(a), to adjust the specific duties and "aforos" to take account of the reduction in the value of the currency. In the view of the Uruguayan
Government, the combination of an ad valorem rate of duty with an "aforo" (which signifies the officially fixed valuation on which the duty is assessed) constitutes in effect a specific rate, and consequently, the adjustment of "aforos" in relation to exchange rates should also be governed by the provisions of Article II:6(a). Some members of the Working Party called attention to the "General Notes" to Schedule XXXI which defined the circumstances in which and the extent to which the "aforo" could or should be modified. They noted that in accordance with those "Notes", which were an integral part of the Schedule, any other modification of the actual amount of duty would have to be the subject of renegotiation in accordance with the pertinent provisions of the General Agreement. The representative of Uruguay and certain members of the Working Party considered that these "General Notes" were relevant only for the modification of the "aforos" in relation to changes in the world prices of individual products, and should not be regarded as precluding recourse to, or nullifying the validity of, Article II:6(a) which provided for changes in specific duties required to take account of the reduction in the value of a currency.

4. In the course of the discussion the Uruguayan representative indicated that, notwithstanding the considerations which his Government had put forward in document L/1277, his Government had no present intention of proceeding with any modification further than the 200 per cent increase in "aforos" decreed on 23 June 1960. He agreed that the Working Party could confine its attention at present to that increase in "aforos" which had already been introduced by that decree.

5. In view of this, the Working Party considered that there was no need to examine further the relationship between the procedures provided for in the "General Notes" to the Schedule and Uruguay's right to recourse to the provisions of Article II:6(a) for an adjustment in the "aforos". It should suffice for the Working Party simply to examine the increase in "aforos" in question in the light of its effects on the incidence of the duties and the changes in the value of the currency, and to satisfy the CONTRACTING PARTIES that the adjustment had not impaired the value of the concessions provided for in Schedule XXXI. After further discussion, and taking

1/ Cf. L/1277
account of all relevant factors, the Working Party reached the conclusion that it would not be inconsistent with the interest of the CONTRACTING PARTIES if Uruguay were authorized to maintain the increase of 200 per cent in the "aforos" which had been introduced by the decree of 23 June 1960. Consequently, the Working Party wishes to submit the attached draft decision and proposes that it be adopted.
CONSIDERING that between the dates of the Annecy and Torquay Protocols and the present the rates of exchange for the Uruguayan peso, maintained consistently with the Articles of Agreement of the International Monetary Fund, have been depreciated by various proportions exceeding 20 per cent, the depreciation in the rate applicable to most private imports being 82.8 per cent, representing an increase of 480 per cent in the number of pesos per US dollar;

CONSIDERING that the Government of Uruguay has stated by letter dated 17 April 1961 that it wishes to seek the authorization of the CONTRACTING PARTIES to adjust the specific rates and "aforos" specified in Schedule XXXI in accordance with the terms of paragraph 6(a) of Article II of the General Agreement;

CONSIDERING however that the representative of Uruguay has indicated that at present his Government has no proposals for increasing the specific rates of duty and no proposals for increasing the "aforos" other than the increase of 200 per cent on all "aforos" laid down in the Uruguayan Customs Tariff, including those which are specified in Schedule XXXI annexed to the General Agreement, which were made in a Decree dated 23 June 1960;

HAVING CONSIDERED the "General Notes" to Schedule XXXI which provide for the modification of the "aforos" in relation to changes in the real values and prices of individual products; and

RECOGNIZING that the depreciation of the Uruguayan peso has resulted in a proportionate reduction of the incidence of the customs duties which, through ad valorem in form and nature, are levied on the basis of fixed values, or "aforos",

The CONTRACTING PARTIES

DECIDE that the Government of Uruguay be authorized to maintain the increase of 200 per cent in "aforos" specified in Schedule XXXI.