1. On four earlier occasions – in May 1960, September 1962, November 1965 and April 1968 – Uruguay held consultations under Article XII:4(b) with the Committee on Balance-of-Payments Restrictions.

   My country is now consulting once more, with the object of examining the consistency of its economic policy, and more particularly the present import régime, with the GATT rules, and in order to comply with the Decisions adopted by the CONTRACTING PARTIES and the Council of Representatives.

2. The consultation is being carried out in accordance with the plan of discussion adopted by the CONTRACTING PARTIES in 1958, which is still in effect.

   In reality, having regard to Uruguay's present economic situation and the system in force, we are not here to justify restrictions under the terms of Article XII – since there are no import prohibitions and no discrimination of any kind – but to describe the difficulties which exist and to show the Government's firm resolve to overcome them by means of a national effort which is the primary and essential element, and international co-operation and understanding already made manifest for example by the IMF, IDB and AID, a spirit which, we do not doubt, will also be present here also.

3. Before examining more closely the topics included in the plan of discussion, the Uruguay delegation, which forwarded to the GATT secretariat by the required date the working document for the consultation (BQP/107), wishes to point out that the Government has undertaken and brought into operation, since November 1967, a realistic and effective economic plan for ensuring adequate national development, together with the adoption of measures to deal with and restrain the inflationary process, thus achieving rational stabilization.

   These measures, taken in particularly difficult circumstances – as I outlined at the 1968 consultation – have yielded very encouraging results which have changed the economic and social picture of the country.
An internal climate of confidence and of resolve to work and progress has been built up as a result of a number of factors in combination: complete monetary stability has been achieved since April 1968, despite an adverse situation in regard to wool exports; the country's gold reserves have gradually been built up again, as a result of scrupulous fulfilment of our obligations abroad; internal stabilization has been restored and inflation is under complete control. This is not all, but it indicates that a definite start has been made along the path to stability and recovery and it will have to be followed unflinchingly.

This new economic policy is designed, so far as foreign trade is concerned, to achieve a radical expansion and at the same time rational and planned diversification of exports; on the import side to strengthen the complete liberalization which already exists, without prohibitions, quantitative restrictions or discrimination of any kind - regulated solely in the light of the inescapable requirements of the current balance-of-payments situation, that is to say, by the application of certain surcharges on a temporary basis.

4. There is no doubt that Uruguay has undergone an extremely serious economic crisis of unusual duration and with very special characteristics.

Within the limits of its geographical dimensions and the size of its population, in the first decades of this century Uruguay reached a high level of social, economic and political development. Its economy progressed very rapidly while external conditions were favourable. Foreign capital flowed into the country, supplementing national savings to expand the basis of production. In a climate of internal and external stability, progress was made towards an adequate distribution of income and wealth. (See annex, Tables 1 and 2 and Graphs I and II.)

In the 1950's, a marked change began to become apparent, with a decline in per capita production, first in the agricultural sector (1956) and then in the secondary and tertiary sectors (1957) and as a result of which our import capacity began to decline. These changes adversely affected the possibility of keeping up the rate of economic and social progress, and the country entered a period of widespread and progressive inflation. In the process, large losses of international reserves were incurred, incentive to save was decreased, and there was a substantial outflow of capital. The continuing deterioration in the rate of investment rate in real terms and the national and external instability of the economy contributed to a marked decline in the country's productive capacity. Large sectors of the community, in particular the lower-income brackets, were the victims of this process.

5. From 1967 on, Uruguay found itself in a situation where it had to check severe inflation and at the same time to begin a process of bringing the growth rate up to a more adequate level. The Government is fully aware of the urgent need to promote vigorous development, involving considerable expansion of investments towards a substantial increase in agricultural production, particularly of products that can be exported; greater efficiency of local industry must be promoted and it must be directed towards production for foreign markets.
The first steps in this economic recovery process were the plans designed:

(a) to reduce the rate of inflation; (b) to foster the export drive; and
(c) to do everything possible to increase investment.

The economic policy which has been followed resolutely since the latter part of 1967 has made it possible to achieve some very positive results towards attainment of these objectives.

In the course of this statement I shall analyse each of these elements, but I should like for the moment to address myself to the fight against inflation, which has been the focus of Government policy.

In 1967 prices had risen by 136 per cent; in 1968 - when the plan was already in operation - the increase declined to 66 per cent, and in 1969 was only 13.5 per cent. This tremendous reduction could be achieved without any social or political upheavals because in 1969 real wages increased by 4.7 per cent, so that a sound development policy could be launched. The principal aggregates of "overall supply and demand" (Table 3 and Graph III) seem to reflect this.

6. The part of the programme designed to promote exports and reduce fiscal pressure required, as an initial step, a substantial adjustment in the rate of exchange in November 1967.

This adjustment was already commented on in the last report. In April 1968 a further adjustment became necessary, raising the value of the dollar to Ur$250. Since then, that is to say for the past two and a half years, and with no controls of any kind, the rate of exchange has remained unchanged and there are no prospects nor any need for further adjustments.

7. If we take as a reference point the year 1955, one of the last before the period of deterioration commenced, and if we compare it with the year 1969, we can see the chronic stagnation of Uruguay's economy, because over that whole period gross product increased by barely 7 per cent (see Tables 1 and 2 and Graphs I and II).

Over the period 1955-1969 as a whole, gross internal product at constant prices increased by 7 per cent, representing an annual average of 0.5 per cent which is also valid for the period 1961-1969.

On the basis 1961 = 100, we find, however, that GNP at 1961 factor costs reached 104.2 per cent in 1969 which, as we have already indicated, implies growth of the order of 5.3 per cent in relation to 1968. From the social aspect, such an increase represents an increase by $5,645.6 in per caput GNP, at 1961 factor costs, exceeding the figures for the years 1968 ($5,431) and 1967 ($5,435) - and this was exceptional having regard to the negative percentages of the years immediately preceding 1969. The growth of per caput GNP in 1969 was thus by 4.2 per cent.
In 1969 also, a substantial increase was recorded in fixed internal gross investment and in gross internal formation of fixed capital, resulting in an investment ratio of the order of 13 per cent of GNP, with an increase of the order of 32.3 per cent in relation to 1968 (see Tables 3 and 4, Graphs III and IV).

8. Uruguay's programme provides for an improvement in external reserves which will make it possible to establish better order in the country's external obligations. Although Uruguay's total external indebtedness cannot be said to be excessive, the accumulation of maturities in coming years constitutes a heavy burden. It is in relation with this problem that Uruguay has sought the assistance of the International Monetary Fund and some time ago adopted measures to increase its quota from $30 million to $55 million, and this has already been done by making the relevant payments.

The International Monetary Fund has just approved a stand-by loan authorizing the purchase of up to $13.75 million in foreign currency over the coming twelve months. This stand-by agreement will constitute a supplementary line of reserves to meet contingencies.

9. In 1969, action was successfully taken to restore various situations, in particular with respect to outstanding foreign payments, increased foreign exchange reserves, and recovery of gold bullion which was outside the country. These will be commented on more specifically in connexion with the balance of payments.

I. Balance-of-payments position and prospects

(1) In the first place we must examine the present position of the trade balance, in the light of its evolution since the last consultation in 1968.

On that occasion, commenting on developments over the period 1965-1967 we stated that the situation had progressively deteriorated and that 1967 had been a disastrous year for Uruguay's exports, for various reasons which we examined on that occasion.

In 1968 the situation was somewhat better (exports 179.2, imports 159.2) and in 1969 there was a definite improvement. In the latter year exports reached $200.3 million (forecast $196 million), the highest level for the past ten years, while imports reached $197.3 million (forecast $170 million).

Thus, exports were 11.8 per cent above their 1968 level, yielding a surplus of $3 million, greater than the amount expected. This surplus was achieved despite the fact that imports increased by $20 million over the 1968 level; this was attributable to increased supplies of raw materials, machinery and goods in general.

The document which has been distributed analyzes the increase in Uruguay's exports and the various contributory factors. I leave it to speak for itself.
So far I have spoken of the trade balance. As regards the balance of payments, the situation is better than that described at the 1968 consultation.

Balance-of-payments situation and international reserves

(a) The net balance on current account (in million dollars) showed a deficit of 0.8 in 1963, a deficit of 0.8 in 1964, a surplus of 72.2 in 1965, a surplus of 59.3 in 1966 and a deficit of 5.4 in 1967, on the basis of the following totals in the same periods (see Table 4 and Graph V):

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>212.3</td>
<td>213.1</td>
</tr>
<tr>
<td>1964</td>
<td>237.1</td>
<td>237.9</td>
</tr>
<tr>
<td>1965</td>
<td>257.1</td>
<td>185.1</td>
</tr>
<tr>
<td>1966</td>
<td>253.7</td>
<td>199.4</td>
</tr>
<tr>
<td>1967</td>
<td>231.7</td>
<td>237.1</td>
</tr>
</tbody>
</table>

Preliminary figures for 1968 and 1969 - which are naturally subject to revision - indicate the following results:

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>254.2</td>
<td>233.4</td>
</tr>
<tr>
<td>1969</td>
<td>276.2</td>
<td>275.8</td>
</tr>
</tbody>
</table>

(b) The net balance on capital account and monetary gold (also expressed in million dollars) showed a surplus of 1.4 in 1963, a surplus of 61.8 in 1964, a surplus of 17.8 in 1965, a deficit of 18.9 in 1966 and a deficit of 2.8 in 1967, on the basis of the following totals in the same period (see Table 4 and Graph V):

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>40.0</td>
<td>38.6</td>
</tr>
<tr>
<td>1964</td>
<td>90.1</td>
<td>28.3</td>
</tr>
<tr>
<td>1965</td>
<td>91.7</td>
<td>73.9</td>
</tr>
<tr>
<td>1966</td>
<td>88.0</td>
<td>106.9</td>
</tr>
<tr>
<td>1967</td>
<td>50.2</td>
<td>53.0</td>
</tr>
</tbody>
</table>

Preliminary figures for the years 1968 and 1969 - which are naturally subject to revision - show the following results:

<table>
<thead>
<tr>
<th>Year</th>
<th>Receipts</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>39.7</td>
<td>16.0</td>
</tr>
<tr>
<td>1969</td>
<td>21.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>
In summary, the evolution of the balance of payments since the last consultation in 1968 has been as follows:

Net balance on current account: +20.8)
1968 ) +44.5
Net balance on capital account: +23.7)

Net balance on current account: +0.4)
1969 ) +8.8
Net balance on capital account: +8.4)

(c) International reserves. The results of the past two years are clearly positive.

In 1969 international reserves increased by $16 million (against a forecast of $9 million) and this increase coincided with the net result of purchase and sale of foreign exchange.

In 1968, reserves calculated in the same way had increased by $35.3 million.

As regards external indebtedness, between 31 May 1965 and 31 December 1969 the debit balance decreased by $176 million.

Lastly, gold reserves increased by $31.6 million in 1969, as against a decline by $6.2 million in 1968.

To sum up, in 1969 the balance of payments showed a surplus of $8.8 million according to preliminary estimates by the Central Bank.

It should also be stated that, following on recent developments, a new stand-by credit in the amount of US$13.75 million has been agreed with the International Monetary Fund in order to support the balance of payments and exchange policy.

(3) The adjustment in the rate of exchange in 1968 resulted not only in an immediate improvement in exports, but also in an immediate inflow of capital, with all the favourable consequences following thereon.

(4) For the first time since 1956, exports passed the $200 million-mark; and while one should not overlook the negative factors which prevent, impede or hinder access to export markets for Uruguay's products - as a result of measures adopted by third countries in breach of the General Agreement - this improvement in export prospects will make it possible to maintain the present régime of complete freedom of imports, without discrimination or prohibition of any kind.
(5) Concluding this review of part I of the Plan of discussion, I should like to say that the fact that there are at present no quantitative restrictions, prohibitions or discrimination of any kind on imports into Uruguay, despite the balance-of-payments difficulties carried over from earlier years, clearly demonstrates Uruguay's resolve to strengthen and maintain a liberal policy and its desire to apply not only the letter of the General Agreement, but also the spirit underlying its provisions.

II. Alternative measures to restore equilibrium

1. Stabilization measures

One of the essential points of the stabilization measures put into effect by the Government of the Republic was its prices and incomes policy.

The index of price increases in 1969 was 14.5 per cent, which compares favourably with the estimate of 20 per cent. This is the lowest rate of increase in recent years (136 per cent in 1967 and 66 per cent in 1968).

The trend of prices to rise, which had been very marked in recent years, was drastically stopped by the application of the Decree of June 1968 which froze prices and wages. Thus, whereas during the first half of 1968, before the Decree came into force, there had been an inflation of 63.7 per cent, in the second half the figure was only 1.6 per cent. In the two halves of 1969 the corresponding increases were 7.8 and 6.2 per cent respectively.

The prices and incomes policy introduced by the Government of the Republic and continued in a co-ordinated manner under the terms of Act No. 13720 which set up the Committee of Productivity, Prices and Incomes (COPRIN), set in motion two important factors which favoured stabilization:

(i) the fixing of minimum price increases for essential articles;

(ii) the control of wage increases by limiting them to what the undertakings could absorb without altering their prices. In applying this control, account was taken of the inflated profits which the undertakings obtained during the first half of 1968, when they raised prices in advance of any rise of costs and of any increase in productivity which it might have been possible to achieve.

To those factors of stabilization which made it possible to restrict the rise in prices in 1969 must be added certain others, such as the stability of the exchange rate, the limitation of the absolute profit margin in the commercial sector, the favourable climatic conditions during 1969 which permitted an increase in agricultural production and, finally, the absence of any expectations of inflation which had the effect of reducing speculative demand by middlemen.
2. The goals set by the Government for 1970 within the framework of its stabilization policy include the maintenance of the rate of exchange and an increase in the price level not exceeding 15 per cent. The basic document presented by the Uruguayan Government contains a detailed analysis of this question.

3. The unsatisfactory fiscal performance of recent years has undoubtedly been responsible for the country's overall economic evolution. The Government is aware that fiscal policy is an essential element in achieving effective internal stabilization and that its effects are felt in every sector of economic activity.

Despite the efforts made, however, action designed to reduce the tax deficit has not yet yielded clearly positive results.

The implementation of the budget of the Central Government for 1969 resulted in a deficit amounting to Ur$8,200 million (expenditure Ur$69,970 million, receipts Ur$61,770 million), which is equivalent to 11.7 per cent of expenditure.

Notwithstanding the increase of about 8.3 per cent in the index of revenue from taxation, the expected receipts were not achieved; in fact, they were Ur$1,900 million less than had been foreseen. At the same time there was an unexpected expansion in expenditure to the extent of Ur$1,900 million; hence there was a deficit in cash of Ur$8,200 million which was Ur$4,400 million more than had been foreseen.

It had been foreseen that any deficit could be financed from two sources:

(a) the issue of Treasury Bills for Ur$1,400 million;

(b) a credit of Ur$3,000 million from the Bank of the Republic.

As the Treasury Bills did not yield the amount that had been expected and as the collection of receipts from taxes and other sources did not reach the expected goals, the Government had to request more help than had been expected from the Bank of the Republic.

At the same time the unfavourable trend in international wool prices led to a reduction in receipts from export rebates in respect of 1968 (by Ur$3,600 million or a decrease of 38 per cent).

Although the remaining cash receipts increased as compared with 1968 by Ur$16,600 million (47 per cent), they nevertheless fell short of the figure which had been estimated by Ur$800 million.
On the other hand income from surcharges increased by Ur$1,600 million (64 per cent) as compared with 1968, which was an increase of Ur$100 million above the estimate.

This deficit in 1969 is a source of concern in view of its possible inflationary effects which, because of their impact on the economic process in general, might even nullify the results already obtained.

The Government has already launched a radical policy to deal with this question and hopes to achieve positive results in 1970.

As regards current expenditure, the Government has made every effort to reduce its volume and achieve savings under all headings, being aware of the importance of this in any stabilization programme.

In addition, the Treasury intends to introduce administrative controls on the authorization of current expenditure, in order to achieve additional savings during the current budget period.

4. At the 1968 consultation we stated that the Uruguayan Government had reached the conclusion, after examining all elements of the national economic situation and of recent experience, that efforts should be concentrated on the short- and medium-term aspects. To this end, it drew up a national five-year plan (1968-1972) which up-dated the ten-year plan 1965-1974, with an economic and financial programme for the year 1968, and an investment and development promotion plan for the same period.

As I have already said in the opening section of my statement, the immediate concern was to establish conditions conducive to recovery of the rate of economic development. This implied action on a priority basis to achieve economic stability, in order to check the rapid rise in prices without thereby creating any tendency towards recession.

In order to attain this objective, which has already been achieved in part, certain major reforms are necessary; these include a re-orientation of the public sector, in particular through an appropriate policy to eliminate red tape, which was planned and strictly carried out in 1969 by the Civil Service Office and was announced in various very important decrees issued by the Executive; a radical change in the system of social security and the organization and restructuring of public undertakings, as well as a programme of public investment in infrastructure projects for the country's development and which will employ manpower during the stabilization period. At the same time special attention is being given to the
need to greater agricultural productivity which is essential for the economic take-off. Encouragement is also being given to traditional industries, in order to reduce unemployment still further.

Because of the fact that its market is too small, Uruguay has based its plan of action on a broader export market. The country's economic development will depend on an increase in exports of agricultural and livestock products in the short term, and of industrial products in the medium term.

Priority must therefore be given to the agriculture in the short and medium term. Without recovery in this sector it will not be possible to embark in a realistic way on a sound industrialization process, or on rapid and sustained economic development in the long term, because of present circumstances. Government measures already adopted in this sector cover a wide range and have yielded immediate and positive results.

Thus, in 1969 there was a pronounced recovery in agricultural and livestock production, by 15 per cent, while industrial output increased by more than 4 per cent.

All this requires concomitant action by our principal international customers, within an appropriate policy of opening up their markets, so as to ensure reasonable access at remunerative prices for Uruguay's exports.

III. System and methods of the restrictions

1. The legal basis for the restrictions that can be applied on imports into Uruguay is the Law of 17 December 1959 establishing a régime that has already been examined in earlier consultations.

The basic principle underlying the law, as stated in its Article 1, is to establish a system of unrestricted imports, in contrast to the system existing when the law was enacted, but at the same time it allows the authorities to regulate imports by:

(a) requiring the payment of prior deposits;

(b) establishing surcharges of up to 300 per cent of the c.i.f. price on non-essential or luxury products and goods competing with national production;

(c) prohibiting entirely or in part, for a period of six months that may be extended, imports of non-essential or luxury products and goods competing with national production.
2. Since November 1967 the new economic policy has implied the gradual elimination of all existing prohibitions on imports. Under the decrees of 6 November and 1 December 1967 and of 9 January 1968 all prohibitions or quantitative restrictions on imports have been revoked. Accordingly the possibility mentioned in Article 1(c) of the Law of December 1959 has not been invoked and the Government's policy is not to re-introduce any prohibitions or restrictions of this kind.

At the last balance-of-payments consultation in this Committee, Uruguay explained in detail how the restrictions provided for in the aforementioned Law are applied. It also explained how the system of prior deposits had been abolished and replaced by a system of consignations under the Decree of 1 December 1967 which authorized the Central Bank to charge consignations in national currency on imported goods. Under Circular No. 48 of the same date, the Central Bank abolished the prior deposits and introduced the system of consignations, acting under authority conferred upon it by the aforementioned Decree of the Executive.

As also stated at the last consultation in this Committee, the Government's intention is to abolish the system of consignations as soon as economic conditions permit. For the moment the system is still maintained without any change in the method of application, and its duration was recently extended for six months.

No discrimination is made in Uruguay according to the origin of imported goods. Nevertheless, as a member of LAFTA, Uruguay has to observe the commitments entered into under the Montevideo Treaty with other countries in the area, and solely in pursuance of those commitments it applies a special system of surcharges and consignations in respect of goods originating in other LAFTA countries.

Imports by the State, State-trading enterprises or State industries are exempted from consignations. Special treatment is also provided for fuel imports by ANCAP, under the law establishing that body as the Government monopoly in this sector.

As may be seen, there has been no substantial change in the import régime since the last consultation except in certain special cases, for example, that of imports of capital goods for export industries which are exempt from surcharges (Decree of 28 October 1969 and relevant Central Bank circulars).

3. I repeat, under the import régime there are no prohibitions for protective reasons.

The application of surcharges is permitted however, inter alia, in the case of goods competing with national production.

No immediate and complete abolition of the surcharges can be envisaged at present but the Government has realized the need to review its entire policy in this field; for that reason the economic and financial programme states that "a review is to be made of the system of protection, including the present system
of exchange surcharges, with a view to establishing a national tariff mechanism that will encourage domestic activity in the context of greater efficiency in the country's industrial activities".

Nevertheless, and even taking into account the obvious improvement in the country's overall economic situation and all the progress made in the state of the trade balance and balance of payments, there are many reasons — in particular the large and disproportionate budget deficit as well as the existence of restrictions and limitations on Uruguay's exports, such restrictions having been created and maintained in breach of the General Agreement — which still make it impossible for the Government to contemplate eliminating the existing restrictions.

4. Accordingly, the present situation can be considered as being a transitional phase, pending the disappearance of the negative factors referred to. It will then be possible to carry out in full the decisions referred to in the foregoing paragraph of the Government's programme and the necessary measures are in preparation to complete the present situation in which there are no prohibitions or quantitative restrictions on imports.

5. It is clear that, by having applied a minimum level of restrictions to ensure balance-of-payments equilibrium, Uruguay has strictly observed the requirements of Article XII:3(c) of the General Agreement, in that there is nothing in the existing system:

(i) to cause unnecessary damage to the commercial or economic interests of any other contracting party;

(ii) to prevent unreasonably the importation of any description of goods in minimum commercial quantities the exclusion of which would impair regular trade flows;

(iii) to prevent the importation of commercial samples or prevent compliance with patent, trade mark, copyright, or similar procedures.

V. Conclusion

The foregoing describes what is already being done and the positive results already achieved.

Uruguay is attending this consultation in order frankly to explain its present economic position, with particular reference to its balance of payments and to ensuring that all the measures adopted, more especially since November 1967, are in conformity with the General Agreement.

The set of measures recently adopted, and in particular the broad degree of liberalization in the import régime, show that Uruguay is striving to solve its own problems, being aware that nothing can be achieved without such an effort on its part, hard and difficult though it is in the circumstances.
At the same time, however, at the level of international trade, Uruguay is entitled to expect equal respect for the General Agreement and for the universally acknowledged principle that international trade must be an instrument and a factor for economic development. All States are responsible for insuring that this is so but, of course, first and foremost the developed countries which, so far as my country is concerned, have an inescapable duty to open up their markets by eliminating the import prohibitions and restrictions and to ensure better conditions of access and prices for the products which Uruguay exports to their markets.