1. This decision is taken by the Executive Directors in concluding the 1967 consultation with Uruguay pursuant to Article XIV, Section 4 of the Articles of Agreement.

2. For more than a decade, Uruguay has experienced both a high rate of inflation and a very low rate of growth. Investment, in real terms, has declined. Bank credit has risen rapidly, to both the public and private sectors, and wages have increased at a fast pace. There have been recurring balance of payments difficulties, resulting in a large accumulation of short-term foreign debt and a steep decline in working balances in foreign exchange. Exports have undergone wide swings, and although they developed satisfactorily in the years 1964-66, they were still below the levels registered in the period prior to 1957. In 1967, exports slumped again, reflecting in part the adverse effects on production of poor weather conditions and declines in international prices. Large-scale capital flight has in many years contributed to the weakness of the balance of payments.

3. In November 1967, the authorities adjusted the official exchange rate from Ur$99 to Ur$200 per U.S. dollar, thereby laying the basis for a comprehensive financial plan designed to bring about a sharp reduction in the rate of inflation and the attainment of a satisfactory balance of payments performance. The program consists of an integrated set of fiscal, credit, balance of payments, and trade policies. It calls for a reduction in the fiscal deficit, the pursuit of a restrained credit policy, and the implementation of balance of payments policies consistent with the maintenance of incentives for exports. The Fund is pleased to note the expressed determination of the authorities to adhere firmly to the program that has been established and to adopt whatever other measures may be necessary to ensure achievement of the objectives being sought.

4. Full adherence to the program should help Uruguay to achieve the balance of payments surplus that has been programmed, thereby providing the resources needed to meet the sizable debt service payments falling due this year and in raising reserve holdings to a more adequate level. The Fund notes that other debt operations will be kept under surveillance, with a view to avoiding a rapid rise in the country's external debt servicing burden.
5. The Fund welcomes the re-establishment of a unified exchange market and the expressed intention of the authorities to maintain this system in the framework of a liberal payments regime. The measures taken to reduce import prohibitions may be expected to produce beneficial results both in terms of strengthening the fiscal situation and improving the allocation of the country's resources. The Fund notes the intention of the authorities to review the system of import prepayments and advance deposit requirements, with a view to eliminating them as conditions permit. The Fund does not object, on a temporary basis, to the multiple currency practices maintained by Uruguay.