The participants have agreed to provide information concerning their domestic policies and trade measures including bilateral and plurilateral commitments on the basis of Parts G and H of the Questionnaire (Rule 16 of the Rules of Procedure). The documents containing replies to these parts of the Questionnaire are circulated under the symbol IMC/INV; they will be partly revised as and when changes are notified.

This set of documents will constitute the inventory of all measures affecting trade in bovine meat, including commitments resulting from bilateral, plurilateral and multilateral negotiations, which the Council has instructed the secretariat to draw up and keep up to date, under the provisions of Article III of the Agreement (Note to Article III of the Arrangement and Rule 18 of the Rules of Procedure).

1 For replies to the statistical parts, see IMC/STAT/18.
Information on domestic policies and trade measures

In keeping with the economic Liberalism which the Government had implemented in various spheres of economic activity, a series of regulations were issued in August 1978 eliminating all restrictions on trade in livestock and meat, whose prices thereafter started to be determined by the free operation of the laws of the market.

Up to that time, the meat trade and industry had been subject to rigid State control, which not only regulated prices but also established internal frontiers for domestic supply, regulating the size and the categories of farms authorized to operate in the various centres of consumption.

All that, aggravated by the impact of a depressive phase in international trade, had had a discouraging effect on the livestock sector, which, beginning with 1975, suffered a marked decline in production.

As indicated, the measures approved were adopted in the context of complete economic liberalism and embraced all areas of the livestock sector with the clear purpose of reversing its deteriorating situation by an increase in return and an expansion of investment.

Marketing

- Prices of livestock, of all species and categories, and of meat and meat products are, at all stages of marketing, freely determined by supply and demand.

- All prohibitions of slaughter by categories of animals, as well as the assignment of slaughter and dressing quotas for producers and industry have been abolished.

- The import of beef, pork-butcher's products and poultry is subject to the general import régime, paying only the minimum surcharge of 10 per cent and customs duty at the basic rate of 25 per cent, and there are no prior deposits, port or consular fees or any other charge or levy prior to or at the time of importation.

- Supplying of meat is free throughout the country's territory and may be engaged in by all processing plants approved by the Ministry of Agriculture and Fishery.

Industry

- The free establishment throughout the country's territory has been decreed of meat processing and industrialized plants, which must in all cases comply with the national standards, requirements and procedures dictated by sanitary and technological considerations. The establishment of new
processing plants will be authorized upon completion of the procedures entailed by the transfer to the private sector and the decontrol of officially controlled exporting cold-storage establishments, for which purposes the Executive Power will fix the date on which this provision will become effective.

- As from that date, processing of meat and edible meat products for export shall be authorized for all plants which satisfy the technical conditions required by the regulations.

- Shortly after the new policy for the sector was adopted, on 27 November 1978 the Meat and Meat Products Processing, Storage and Marketing Regulations and the Official Veterinary Inspection Regulations were approved for products of animal origin.

- In that connexion, the provisions relating to sanitary and technological aspects have been adjusted and brought up to date, for purposes of approval and control of processing plants, which are centralized at the national level in the Ministry of Agriculture and Fishery.

- In support of the measures liberalizing the foreign trade in meat, and with a view to achieving the expansion of the export sector and ensuring the maintenance and even improvement of the quality of our products, regulations provide that the National Meat Institute shall be responsible for official prior control of the commercial quality of all exports of meat and meat products. Thus, by this provision, there is verification, in the case of each export, that the final product meets the minimum levels of commercial quality acceptable under international standards, in accordance with the specifications indicated in each agreed transaction.

**Capital goods and operating inputs**

As Uruguay must compete internationally with other meat-producing countries with more developed economies which can make available capital goods and livestock-farming inputs at lower cost and offer access to improved technology under more advantageous conditions, a series of provisions have been adopted to reduce prices on the domestic market:

- Exemption from payment of prior import deposits and surcharges, of port and consular fees and of the Single Import Duty on imports of:

  (a) fertilizers and raw materials for making them;

  (b) sacking and raw materials used in the manufacture of containers for farm products;

  (c) seeds and vaccines;
(d) material for making wire;
(e) veterinary products and raw materials for making them;
(f) frozen bull, boar or ram semen from pedigreed animals.

- Fixing of a uniform surcharge of 10 per cent on agricultural machinery and assembled tractors imported for agricultural use. The surcharge does not apply to the importation of tractor kits for assembly in Uruguay.

- Exemption from duties, charges and consular fees on imports of parts for tractors and agricultural machinery.

- Exemption from the value-added tax on goods to be used in farm production and raw materials for making them.

Technical assistance and credit support

- Approval has been given for the formation and operation of agro-industry co-operatives having as their main objective industrialization of the farm products of their members. To that end, they may engage in any operation concerned with the production, processing and marketing of such products in all their aspects, including export. Such co-operatives will benefit from an exceptional régime as regards tax treatment, credit support and public services.

- There has also been formed a working group consisting of delegates from all the official agencies connected with the sector, with the task of preparing a Technical and Credit Assistance Programme for the farm sector.

At this point, after two years of application of the above measures, it is difficult to evaluate their effectiveness in the development of the agro-sector, owing to the interaction of external and internal factors heavily influencing the economic situation of the sector and its short- and medium-term prospects.

The approval of those measures was immediately followed by a sustained rise in the international price of meat, which saw the value f.o.b. Montevideo of compensated quarters of continental steers increase from US$900 per ton, in September 1978, to US$1,900, in October 1979.

This resulted in a certain amount of confusion among producers, in that it exaggerated the positive effects of the August 1978 measures and caused a massive expansion of the sector's investment in field improvements, the acquisition of agricultural machinery etc. (imports of tractors increased by 400 per cent, for example). While some of these investments were financed from profits gained during the period, most of them were made with
the help of bank financing at high interest rates comensurate with the rate of domestic inflation. The general consumer price index in the last two fiscal years ending in July, increased by 62.9 per cent (1978/79) and 71.4 per cent (1979/80).

On the other hand, in the same fiscal years, the devaluation of the Uruguayan currency vis-à-vis the United States dollar amounted to only 29.2 per cent and 13.4 per cent respectively. If we add that in the first months of the current fiscal year the value of compensated quarters of export steers has stabilized between US$1,425 and US$1,485, it becomes obvious that there has been a substantial drop in the income of producers, which has made it difficult for them to meet the obligations they contracted the year before and has reduced them to a dangerous state of indebtedness that is causing concern to the national authorities.

The same situation is seen in the field of sheep and lamb production, where the same phenomenon of a fall in constant-money values is occurring, even though meat and wool have not suffered so great a drop in international prices.

In short, we may say that the economic measures of August 1978, accompanied as they were by the impact of a boom in the external market, brought about a special state of euphoria among producers which led them to make large investments designed to raise the sector's low productivity and considerably increase cattle stocks.

The fall in the international prices for the sector's main categories (there were also declines in other lines, such as leather) and the failure of the value of the Uruguayan currency to adjust to domestic inflation has again created a certain pessimism, which is discouraging production; what is more, the sector is faced with a serious financial crisis.