URUGUAY IMPORT SURCHARGES

International Monetary Fund Executive Board Decision Taken at Close of the Fund's Consultation with Uruguay on 2 August 1961

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. In the last twelve months there have been notable improvements in the Uruguayan economic situation. In particular, exchange reserves have increased, exports have continued to recover, while imports have tended to decline after earlier increases related to trade and payments liberalization. The public sector has achieved a large cash surplus, Bank of the Republic losses on exchange contracts have become small and, in recent months, bank credit to the private sector was brought under better control. Part of these improvements, however, were due to seasonal developments and to other temporary factors of a non-recurring nature. There has been some moderating of price increases, but the increases have still been substantial, and large wage increases are occurring. Only limited progress has been made in the implementation of a development programme.

3. The Uruguayan authorities plan to continue with their comprehensive programme to end inflation and to proceed with their development programme. In particular they plan to maintain fiscal balance and to limit credit expansion to levels compatible with price stability, while development will be financed by new earmarked taxes and the proceeds of foreign assistance.

4. The spread and complexity of effective rates for exports have been reduced in the last twelve months. The authorities have indicated that there will be further progress in the simplification of these rates and that complete unification of the exchange system will be achieved as soon as possible. The authorities have also indicated that there is a reasonable expectation that the system of advance import deposits will be terminated shortly. One bilateral payments agreement has been terminated and negotiations are under way to terminate the remaining bilateral payments arrangements within the next seven months.
5. The Fund welcomes the determination of the Uruguayan Government to continue with its comprehensive programme to end inflation and thus to create a firm basis for economic development. The Fund also welcomes the reduction in spread and complexity of effective export exchange rates. The Fund urges prompt action on the plans to liberalize further trade and payments procedures, to unify export retentions, to abolish advance import deposit requirements, and to terminate the remaining bilateral payments agreements. In the meantime, the Fund does not object on a temporary basis to Uruguay's multiple currency practices.

6. In concluding the 1961 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Uruguay.