

UNITED STATES TARIFF COMMISSION



**ECONOMIC CONTROLS
AND
COMMERCIAL POLICY
IN
URUGUAY**

One of a Series of Reports on
Economic Controls and Commercial Policy
in the American Republics



Washington
1945

UNITED STATES TARIFF COMMISSION

OSCAR B. RYDER, *Chairman*

LYNN R. EDMINSTER, *Vice Chairman*

EDGAR B. BROSSARD

E. DANA DURAND

GEORGE MCGILL

GEORGE Z. BARNES

E. M. WHITCOMB, *Acting Secretary*

FOREWORD

This is one of a series of reports on Economic Controls and Commercial Policies in the Latin American Republics.

Other work in preparation by the Commission relating to trade problems of the American Republics includes a series of reports under each of the following headings: Mining and Manufacturing Industries; Agricultural, Pastoral, and Forest Industries; and Recent Developments in Foreign Trade.

In the preparation of this report the Commission had the services of David Lynch, Allyn C. Loosley, and other members of its staff.

(23707)

CONTENTS

Introduction:

Uruguay—a summary description	1
The Uruguayan economy	1
Pre-war foreign trade	2

General character of economic controls and commercial policy

4

Economic controls and commercial policy before 1940 :

The tariff	4
Export duties	7
Exchange control	8
Commercial treaties and agreements	10
State enterprises	11
The State insurance monopoly	12
ANCAP	12
Frigorífico Nacional	13
The Institute of Industrial Chemistry	13
UTE	14
RIONE	14
The National Port Administration	15
The State Railways	15
Other commercial enterprises	15
The State banks	16

Economic controls and commercial policy since the outbreak of the war

17

Modification of import duties	17
Exchange control since 1939	19
Recent commercial agreements	20
Export and reexport control	22
Wartime financial controls	22
Rationing of scarce commodities	23
Price control	25

Post-war problems relating to controls and commercial policy	26
Public enterprises	26

ECONOMIC CONTROLS AND COMMERCIAL POLICY IN URUGUAY

Introduction

Uruguay—a summary description.

The Republic of Uruguay,^{1/} situated on the southeastern coast of South America, is bounded on the north and northeast by Brazil, on the west by Argentina, and on the south by the estuary of the Río de la Plata. Its area, 72,153 square miles, is somewhat larger than that of the State of North Dakota.

Eastern and southern Uruguay consist for the most part of low, rolling, grassy plains, which are an easterly extension of the Argentine pampas. The topography of the northern and northwestern parts of the country is more varied. Here low, wooded ranges, the southward extension of the Paraná plateau of southern Brazil, alternate with broad valleys. The peninsular position of Uruguay gives it an equable and healthful climate. Rainfall is well distributed throughout the year, being heaviest in May and October. Because Uruguay is in the South Temperate Zone, its seasons are the reverse of those in North America.

According to the census of 1908, the population of Uruguay was 1,043,000. In 1942 the number of inhabitants was estimated to be 2,147,000, or about 29 persons to the square mile.^{2/} Nearly one-third of the population is concentrated in the capital and principal city, Montevideo, which in 1942 had an estimated population of 704,000. Uruguay has a high degree of racial homogeneity, more than nine-tenths of its people being of European extraction. The rest are mestizos, Indians, and Negroes. The language of the country is Spanish.

The Uruguayan economy.^{3/}

Because of the flatness of the terrain and the abundance of natural feeds, the raising of livestock early became the principal Uruguayan industry; more than three-fourths of the country's area now is devoted to grazing.

In the development of pastoral industries, Uruguay has resembled Argentina. During the colonial period the area along the Uruguay River became the center of an important meat-salting and meat-drying industry, which maintained its importance until after the introduction of the frigoríficos (large meat-packing plants) at the beginning of this century. The frigorífico was slow in gaining prominence in the Uruguayan meat industry because at first the native cattle did not produce a grade of beef for which there was demand in export markets. As breeds of beef cattle were improved, largely through the importation of breeding stock, the frigorífico became dominant. The number of cattle in the country in 1860 was about 3.6 million; by 1908 it had reached more than 8 million. Since then it has ranged between 7 and 8 million. As in Argentina, flocks of sheep tended to increase in Uruguay until the area available for grazing was reduced by the settlement of the country, causing a partial shift from pastoral to agricultural activities. Since then attention

^{1/} Officially known as República Oriental del Uruguay.

^{2/} Uruguay is the most densely populated country of South America.

^{3/} This brief description of the Uruguayan economy relates principally to the period before the outbreak of the war.

has been directed to improving the breeds rather than to increasing the number of sheep. In 1930 the number of sheep in Uruguay was 20.5 million; in 1932 it was only 15.4 million, but by 1937 it had increased to nearly 18 million.

Although Uruguayan agriculture is a minor occupation as compared with pastoral industries, it has increased in importance in recent years. The Government has endeavored to stimulate agriculture and to extend the acreage devoted to crops, yet only about 6 percent of the country's area is under cultivation. Wheat, corn, flaxseed, oats, and barley are the principal crops, but tobacco, citrus fruits, and a variety of vegetables also are grown. Since the beginning of this century grape cultivation and wine making have undergone considerable development. In the last century Uruguay imported most of its breadstuffs, but now it produces enough wheat to supply the domestic demand and to leave a small exportable surplus.

Mining is of little importance in Uruguay. Some gold is mined in the northern part of the country, but there is no commercial production of other metals. There are, however, important deposits of nonmetallic mineral materials such as granite, marble, and talc.

Pre-war foreign trade.^{1/}

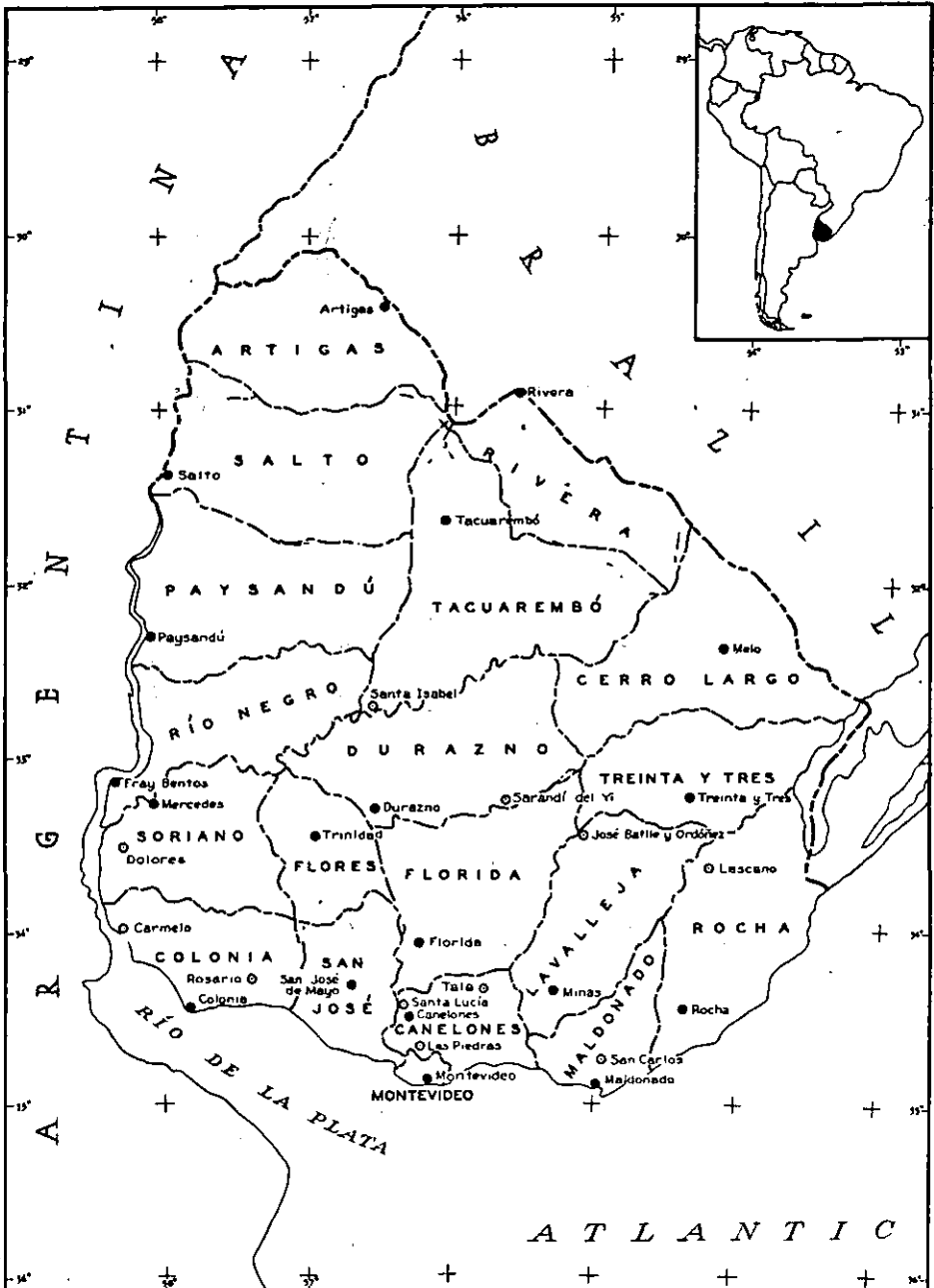
In international trade, Uruguay ordinarily occupies seventh position among the nations of Latin America. In 1938 exports, which amounted to 96 million pesos (55 million dollars,^{2/} represented 3 percent of the value of those from the 20 Latin American republics, and 4 percent of those from the 10 South American countries. In the same year, imports were valued at 75 million pesos (43 million dollars), or 3 percent of the value of all commodities imported into the 20 Latin American nations, and 4 percent of those taken by the republics of South America. Uruguayan exports have usually exceeded imports; in the period 1936-38 the export balance ranged between 10 and 13 million dollars.

The outstanding feature of the Uruguayan export trade is the extent of the country's dependence on the products of pastoral industries. In the period 1929-38 four-fifths or more of all exports, in terms of value, consisted of animals and animal products. Notable developments in the export trade during the decade were the decline in the importance of exports of meat and meat extracts and the increasing importance of exports of wool. In 1938 the principal export markets were the United Kingdom (26 percent of the total value of the trade), Germany (23 percent), Argentina (9 percent), and France (7 percent).

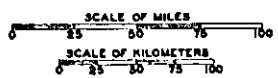
Uruguayan imports consist of a wide variety of manufactured products, semifinished products, raw materials, and fuels. The outstanding features of the import trade in the decade 1929-38 were the increase in the relative importance of imports of materials and equipment for industry, the maintenance by the United Kingdom of its position as the principal supplier of Uruguayan imports, the variation in the share of total imports furnished by the United States, and the increase in the share of Germany in 1938. The principal sources of imports in 1938 were the United Kingdom (20 percent of the total value of the trade), Germany (16 percent), the United States (12 percent), and Brazil (8 percent).

^{1/} For a detailed analysis of the foreign trade of Uruguay as well as the other countries of Latin America in the decade 1929-38, see U. S. Tariff Commission, The Foreign Trade of Latin America (4 vols.), Report No. 146, Second Series, Washington, 1942.

^{2/} In 1938 the average exchange rate of the Uruguayan peso was \$0.5697 (U. S. Currency) (U. S. Tariff Commission, The Foreign Trade of Latin America, pt. II, vol. 1, p. 250.)



**URUGUAY
POLITICAL MAP**



- CAPITALS OF DEPARTMENTS ●
- OTHER IMPORTANT CITIES AND TOWNS ○
- INTERNATIONAL BOUNDARIES - - - - -
- DEPARTMENTAL BOUNDARIES ————



General Character of Economic Controls and Commercial Policy

The pattern of economic control in Uruguay differs quite markedly from that in other Latin American countries because of the extensive use of public corporations to provide various public services and to engage in a number of important productive enterprises. Measures affecting foreign trade have been employed to secure revenues for the National Government, to promote the development of domestic industries, to husband exchange balances, to develop export industries, to conserve essential supplies, and to restrict the activities of enemy aliens. Internal controls have been directed mainly toward the industrialization of the country, the rationing of essential materials, the stabilization of prices, and the public operation of utilities and industries.

The customs tariff has been employed by Uruguay with increasing emphasis since 1861 to protect domestic industry, although revenue continues to be an important motive and import duties ordinarily account for about one-third of the income of the Government. Export taxes, on the other hand, play a minor role in the fiscal system, accounting for only 2 percent of national revenues. The exchange control system of Uruguay, in operation since 1931, is one of the most rigid and complicated in Latin America, and has been employed to promote trade bilateralism as well as to foster domestic industries. Profits from exchange control have been substantial, and have been used principally to pay bounties on selected export products. Between 1933 and 1935 Uruguay negotiated trade-balancing and clearing agreements with 8 countries. Most-favored-nation agreements have been concluded with 12 countries since 1933. Since the outbreak of the war a number of measures have been adopted to control the export and reexport trade, to conserve essential supplies, and to prevent the flow of strategic materials to the Axis Powers.

The characteristic feature of Uruguayan economic controls is the extensive use of publicly owned commercial and industrial enterprises. Through them, the Government sells insurance; manufactures alcohol, petroleum products, and industrial chemicals; operates meat-packing and fish-processing plants; and manages port facilities, a railway system, an electric light plant, and the telephone system. Public enterprises have been employed in other Latin American countries principally to yield revenue, whereas in Uruguay the chief motive for their use has been to provide certain economic and social benefits to the general population. Since the outbreak of the war various measures have provided for the rationing of scarce materials; no over-all system of rationing, however, has been established. Price control in Uruguay appears to be somewhat more effective than in most other countries of Latin America; control is vested in the Executive and in the National Subsistence Commission.

Economic Controls and Commercial Policy Before 1940

The tariff.^{1/}

Uruguayan tariff policy is governed by the Customs Law of January 5, 1888, and its numerous amendments and modifications. Although customs revenues continue to play a vital role in Uruguayan public finance, since

^{1/} See U. S. Tariff Commission, The Foreign Trade of Latin America, pt. II, vol. 1, 1942, pp. 246-247, and Trade Agreement Between the United States and Uruguay, 1943, pp. 10-13 (processed).

1861 the tariff has been employed with increasing emphasis to stimulate domestic industries. Before 1900 import duties accounted for more than 60 percent of all revenues; since then the ratio has declined to about 35 percent.^{1/} Even before the emphasis upon protection, tariff rates were generally high in order to obtain the desired revenues. Between 1900 and 1930 customs revenues averaged more than 30 percent of the value of all imports despite the fact that nearly 12 percent of the imports^{2/} were admitted duty-free. Protection was initiated by the tariff of 1861; the laws of 1875 and 1888, which adhered to a high protective policy, included many rates of a prohibitory nature. These measures stimulated the development of numerous domestic industries manufacturing such products as shoes, ready-made clothing, matches, tobacco, many articles of food, and liquors. Many raw materials were placed on the free list to aid domestic manufacturers. Numerous increases in the rates of duty after 1888 were designed to increase the protection of domestic producers. During the recent depression additional tariff protection was granted on many articles.

The Uruguayan Executive has a number of limited powers to alter import duties autonomously. These powers have been used frequently during the past decade. Action taken under Executive authority must be reported to the General Assembly, or, when it is in recess, to a Permanent Committee of the Assembly. The principal powers of the Executive with respect to the tariff are as follows:

(1) The Executive has been authorized under various laws to transfer products required by domestic industry from their regular classification to the raw-materials schedule, under which the basic duty may be as low as 5 percent. For short periods or for specific shipments, in times of domestic shortages, the Executive may entirely exempt foodstuffs and raw materials from the basic duties.^{3/} He is also authorized to grant a 9-year "privilege" for the exclusive manufacture of any article in Uruguay. This usually implies the transfer of the materials required by the new industry to the raw-materials schedule, if they have not already been included therein. These powers have been used extensively in recent years.

(2) According to a law of 1927^{4/} the Executive is required to designate the seasons when, in the interest of Uruguayan fruit growers, special additional import duties on fresh fruits are applicable.

(3) The Executive is empowered by a law of 1931 to raise basic rates of duty from 31 to 48 percent ad valorem on commodities similar to those manufactured in Uruguay, and to raise rates to 31 percent ad valorem on products classified in the raw-materials schedule when adequate supplies of such products are available in Uruguay.^{5/} Such action was taken in October 1931 when rates for about 550 categories in the tariff schedule were increased.^{6/}

^{1/} Uruguayan customs revenues in 1941 accounted for 33 percent of total revenues and, in 1942, 27 percent.

^{2/} On the basis of value.

^{3/} Law No. 4265, October 12, 1912.

^{4/} Law No. 3141, December 2, 1927.

^{5/} Budget law of August 6, 1931, Diario Oficial, August 12, 1931.

^{6/} Executive decree, October 6, 1931, Diario Oficial, October 17, 1931.

(4) Authority is conferred on the Executive under a Law of October 10, 1931, to increase duties in terms of Uruguayan currency by determining the products on which a proportion of one-fourth of the duties shall be payable in "gold" and of increasing this proportion to one-half.^{1/}

(5) By the law of October 10, 1931, the Executive was authorized to increase, by as much as one-half, the duties and other customs charges on the products of countries which do not apply most-favored-nation or minimum-tariff treatment to Uruguayan products, or which otherwise discriminate against Uruguayan exports.

Uruguay has a single-column tariff with no minimum or maximum schedules, but the Executive has been authorized to impose penalty duties up to one-half of the statutory rate. Such penalties have at times been applied to the products of Spain and Cuba. Tariff concessions to neighboring countries are generally excepted from the application of most-favored-nation agreements.^{2/} Except for a few concessions to neighboring countries and others granted to Spain on olives, sardines, and tuna fish, the single-column tariff has been applied to the products of all countries.

Uruguayan tariff duties are nominally ad valorem, but as they are assessed on the basis of official valuations,^{3/} they are in effect specific duties. According to law, the official valuations are subject to revision every 3 years, but in practice they have been revised less frequently. The tariff was created by designating certain base ad valorem rates and assigning practically all commodities, other than beverages and foodstuffs, to one or another of these classifications. The basic customs law of 1888 established a general rate of 31 percent ad valorem which applied to all imports not specifically enumerated, and provided for certain groups of commodities special ad valorem rates as follows: 51 percent (firearms, munitions, perfumery, and preserved meats); 48 percent (footwear, brushes, ready-made clothing, and furniture); 44 percent (cocoa, chocolates, and candles); 20 percent (rough lumber, iron sheets, and cement); 15 percent (glass bottles); 12 percent (potatoes, and silk fabrics); 10 percent (principally medicinals); 8 percent (books, newsprint, and printing presses); 6 percent (maps, globes, and thermometers); and 5 percent (adrenalin, iodine, dentist's gold, and iron ploughs). Specific duties were imposed on wines, spirits, sugar, numerous other beverages and food articles, tobacco products, and textiles. Many articles were placed on the free list, the principal ones being various raw materials and agricultural implements.

Rates of duty established by the law of 1888 have been modified frequently, the general trend being upward. The most important of these

^{1/} Law of October 10, 1931, Diario Oficial, October 17, 1931.

^{2/} U. S. Tariff Commission, Extent of Equal Tariff Treatment in Foreign Countries, 1937, p. 36.

^{3/} The official unit valuations employed by Uruguay are recommended by Customs Valuation Committees, composed of customs officials and delegates of industrial and commercial organizations, and are subject to approval of the Executive before adoption. The committees are authorized to appraise, designate, and classify merchandise, either for entire tariff schedules or for individual items.

Import values are originally compiled on the basis of the official appraised valuations. Beginning with 1918 the calculated "real" or market values are published for commodity groups, but not for individual commodities. Export valuations employed by Uruguay are commercial valuations, i.e., "real" or market values.

changes was made in 1931 ^{1/} when duties on a long list of products, including hardware, naval stores, textiles, and smallwares, were changed from the general rate of 31 percent ad valorem to 48 percent. A series of enactments also have imposed additional surcharges, ranging from 4 to 22 1/2 percent ad valorem on designated classes of imports. In addition to the basic duties and surcharges, the budget law of 1937 levied a general surtax of 1 percent of the amount of customs duties and all other taxes collected by the customs service.^{2/}

In October 1931 Uruguayan import duties were increased by requiring that a part of the duty on nearly every commodity be payable in "gold." This action was taken because of the depreciation of the Uruguayan currency^{3/} and was in accordance with the authority granted the Executive by the Law of October 10, 1931. Sugar in bulk, rice, coffee, kerosene, yerba maté, farin, gasoline, tea, edible oils, and raw materials for use in domestic industries were exempted from the "gold" payment requirement. In October 1933 a decree increased the proportion to be paid in gold from one-fourth to one-half on "nonessentials." In effect the 25 percent gold requirement resulted in increasing by about 59 percent the basic rates then effective and the 50 percent gold requirement increased them about 118 percent.^{4/}

The application of the revised basic rates of duty and of the numerous additional surcharges results in a complex tariff. Most of the items in the Uruguayan tariff are subject to rates which, including surcharges, exceed 50 percent of the official valuations. Many of them consist of the 48 percent basic rate plus additional duties totaling 21 percent, and, hence, amount in the aggregate to 69 percent.

Export duties.

During the decade ended in 1939 export duties played a minor role in the Uruguayan fiscal system, accounting ordinarily for about 2 percent of the national revenues. Such duties fell primarily upon the natural products of the country, such as wool, hides and skins, animal fats, bones, and horns. The rates are generally specific, or are ad valorem based upon official valuations, which makes them specific in effect. Consequently, export taxes tend to bear more heavily upon the cheaper grades of goods. Official valuations for export products have been fixed periodically by the Committee for the Appraisal of Export Products (Comisión de Aforos de Productos de Exportación).

^{1/} Executive decree, October 6, 1931, Diario Oficial, October 17, 1931.

^{2/} Levied in lieu of certain revenue stamps previously required in connection with customs documents.

^{3/} The average rate of exchange declined from \$0.8587 (U. S. currency) per peso in 1930 to \$0.5536 in 1931.

^{4/} These increases refer to the rates which otherwise would have obtained had it not been for the gold requirement; to the extent, however, that they compensate for currency depreciation, they represent no effective increase in the tariff burden. To the extent, however, that the currency depreciates without compensatory increases in the incomes of the classes purchasing imported goods, or without a depreciation of currencies in the exporting countries, or without some other compensatory decline in the prices of imported goods, the depreciation of the currency constitutes an important barrier to imports.

Exchange control.^{1/}

The Uruguayan system of exchange control is one of the most rigid and complicated of those employed by the countries of Latin America. It has been operated to channelize the foreign trade of the country on a bilateral basis. Its effects have been tantamount to the extension of preferential tariff rates on imports from countries which are important markets for Uruguayan exports and to the granting of export subsidies or bounties on specified export products. Profits from exchange-control operations have been an important source of governmental revenue, accounting in 1939 for nearly 15 percent of all income. Both the agencies of administration and the regulations in force have been subject to comprehensive revisions since control was first established.

Exchange control was initially adopted by Uruguay in 1931 because of difficulties arising from the depreciation of the peso, which in turn was due principally to the decline in prices of Uruguayan export products. This decline resulted in an excess of imports over exports. In May 1931, legislation was passed placing foreign-exchange operations under the control of the Bank of the Republic (Banco de la República Oriental del Uruguay).^{2/} In November of that year the Bank began to fix an "official" rate of exchange for the peso, based on the United States dollar. A newly established Exchange Control Commission was authorized to distribute among importers such foreign exchange as was allocated to it by the Bank. Importers were required to secure exchange permits from this Commission; the importation of necessities, raw materials, and fuel, together with the Government debt service, received first consideration.

During the latter part of 1933 the Exchange Control Commission began to restrict exchange allotments for imports from various countries in proportion to their purchases from Uruguay. Because of the scarcity of exchange to pay for imports, and in order to stimulate the exportation of certain primary products, the Commission authorized the sale to private banks of a part or all of the exchange created by such exports, with the stipulation that this exchange be made available to importers of approved products. This became known as "compensated exchange," which could be sold by exporters without restriction as to rate. Only in exceptional cases was the use of such exchange permitted for the importation of articles not considered essential.

By February 1934 three different rates of exchange were in effect in Uruguay--the "official," the "free," and the "compensated" rates. Exporters were required to sell to the Bank of the Republic the exchange derived from the sale of their products, except the portion they were permitted to sell as compensated exchange. These funds were then available to the Government at the official rate and to importers for the importation of articles essential to the national economy. Compensated exchange,^{3/} as has been noted, was derived from the sale of certain products whose exportation the Government wished to encourage. Free exchange, derived from sources other than exports, was bought and sold at rates determined by market conditions.

In November 1934 the exchange control system underwent a comprehensive reorganization^{4/} in order to conserve exchange balances by restricting imports and encouraging exports. A quota system for the allocation of

^{1/} A more detailed account of Uruguayan exchange-control measures may be found in a report of the U. S. Tariff Commission, Trade Agreement Between the United States and Uruguay, Washington, 1943 (processed).

^{2/} Law of May 29, 1931.

^{3/} In August 1934 "compensated" exchange was abolished and a "controlled free" rate (hereafter referred to as the controlled rate) was established in its stead.

^{4/} The Economic-Financial Readjustment Law, November 9, 1934, effective January 1, 1935.

exchange was inaugurated, and quarterly quotas of controlled exchange were established. Under this system there was allotted to pay for imports from each particular foreign country an amount of exchange not less than 75 per cent of that created by the country's purchases of Uruguayan products.

Quarterly exchange quotas by countries and by classes of merchandise were fixed by the Bank of the Republic; within each class of merchandise quotas for individual exporters were allotted by the Honorary Commission on Importation and Exchange (Comisión Honoraria de Importación y Cambios), which had been created by the law of November 1934. ^{1/}

Import permits were required for all goods shipped into Uruguay. Priorities in the granting of exchange were established on the basis of the types of merchandise to be imported; first consideration was given to raw materials and necessities. Exchange provided under the quotas could be used for transfers of funds to the quota countries, including payment for imports, service of public and private debts, freight, insurance, and personal drafts. In fixing the quotas the Bank was required to take into account the amount of exchange created by exports to the respective quota countries. Imports in excess of these quotas, of from countries without quotas, were permitted only at the free market rate of exchange.

The economic position of Uruguay became increasingly serious toward the close of 1937, reflecting in part the depressed market for wool. The shortage of exchange became acute and, because of the inability of many importers to secure cover, commodities from all countries began to accumulate in the customhouse. In order to stimulate exports of wool and to alleviate the exchange situation, a new system of exchange rates was established on December 3, 1937, under which the official rate was abolished and combined with the controlled rate.

By the end of 1938 four types of exchange rates were quoted—the controlled rate, the compensation rate, the special rates for Government use including State enterprises and public utilities, and the free rate. Exporters were required to deliver to the Bank of the Republic all exchange derived from exports, a part of which had to be sold at the controlled rate, the proportion varying from time to time. The rest could be sold at the free rate, which usually yielded more in terms of Uruguayan currency. ^{2/} Controlled exchange was allocated to importers of prime materials and necessities. At first such allocation was dependent upon the issuance of a prior import permit, but, effective April 9, 1939, this requirement was abolished.

The so-called compensation exchange was not related to compensation agreements, such as were in use in various other countries, but was in effect a subsidy to exporters of specified Uruguayan products. In October

^{1/} On January 28, 1938, the Commission of Importation and Exchange was abolished, and its functions transferred to the Bank of the Republic. On July 16, 1938, this work was taken over by the Office of Exportation and Importation (Dirección de Contralor de Exportaciones e Importaciones) under the supervision of the newly created Commission of Control of Exportations and Importations (Comisión Honoraria del Contralor de Exportaciones e Importaciones).

^{2/} For specified years the average dollar equivalent of the peso was as follows: Official rate—1929, \$0.9863; 1932, \$0.4706; 1936, \$0.7987; 1937, \$0.7907 (Federal Reserve Bulletin, February 1939). Controlled rate—1936, \$0.5237; 1937, \$0.6575; 1938, \$0.5697; 1939, \$0.4995. Free rate—1938, \$0.4173; 1939, \$0.3626. The compensation exchange rates in 1938 were \$0.4149 and \$0.4621, depending on the type of compensation.

1938 the compensation rate was the controlled rate (in pesos per dollar) plus 20 percent when applied to drafts covering exports of canned beef, and the controlled rate plus 28 percent when applied to drafts from exports of flaxseed. The percentages and the products to which these rates applied were changed from time to time. Both controlled and compensation exchange were allocated for imports from a given country only to the extent that exchange had been created by exports of Uruguayan products to that country. A special selling rate more favorable than the free rate was created for the use of the Government, State enterprises, public utilities, and newspapers for materials for their own use; exchange was sold to importers of other essential articles at a somewhat higher rate fixed daily by the authorities.

In April 1939 Uruguay instituted a system of quotas under which controlled and free exchange were allotted to individual importers on the basis of their imports during the preceding 5 years. Registered importers were permitted to purchase foreign exchange (up to the limits of their respective quotas) to pay for imports from any country to which a monthly quota had been assigned, until the combined purchases of all importers had exhausted that country's quota. In September 1939 the individual quotas and the requirement that importers must be registered were suspended with respect to articles of first necessity.

The restrictive character of the Uruguayan exchange-control regulations has varied with the state of the trade balance. Individual countries have received preferential or nonpreferential treatment, depending on the relation between their purchases from and their sales to Uruguay. In addition, specific import commodities have received preferred or non-preferred treatment. In 1932 and 1933 the exchange restrictions were severe, particularly with respect to imports from the United States; in 1935 a similar situation arose. An abundance of exchange during 1936 and most of 1937 resulted in the relaxation of restrictions, but they were again tightened toward the end of 1937. In 1938, because Uruguay had an import balance in its trade with the United States, that country was not granted any quota under controlled exchange. In 1939, however, both controlled and compensated exchange were allotted for certain imports from the United States.

Commercial treaties and agreements.

In carrying out its policy of balancing its international payments with individual countries, Uruguay entered into trade-balancing or clearing agreements with Spain (1933 and 1935), France (1934 and 1938), Germany (1934, 1935, 1937, and 1939), the Soviet Union (1935), the United Kingdom (1935), Italy (1935 and 1937), Belgium (1936), and Switzerland (1938). Most of these agreements provided that part or all of the exchange created by the exportation of Uruguayan products to these countries would be available only for remittances to the agreement country in payment of deferred commercial credits or the importation of merchandise. Early in 1935 Uruguay entered into trade-balancing agreements of a quasi-official character with Germany, Italy, and the Soviet Union. Most of the exchange created by purchases of Uruguayan goods under these arrangements was reserved for payment of imports from the countries concerned. In addition, direct barter agreements were negotiated through the Bank of the Republic between Uruguayan and United States firms. Since 1935 countries having trade-balancing or clearing agreements with Uruguay have been granted exchange at the "controlled" market rate.

At the close of 1939 unconditional most-favored-nation agreements, none of which antedated December 1933, were in force between Uruguay and Brazil (effective December 13, 1935), Germany (effective May 3, 1934), the Netherlands (effective January 30, 1936), the United Kingdom (effective February 3, 1936), Belgium-Luxemburg (effective May 28, 1938), Norway

(effective January 27, 1937), and Sweden (effective December 11, 1937). There was also a limited most-favored-nation modus vivendi with Spain (effective May 22, 1935). In these most-favored-nation agreements, concessions by Uruguay to Argentina, Bolivia, Brazil, and Paraguay are excepted. The modus vivendi with Spain authorizes exceptions in respect to concessions made to Brazil under the treaty of 1933, and also seasonal concessions to Argentine products, such as on fresh fruits, unless such favors are extended to some third country.

State enterprises.

Public ownership and operation of public utility, industrial, and commercial enterprises have been employed to a greater extent in Uruguay than in any other South American country. This program is principally the product of the social, political, and economic reform movement initiated during the administration of President José Batlle y Ordóñez after his second election to the presidency in 1911. The Uruguayan experiment in State enterprise has been quite independent of foreign origins and preceded the revolutionary movement following the World War of 1914-18 and the political changes ushered in by the depression of 1929.

Various commercial enterprises ordinarily left to private business are, in Uruguay, operated either wholly or partially by the Government. Through its agencies the Government operates what approaches a monopoly of all forms of insurance; it manufactures alcohol, refines petroleum, manages a meat-packing plant, operates fishing trawlers and processes fish products, and manufactures industrial chemicals; it operates the nation's telephone system, some of the railway lines, the port facilities, and the principal banking institutions of the country.

Public monopolies have been employed in other South American countries principally as fiscal agencies and as sources of governmental income. In Uruguay, however, the motives appear to have been different; the system of State enterprises was inaugurated to procure certain economic and social benefits for the Uruguayan people, such as low-cost insurance, wider employment, low-interest rates, and a sanitary and inexpensive meat supply for the city of Montevideo. These agencies have been used also to limit the control of foreign capital over the industrial life of the nation and to assure a degree of independence from foreign sources of supplies. Despite the emphasis upon social rather than financial objectives, State enterprises, on the whole, have been an important source of governmental revenue. In the 20 years ended in 1933 they had earned in the aggregate a net profit of 100 million pesos; some of them, however, have showed recurring annual deficits. The net income (including contributions to Government revenues) from State enterprises between 1937 and 1940 averaged more than 10 million pesos annually, or the equivalent of nearly 10 percent of the revenues of the National Government.

In order to promote efficiency in the management of public enterprises, a number of them have been organized as "autonomous entities" (entes autónomos), or public corporations. ^{1/} As such they have achieved a degree of independence from political control and have been allowed to operate as independent corporations under the management of their own boards of directors ^{2/} and with separate budgets, thus having, at least in considerable degree the usual incentives to operating efficiency and to the earning of net income. It is the viewpoint of some critics, however, that the Government corporations have been inclined to accept net earnings and their contributions to the Treasury as a test of their social serviceability, rather than the wider special benefits which these agencies are in a position to provide. ^{3/}

^{1/} Autonomous entities include ANCAP, UTE, the Banco de la República, and the Banco de Seguros.

^{2/} Usually appointed by the President with the consent of the Senate.

^{3/} A more comprehensive treatment of Uruguayan public enterprises may be found in Simon G. Hanson, Utopia in Uruguay, New York, 1938.

The State insurance monopoly.—Since 1926 the State Insurance Bank (Banco de Seguros del Estado) has been authorized to exercise a monopoly of the insurance of all classes of risks in Uruguay. By 1940 this monopoly had become effective ^{1/} over the following risks: Workmen's compensation (effective in 1914), plate glass, animals, hail, other agricultural risks, civil disturbance, public liability, and nonpayment of house rent (all effective in 1926). Because of the amount of insurance which it has in force in the fields listed, the Insurance Bank does a greater part of the business in other fields as well. As early as 1936 it was writing more than 65 percent of the fire insurance and nearly 75 percent of both life and marine insurance.

The State Insurance Bank was created by a law of December 27, 1911, which authorized it, when deemed appropriate, to exercise a monopoly of three classes of risks: Fire, life, and workmen's compensation. ^{1/} A law of August 30, 1926, extended such control to all risks. The Bank is operated as an autonomous corporation; its directors are appointed by the Executive with the consent of the Senate. From its organization in 1911 it has played a vital role in Uruguayan economic life. From its profits during the first year of operation it purchased the assets of other firms writing workmen's compensation insurance. Because of its favored position as a public corporation, and the demand for its services, it has gradually assumed an increasingly important role in those fields of insurance where the monopoly right has not been invoked.

The services of the State Insurance Bank are generally reported to have been good; claims have been settled promptly, reserves have been accumulated, the volume of business has increased regularly, and it has been liberal in the acceptance of risks. It has operated its workmen's compensation business substantially at cost to the insured and has conducted a campaign to promote old age benefits (seguro popular). The Bank has been required, in lieu of taxes, to make annual contributions to the Government, varying from 200,000 pesos in 1922 to 800,000 pesos in 1939. These contributions appear to have been little more or less than the amount which otherwise would have been received in the form of taxes from privately owned insurance companies. The net profits of the Bank, including these contributions, averaged about 1 million pesos annually between 1937 and 1940. There have been criticisms in some quarters that the State Insurance Bank has been managed too much as a business enterprise, with net profits as the test of efficiency, and with too little emphasis upon the expansion of its services to promote the general social well-being.

ANCAP.—One of the more recent of the Uruguayan State industrial enterprises is the National Administration of Fuels, Alcohol, and Cement (Administración Nacional de Combustibles, Alcohol y Portland), more frequently referred to as ANCAP. This agency, created as an autonomous corporation by a law of October 15, 1931, was authorized to exercise a monopoly of the importation, manufacture, and sale of fuels, alcoholic beverages, and cement. These privileges, however, were not immediately invoked. The corporation began to exercise control over the importation of the principal types of alcoholic beverages in 1932. In 1934, after expropriating domestic plants, it commenced the manufacture of such products in Uruguay. Although ANCAP was authorized by the law of 1931 to construct and operate a cement plant, it has not, as yet, done so; it does, however, handle the importation and sale of cement for public works. It also exercises a monopoly over the importation and sale of coal.

^{1/} According to law the Executive may fix the date when the monopoly of each class of risk becomes effective.

Since 1937 the chief activities of ANCAP have had to do with the importation, refining, and sale of petroleum. As early as 1932, in competition with private operators, it imported petroleum products from the Soviet Union for resale to the public. Prices in the domestic market were thereby reduced, and by 1934 the gasoline sales of ANCAP totaled more than 10 million gallons annually. In addition to effecting substantial savings to consumers, the petroleum sales of the corporation are reported to have earned net profits of nearly 3 million pesos in the first 3 years. In 1935 a contract was let for the construction of a petroleum refinery at La Teja, near Montevideo; the plant was completed in 1937. All gasoline now consumed in Uruguay is refined in this plant, which has a capacity of 6,300 barrels ¹/_{per day}. By an agreement concluded in 1938, private companies retailing their own brands of gasoline are permitted to import the crude oil necessary for their operations, but all refining is done by the State-owned plant. Sales quotas have been fixed for each company. Nearly one-half of the retail sales of gasoline are made by ANCAP itself. Although its policy has been to keep prices of petroleum products low, ANCAP has been an important source of revenue to the Government. In addition to setting aside substantial sums for debt amortization and surplus, annual contributions to the Treasury amounted to about 1.5 million pesos in 1938 and 1939; annual net earnings (including contributions) for these years averaged 1.7 million.

Frigerífico Nacional.—Frigerífico Nacional (The State Packing Plant) was organized in accordance with a law of September 6, 1925, in response to appeals by the growers of livestock for Government measures to raise prices, and in order to improve the distribution of fresh meat in Montevideo. Most of the capital for this enterprise has been advanced by the Government, although about 10 percent has been subscribed by cattle-raisers. The Government thus chooses most of the company's directors. Frigerífico Nacional was authorized to exercise a monopoly of the slaughter of meat for Montevideo. Although it was authorized to construct its own plant, in 1933 it purchased one already in operation. Since then it has operated in the same market with several firms financed by private capital.

The dual task assigned to the company of raising the prices paid to producers and lowering those charged to consumers in the capital city, placed upon it a difficult burden. Nevertheless, conditions affecting the sale of meat in Montevideo have been greatly improved and prices of meat to low-income groups have been reduced, frequently involving losses to the company. In view of the fact that Uruguayan meat exports are relatively small compared to the total world supply, Frigerífico Nacional has been able to exercise little influence over prices paid to producers. The company is reported to have found it necessary to recoup losses incurred from sales to domestic consumers through its exports to foreign markets. In the cross-fire between consumers, stock-raisers, and merchants, the company has been subjected to considerable criticism, and in its attempt to serve these multiple interests the record of the company has shown little profit. Despite certain contributions from the Treasury, the annual deficits in 1938 and 1939 were, respectively, 200,000 and 400,000 pesos. In recent years the company has undergone a number of reorganizations to strengthen its management.

The Institute of Industrial Chemistry.—The Institute of Industrial Chemistry (Instituto de Química Industrial), organized in accordance with a law of October 22, 1912, originally functioned as a research organization. ²/_{In 1915 its activities were broadened to include the training of students and the operation of a small factory. Gradually the commercial operations of the Institute were enlarged and in 1929 its academic functions}

¹/_{Of 42 United States gallons each.}

²/_{The Institute operates under the supervision of the Ministry of Industry and Labor.}

were transferred to the University of Uruguay. The production of fertilizer was undertaken in 1922. By 1929 facilities of the Institute were adequate to supply domestic requirements of sulfuric acid. Since then its operations have been broadened; its products now include sulfuric acid, copper sulfate, fertilizers, and caustic soda. Neither its capital structure (assets of 1 million pesos in 1939) nor the number of its employees (less than 300), is large, reflecting in general the limited character of the Uruguayan market. The Institute has received little financial support from the Government; its development has been primarily through the reinvestment of earnings. It makes only a minor contribution to governmental revenue. Net earnings between 1937 and 1940 were about 45,000 pesos annually.

UTE.—The largest of the Uruguayan State enterprises, both from the standpoint of total resources (50 million pesos in 1939) and the number of its employees (5,500 in 1939) is the State Electric Power and Telephone Company (Administración General de las Usinas y los Teléfonos del Estado), commonly called UTE. This company, organized as an autonomous entity, was established by an Executive decree of October 21, 1912, at which time it was authorized to exercise a monopoly of the supply of electric light and power throughout the country. By 1936 it had made electric-power available to most of the important towns and cities in Uruguay; the State enterprise having in some instances absorbed privately owned plants already in operation and having provided new facilities in others. The service rendered to the public is generally considered to have been modern and efficient. Between 1912 and 1940 Usinas Eléctricas earned gross profits of nearly 40 million pesos. From this income substantial sums were allocated to the amortization of its debt, to the payment of interest, and to depreciation. Moreover, large amounts have been reinvested by the company to finance the expansion program which has been undertaken; the capital account of the company increased from 4 million pesos in 1912 to 40 million in 1940.

Although Usinas Eléctricas has not paid taxes, it has made regular contributions to the Treasury since 1922. Such contributions averaged about 200,000 pesos annually between 1922 and 1939. In more recent years contributions in lieu of taxes have been about 400,000 pesos annually. The annual net profits (before these contributions) of UTE between 1937 and 1940 amounted to 2 million pesos.

In 1931 UTE was authorized to exercise a monopoly of the telephone service in Uruguay. One of its first projects was to install modern telephone facilities in Montevideo; this was completed in 1935. Various independent telephone companies in the interior have subsequently been acquired, although complete control over the country's telephone service has not yet been established.

RIONE.—The Río Negro hydroelectric project (Comisión Técnica y Financiera de las Obras Hidroeléctricas del Río Negro) was initiated in accordance with a decree of February 15, 1934, authorizing the construction of a dam at Rincón del Bonete. During the construction period the management of this project has been entrusted to a special ad hoc commission rather than to UTE. The contract for the initial installations went to a German consortium; work was well under way in 1938, but was incomplete at the outbreak of the war. ^{1/} When finished the plant will supply additional facilities to Montevideo and the surrounding area. The power which will thus be made available is expected to lend additional stimulus to Uruguayan industrialization and to reduce the dependency of the country on imported fuels.

^{1/} Because of the inability of the German interests to supply the necessary equipment, the contract was canceled on May 7, 1942; since then United States firms have contracted to supply the materials necessary to complete the project.

The National Port Administration.—The activities of the National Port Administration (Administración Nacional de Puertos) date from the completion of the port works of Montevideo in 1908. The Government undertook to operate the port but permitted private enterprises to continue many of their services. The Port Administration was created by a law of July 21, 1916, with authority to assume a monopoly over all or any part of the services of the port. It was not until April 18, 1922, however, that such a monopoly was exercised. The Administration operates the port warehouses, as well as the principal tugboat, lighterage, and stevedoring services. It also manages the other ports of the country. ^{1/} In 1930, in view of the inadequacy of existing facilities, it undertook to operate steamer service on the Uruguay River.

Services rendered by the Port Administration are reported to compare favorably with those in other Latin American countries. Charges for these services have in general been reduced under Government operation. Wages paid to employees, on the other hand, have been increased and have generally been higher than those paid elsewhere in Uruguay. Beginning in 1924 the Port Administration was required to make annual contributions to the Government to finance public undertakings. Between 1937 and 1940 these contributions amounted to more than 700,000 pesos annually. The operations of the Port Administration have, nevertheless, been profitable; annual net profits have increased from an average of 30,000 pesos between 1916 and 1921, to more than 400,000 pesos (after contributions) between 1937 and 1940.

The State Railways.—Most of the Uruguayan railways are privately owned and operated. ^{2/} About 600 kilometers of the total network of 3,000 are owned and operated by the Government. Following a period of public dissatisfaction with the rates and services of the railroads, a program of public ownership was initiated. Originally the plan contemplated complete control by the State; the terms of the British concessions, however, rendered expropriation difficult. The first step was taken on January 4, 1915, with the acquisition of the Ferrocarril y Tranvía del Norte. Soon thereafter 50 kilometers of track between Duranzo and Trinidad were added. Since that time there have been other additions.

The roads operated by the State Railways (Ferrocarriles y Tranvías del Estado) do not represent an integrated system, but constitute a number of scattered lines which, in effect, serve as feeders to the Central Uruguayan Railway; they have no independent access to Montevideo. Because of the problems thus presented, the financial history of the State Railways has not been particularly favorable. They apparently have made no regular contribution, in lieu of taxes, to the Treasury; recurring annual deficits between 1937 and 1940 have averaged about 300,000 pesos. The enterprise, representing less than 20 percent of the total railway mileage, has neither been large enough to influence the national rate structure nor to serve as an adequate test of operating efficiency.

Other commercial enterprises.—the Government of Uruguay participates directly in the industrial life of the country in other instances, for example the telegraph system and the fishing industry. The telegraph services of Uruguay are operated as a public monopoly by the Office of Communications (Dirección de Comunicaciones) under the supervision of the Ministry of Defense. This agency also operates a commercial radio service.

^{1/} Since 1941 the Port Administration has undertaken the operation of shipping services, using for such purposes ships of foreign registry taken over by the Government.

^{2/} Principally by British interests.

Since 1911 the Uruguayan Government has been active in developing the abundant fishing resources in neighboring waters. In that year the Institute of Fisheries (Instituto de Pesca) was organized as a research agency to study the character and potentialities of this natural resource. It was also given certain regulatory powers over commercial fishermen. Over a period of years the Institute's interest in commercial activities has increased. On April 24, 1933, the Institute was re-organized to function under the supervision of the Ministry of Defense, and its name was changed to the Oceanographic and Fisheries Service (Servicio Oceanográfico y de Pesca, frequently referred to as SOYP). The duties assigned to the new organization included the study of ocean currents and the character, habits, and migrations of fish. It was authorized to enforce fishing laws; to study the economics of the fishing industry, and to suggest ways of improving commercial fishing; to stimulate the consumption of fish; and to initiate measures of improving the distribution of fish products to consumers.

The commercial activities of the SOYP now constitute its major interest. It employs nearly 300 workers and is responsible for nearly 50 percent of the commercial catch in Uruguay. It operates several trawlers and fishing boats, a warehouse, an ice factory, and a processing plant. Its products include salted and dried fish, canned fish, fish oil and meal, as well as fresh fish. The SOYP sells fresh fish to wholesalers in Montevideo in its own trucks and distributes them at retail in the streets from its own pushcarts. The objectives of the SOYP appear to have been developmental as well as that of providing employment and that of supplying low-cost food products to the public, rather than that of exploiting the industry for its revenue potentialities. At any rate, it has been operated at a net cost to the Treasury, with recurring annual deficits since 1911.

The State banks.—In addition to its commercial enterprises the Government operates two important banks—the State Mortgage Bank and the Bank of the Republic. On July 26, 1912, the State Mortgage Bank (Banco Hipotecario del Uruguay) was organized as an autonomous entity. Since then it has become a major influence in the mortgage market of Uruguay. The function assigned to the Bank is promotional—that of encouraging and facilitating ownership of both urban and rural homes. It is estimated that nearly 50 percent of all loans made for these purposes in Uruguay during recent years have been made by the Bank. The Mortgage Bank has been especially interested in aiding small-scale land ownership among farmers. Likewise it has undertaken to facilitate immigration and the colonization of rural areas. In 1923 an independent section of the Bank (Sección de Fomento Rural y Colonización) was established for this purpose. The Banco Hipotecario also operates a savings department (Caja de Ahorros) which has proved to be very popular among lower-income groups. Its treatment of debtors has been liberal, and its loan account has expanded over the years. ^{1/} During its first 20 years of operation the Mortgage Bank earned a net income of 15 million pesos, most of which was used to build up reserves; in addition nearly 7 million pesos were contributed to the revenues of the Government. Net income (before those contributions) between 1937 and 1940 averages about 1.5 million pesos annually.

The Bank of the Republic, organized in 1896, is an independent Government corporation. Its original capital of 5 million pesos was contributed by the State. During the early years of operation its principal activities related to the extension of low-cost rural credit. Loans were usually of three types: To provide fixed capital for the

^{1/} Mortgage loans of the Banco Hipotecario amounted to 152 million pesos in 1938.

purchase of land and for permanent improvements; to provide working capital for the purchase of agricultural machinery and improved breeding stock; and to extend short-term capital for harvesting, grain storage, and seed. Most of the credit thus extended was of the first type, particular emphasis being given to the encouragement of small-scale land ownership.

The Bank of the Republic now renders a comprehensive banking service to the country. Through its numerous branches it not only provides commercial and rural credit but serves as the fiscal agent of the Government, the custodian of the gold reserve, and as the sole bank of issue. It has become the chief depository for the savings accounts of the Uruguayan people. Since 1911 it has conducted active foreign-exchange operations and since 1931 has been the principal agency of foreign-exchange control. The Bank has been an influential force in the Uruguayan money market and is credited with having lowered interest rates to the public while at the same time raising those paid to depositors. Moreover, during its first 40 years it earned net profits of nearly 50 million pesos, of which more than 2 million pesos were added to reserves, 20 million were added to capital, and nearly 19 million were contributed to the revenues of the Government. Net profits between 1937 and 1940 averaged about 6 million pesos annually.

Economic Controls and Commercial Policy Since the Outbreak of the War

The essential features of the system of economic controls employed in Uruguay before 1940 have since been retained, with a few important modifications, however. New controls have been imposed primarily in response to conditions created by the war. Perhaps the most critical problem resulting from the war has been the inability of Uruguayan importers to obtain many raw materials and other supplies essential to the national economy. Since 1941 shortages of shipping and supplies from foreign nations, have rendered this problem more acute. These and other factors have contributed to a trend of rising prices. New controls, evoked at least in part by the war, have provided for the rationing of various commodities and for the establishment of the National Subsistence Commission to control prices. Export and reexport controls have been employed to conserve existing stocks and to block the flow of strategic materials to the Axis Powers.

Modification of import duties.

Although the essentials of the Uruguayan tariff system have remained unaltered since 1940, important modifications have provided for a new system of classification and nomenclature, for replacement of the gold surcharges by another form of surcharge, and for a general increase in official tariff valuations. Between 1940 and 1943 a completely revised tariff classification and nomenclature was put into effect to replace the antiquated schedule which had served for more than half a century. The new classification embraces 21 sections and follows, in general, the recommendations of the League of Nations committee on tariff nomenclature. ^{1/} On September 3, 1940, the first 10 sections of the new customs tariff were given Executive sanction. ^{2/} Other sections became effective from time

^{1/} This project was initiated in 1934 by the creation of a Central Tariff Commission (Comisión Central de Tarifas) which was authorized to prepare a "scientific and rational" general customs tariff to facilitate administration and eliminate confusion. (Executive decree, April 2, 1934.)

^{2/} Executive decree, September 3, 1940, Diario Oficial, September 12, 1940; effective 120 days after publication.

to time as they were completed by the Central Tariff Commission, the last being on September 21, 1942. 1/ To facilitate the administration of the new classification it was necessary to publish tariff valuations 2/ for all items; these were revised in some instances, however, to conform more closely with market valuations. The prevailing rates of duty were left unaltered by this revision.

Beginning in 1931, the Uruguayan tariff law had required that a part of the import duties on most commodities be payable in gold. 3/ At the rates of exchange prevailing in 1942 the effect of this requirement was to increase the basic rates of duty on "nonessentials" by about 84 percent and on other commodities (except prime necessities) by about 42 percent. In July 1942 the gold surcharges were abolished, and in lieu thereof a general 50-percent surcharge (over the basic rates of duty) on all dutiable imports except prime necessities was substituted. 4/ This change appears to have been initiated principally to secure additional revenue. The new measure increased the effective rates of duty on numerous commodities, inasmuch as most of the items in the tariff schedule had previously been subject to the smaller gold payment requirement of about 42 percent. The new surcharge constitutes the minimum tariff; the Executive may increase this by as much as one-half for imports from countries which do not accord most-favored-nation treatment to, or which otherwise discriminate against, Uruguayan products.

Another measure, designed to increase customs revenues, was adopted in May 1943. Governmental income from the tariff had declined by more than 20 percent between the fiscal years of 1941 and 1942. In accordance with powers vested in the Executive 5/ the official valuations for all items in the tariff schedule were increased by amounts varying from 20 to 60 percent. 6/ This measure became the object of considerable criticism by domestic importers; hence, in June a general 30-percent increase of all tariff valuations was substituted for the graduated scale of increases already in force.

Changes affecting the rates of duty, tariff classification, and official valuations for individual import commodities, as distinct from the general schedule have probably been made with greater frequency in Uruguay since 1939 than in any other South American country. Such changes have ordinarily been made in accordance with the Executive powers previously described. 7/ Most of the changes have reduced tariff rates, but increased rates of duty have been established for a few products, such as tanning extract, and have been made in order to foster the domestic production.

1/ Tarifa de Aforos de Importación, Montevideo, Imprenta Nacional (published in sections between 1940 and 1943); the new customs tariff does not include the effective rates of duty for each item in the schedule.

2/ Most Uruguayan tariff duties are ad valorem based on official valuations: see the section on the tariff.

3/ See the section on the tariff.

4/ Executive decree, Diario Oficial, July 29, 1942.

5/ Article 5 of the law of September 19, 1923, requires that tariff valuations be based upon the c.i.f. values of merchandise in customs warehouses, and authorizes the Executive to modify such valuations. Customs Valuation Committees (Comisiones Aforadoras de Aduana) were created by the same law.

6/ Executive decree, May 14, 1943, Diario Oficial, May 26, 1943; valuations were increased progressively according to the unit values of the commodities affected.

7/ See the section on the tariff.

The Executive has granted duty-free entry to numerous food products and other materials essential to the national economy, this privilege usually being limited each time to the importation of a specified maximum quantity. Since 1939 such relief has been granted from time to time to the importers of peas, beans, chickpeas, lentils, onions, garlic, potatoes, various other vegetables, peanuts, apples, pears, wine lees, eggs, fats, wheat, corn, barley, oats, bran, seeds, forage, newsprint, fuel oil, automobile tires (specified sizes not produced in Uruguay), horse-drawn vehicles, and other commodities. Similarly, the Executive has exercised his authority to transfer certain essential commodities to the raw-material schedule for temporary periods, thereby according them lower rates of duty. Among the numerous import products thus affected were copper and copper alloys, gum resins, octyl acetate, ethyl acetate, oiticica oil, collodion cotton, paraffin, zinc and beryl silicates, calcium and magnesium tungstates, powdered tannin, mother-of-pearl, friction tape, scrap paper, ceramic clays, ethers, and ammonia alum.

Exchange control since 1939.

The system of exchange control evolved in Uruguay under the law of 1934 has been employed during the war with a number of important modifications. Under this system all exchange operations are subject to the joint control of the Bank of the Republic and the Honorary Commission of Control of Exportation and Importation. Import quotas to individual countries are allocated by the Bank in accordance with estimated exchange availabilities, whereas quotas and exchange for individual importers are apportioned by the Control Commission. The latter agency likewise designates the rate of exchange available to importers for each class of merchandise and fixes the rates at which exporters may sell their exchange.

Only registered firms are permitted to import merchandise, import permits being required before goods may be cleared through the customs. Imports have been classified in three categories: (1) Raw materials and prime necessities; (2) goods considered desirable but not absolutely essential; and (3) nonessentials or luxuries.

The exchange authorities have continued to quote three rates of exchange—controlled, free, and compensation. The controlled rate, which has not varied since 1940, has been quoted at 1.90 pesos to the dollar. ^{1/} During 1940 the free rate, which has fluctuated in partial response to supply and demand, usually sold for about 35 percent more than the controlled rate. ^{2/} Compensated exchange, granted only for payments for goods classified as luxuries, was generally quoted at 20 percent more than the free rate. It has been the policy of the Bank to grant controlled exchange to pay for raw materials, agricultural and industrial machinery, chemicals, and other prime essentials. Free and compensated exchange or some combination of all three rates have been used in payment for other classes of goods. The objectives of exchange control have varied little from those of previous years and have been directed to a policy of trade bilateralism, to the maintenance of an export balance of trade, to the control of both the source and volume of individual articles of import, and to the fostering of domestic industries by the selective restriction of imports.

The legal status of the Commission of Control of Exportation and Importation was given sharper definition by an Executive decree of April 1, 1940, which reduced to the status of formal law the procedures which the Commission had developed over a period of years. The powers of the Export and Import Control were thus specifically enumerated but they did

^{1/} Selling price.

^{2/} 2.54 pesos to the dollar on January 1, 1941.

not vary in substance from those which had already been exercised. Perhaps the most important provision of the new decree was the power granted to the Government to appoint four out of seven members of the Honorary Commission, ^{1/} thus assuring Government control over its administration. To remove all doubt concerning its legal status the National Assembly, by a law of January 17, 1941, constituted the Export and Import Control as a Government entity under the supervision of the Ministry of Finance. The procedure set forth by the decree of April 1, however, was left substantially unaltered. ^{2/}

Since the beginning of the war exchange control has been employed with greater emphasis for the purpose of increasing Uruguayan exports. In order to compensate for the loss of European markets and to stimulate the domestic manufacture of articles using Uruguayan raw materials, exporters of such articles have been granted the privilege of selling varying percentages of their bills at the free rate. The same privilege also has been extended to exporters of a number of other products. ^{3/} Beginning in 1940 export premiums were granted on wool, salted hides, and sheepskins; this premium, in the form of a permit to sell up to 15 percent of the value of such goods in free exchange, constituted a bounty of about 10 percent. In March 1942 the Bank of the Republic announced that a list of semiluxuries and other products capable of domestic production could be imported only with compensated exchange; the purpose of this policy was to stimulate the exportation of designated Uruguayan products.

Since the early part of 1941 the Uruguayan exchange position has continued to improve, principally as a result of the strong export balance of trade which has developed. Uruguayan exports have held up relatively well, and shipping restrictions, in many instances, have served to curtail imports. Consequently, the value of the peso has appreciated in terms of other currencies; the free exchange rate declined from an annual average of 2.31 pesos to the dollar in 1941 to 1.90 in 1942. ^{4/} Because of the improved situation the Control authorities have been more liberal both in the granting of exchange and in designating the rates to be applied to certain import products.

Early in 1942 the Bank of the Republic announced that until further notice imports originating in the "Sterling Area," the United States, Canada, and countries of Latin America, as well as in countries with which there are conventions or clearing agreements (the latter when they provide for quotas), will be paid for with controlled exchange: regardless of the type of merchandise. Imports from other countries will be paid for with free exchange if in the first and second categories. All articles in the third category from countries other than those specified will be paid for with compensated exchange.

Recent commercial agreements.

Since the outbreak of the war in 1939 Uruguay has negotiated new commercial agreements with Canada, Japan, ^{2/} Switzerland, the United States, Paraguay, and the United Kingdom. Four of these provide for reciprocal

^{1/} The reconstituted Honorary Commission of Control of Exportation and Importation is composed of a president and two delegates appointed by the Executive and one representative from each of the following: The Bank of the Republic, the National Chamber of Commerce, the Chamber of Industries, and the Mercantile Chamber of Products.

^{2/} A regulatory decree of April 30, 1942, gives further definition to the functions of the Export and Import Control Commission.

^{3/} See Executive decrees of November 15, 1940, and June 20, 1943.

^{4/} The average annual buying rates for free exchange in New York City were as follows: 1939, 36.79 cents; 1940, 37.60 cents; 1941, 43.38 cents; and 1942, 52.72 cents.

^{5/} Uruguay declared war on Japan on January 25, 1941.

most-favored-nation treatment. Effective May 15, 1940, the Governments of Uruguay and Canada granted each other unconditional and unrestricted most-favored-nation treatment in all matters affecting imports. Exception to this guarantee was made in respect of advantages granted by Uruguay exclusively to any of the following countries: Argentina, Bolivia, Brazil, and Paraguay, or by Canada to the United Kingdom and the British Dominions. Uruguay was thereby assured the benefit of the Canadian intermediate tariff. An unconditional most-favored-nation treaty between Uruguay and Japan became effective on May 19, 1940. The agreement between Uruguay and Switzerland, effective October 21, 1941, likewise provides for the exchange of unconditional and unlimited most-favored-nation treatment; exceptions are provided for in the case of privileges to facilitate frontier traffic granted by Switzerland to France, Germany, and Italy, and by Uruguay to Argentina, Bolivia, Brazil, and Paraguay.

The trade agreement between Uruguay and the United States, effective January 1, 1943, ^{1/} will remain in force for 3 years. ^{2/} It provides for reciprocal most-favored-nation treatment in matters relating to tariff duties and other customs treatment, and exchange control, and for national treatment affecting the internal taxation of imported products. The United States, however, agreed not to invoke most-favored-nation provisions with respect to tariff preferences granted by Uruguay to contiguous countries, or to Paraguay. Concessions were granted to the United States by Uruguay on 141 Uruguayan tariff items representing 24 percent of total United States exports to that country in 1940. These included reductions in the rate of duty on 81 items (representing 10 percent of total United States exports to Uruguay in 1940), the most important being motor vehicles, lumber, radios, electric refrigerators, typewriters, cigarettes, and motion-picture films. Other concessions by Uruguay related to products which were bound either on the free list or at the existing rates of duty. Concessions by the United States to Uruguay consist entirely of bindings of existing tariff treatment for commodities representing 32 percent of total imports from Uruguay in 1940. ^{3/} The principal commodities affected are flaxseed, preserved meats, hides and skins, and wool.

Important features of two conventions concluded with Paraguay on February 4, 1940, were the creation of a mixed commission to propose measures for the economic development of Paraguay and the granting of credits by Uruguay to the Bank of the Republic of Paraguay. On September 16, 1940, the Anglo-Uruguayan Payments Agreement of 1935 was superseded by a new agreement; this provided for blocking all sterling exchange balances created by Sterling Area ^{4/} purchases in Uruguay, and fixed the rate of exchange between the pound sterling and the peso. Payments by the Sterling Area resulting from imports from Uruguay and current financial transactions must be paid into special accounts opened by Uruguayan banks with their correspondents in the United Kingdom. All payments by Uruguay for imports from the Sterling Area or because of other commercial transactions must be made through these special accounts, which may not be employed to finance the importation of products into Uruguay from outside the Sterling Area.

^{1/} U. S. Tariff Commission, Trade Agreement Between the United States and Uruguay, Washington, 1943 [processed]; see also The Department of State Bulletin, July 25, 1942.

^{2/} This agreement will automatically continue in force beyond the initial period unless terminated by one of the two countries.

^{3/} Uruguay thus benefited from concessions granted by the United States to Argentina in the trade agreement, effective November 15, 1941.

^{4/} The Sterling Area comprises the United Kingdom, the British Dominions and colonies (not including Canada, Newfoundland, and Hong Kong), and British mandates and protectorates.

Export and reexport control.

Since the outbreak of the war most of the countries of Latin America have undertaken to control both the exportation and reexportation of vital industrial materials, in order to husband supplies essential to the domestic economy and to direct the flow of strategic materials. At the meeting of Foreign Ministers of the American Republics held at Panama in 1939, resolutions were adopted affirming the necessity and purpose of maintaining hemispheric solidarity and mobilizing economic resources for common defense. Several measures implementing these objectives were adopted by Uruguay soon thereafter to control exports ^{1/} of scrap iron. On July 4, 1941, the exportation, except under permit, of an extensive list of vital products was forbidden, including all metals, ^{2/} building materials, metal scrap, yarns and thread, ^{3/} chemicals, dyes and paints, coal and wood, jute bags and bagging, cork, and mica. The control thus exercised was designed to conserve domestic supplies as well as to prevent their shipment to the Axis-controlled nations.

This measure was strengthened a few weeks later by prohibiting the exportation of machinery of any kind and of all metals, worked or unworked. ^{4/} The reexportation, except by permit, of all goods shipped into Uruguay, except those in transit, was prohibited shortly thereafter. ^{5/} In September these controls were amended to permit the exportation of machinery and metal articles of Uruguayan manufacture to other countries of the Western Hemisphere having similar export controls, to authorize the shipment of metal containers when they are to be returned to the country, and to permit the reexportation of articles of foreign manufacture under the special authorization of the Executive. ^{6/} Other strategic materials have been subjected to similar regulation; various decrees have prohibited the exportation, except by permit, of fuels, certain mineral products (including bauxite, beryl ore, chromite, ferronickel, industrial diamonds, manganese ore, quartz crystals, rutile, and zirconium), ^{7/} rubber and rubber products, ^{8/} and airplanes. ^{8/}

Even before the war it was the practice in Uruguay to prohibit temporarily the exportation of certain essential industrial materials and articles of prime necessity. This was done to conserve domestic supplies or to alleviate conditions of temporary shortage. The war, however, has created new problems of supply which the measures already described were designed, at least in part, to relieve. Numerous decrees since 1940 have established similar export prohibitions for additional products, some of the more important of which are gas oils, other fuels, hare skins, red lead, ship chandlery, oak casks, distilled and alcoholic beverages, wheat and wheat flour, horses, petroleum lubricants, and gum lac.

Wartime financial controls.

The Ministers of the American Republics, meeting at Rio de Janeiro in January 1942, recommended the adoption of measures to block the use or transfer of funds, within the American Republics, held by nations (or their nationals) which had committed acts of aggression against the American Continent. Uruguay had already taken steps to achieve these objectives;

-
- ^{1/} Executive decrees of September 22, 1939, and June 6, 1941.
^{2/} Except gold and other precious metals when authorized by the Bank of the Republic.
^{3/} Except wool or cotton.
^{4/} Executive decree, July 25, 1941.
^{5/} Executive decree, July 28, 1941.
^{6/} Executive decree, September 2, 1941.
^{7/} Executive decrees of November 5, 1941, and May 2, 1942.
^{8/} Executive decree, April 14, 1942.

within a week following the attack on Pearl Harbor two decrees established control over the funds of Japanese, German, and Italian nationals. On December 9, 1941, the transfer of funds, securities, and merchandise in favor of Japanese persons or entities was forbidden. Individual accounts were blocked and made subject to the control of the Bank of the Republic. On December 12, 1941, similar control was established over German and Italian interests; certain exceptions were provided, however, for firms located in Uruguay. The Bank of the Republic was authorized to exercise strict control over the Banco Alemán Transatlántico and the Banco Français e Italiano. Interventors were appointed to supervise the activities of these banks and to prevent the use of their assets or deposits to the detriment of countries in the Western Hemisphere "with whose international interests Uruguay had proclaimed its solidarity." On February 5, 1942, the Bank liberalized its control to permit transfer of funds through the free market to countries of the Western Hemisphere. At the same time the total amount of currency which any person may take with him when leaving the country was limited to 300 pesos or its equivalent in foreign money.

Another measure designed to reinforce wartime economic controls established by the United States relates to the circulation of United States currency in Uruguay. The exportation and importation as well as the purchase and sale of such currency are prohibited, except by the Bank of the Republic. Persons possessing such funds were required to declare them by July 5, 1942. To secure conversion all dollar currency must be turned over to the Bank. This measure was designed to block the disposal of funds seized by the Axis Powers in the conquered territories.

Rationing of scarce commodities.

The war and the accompanying shipping restrictions have created shortages of many essential raw materials and industrial supplies in Uruguay. Shortages of petroleum and other fuels have been most acute, although numerous commodities, including newsprint, structural iron, sugar, rubber, and industrial metals, have been similarly affected. Uruguayan imports of many essential industrial materials have declined markedly since the beginning of the war.^{1/} To meet this situation the Government has initiated measures to conserve existing stocks and to apportion their distribution. No comprehensive system of rationing has been established, however, and no central agency has been created to coordinate these activities.

Uruguay is almost entirely dependent upon foreign sources for fuel. On December 26, 1941, the National Fuel Rationing Commission was established to study means of conserving existing stocks and to supervise their distribution among consumers. As a part of this program the Government-owned electric plants (UTE) undertook to reduce their services by about 20 percent and thereby to reduce the consumption of fuel.^{2/} A system of rationing for electric power was initiated at the same time. The electric plants are reported to have substituted Argentine corn for coal and to have reduced their consumption of fuel oil by almost 45 percent. Other fuel substitutes have been adopted, including linseed and sunflower seed cakes, and alcohol; woodburning systems have been installed in locomotives, manufacturing plants, shops, and apartment houses. To compensate for the higher cost of fuel, as well as to restrict consumption, electric light and power rates were increased by 30 percent.

^{1/} Imports for 1942, as compared with 1939, show the following decreases for particular commodities: Burlap, 23 percent; machinery, 23 percent; petroleum, 37 percent; newsprint, 40 percent; iron and steel, 52 percent; and coal, 62 percent.

^{2/} Executive decree, August 20, 1942.

Petroleum products, principally gasoline, kerosene, fuel oil, and lubricants, have been the particular object of public concern and regulation. Rationing measures in this field were facilitated by the control exercised by the State monopoly, ANCAP. On July 30, 1941, the Government ordered a 25-percent reduction in the sale of all gasoline to distributors; gasoline used by agricultural consumers, however, was not affected by this ruling. By a decree of September 15, 1941, a system of rationing through the use of coupons was inaugurated for private consumers, and special allotments were assigned to industrial users. During this early period the National Fuel Rationing Commission directed the gasoline-rationing program. 1/ These measures were revised on several occasions, principally to perfect the system and further to restrict consumption. On January 7, 1942, the coupon system was abandoned and the rationing of petroleum products was delegated to a new agency, the National Petroleum Coordination Committee. 2/ Shortly thereafter a new system of coupon rationing was put into operation. 3/ Since May 24, 1943, the rationing of liquid fuels has been administered by the new National Fuel Rationing Committee. Monthly basic quotas of gasoline have been established for various uses including those for industry, agriculture, and transportation, and for civilian purposes. Similar controls have been instituted for kerosene, gas oil, fuel oil, and lubricants. Other measures to conserve petroleum supplies include the compulsory reduction of truck transportation services; and the appointment of a committee to promote the manufacture and use of gasolene, 4/ with the subsequent designation of ANCAP to supervise the manufacture of such machines. 5/ In general, efforts to ration petroleum products are reported to have been effective, although active black-market operations have flourished at times.

Several decrees have been designed to control the distribution of structural iron and steel. On May 23, 1941, all dealers having such materials in their possession were required to keep a special register showing the stocks on hand, and to make regular reports to the Bureau of Industries and to the National Subsistence Commission. Meanwhile, the city of Montevideo ordered the use of metal substitutes, wherever possible, on all construction projects. Regulations were issued by the Government throughout 1942 to increase the effectiveness of these measures. 6/ On October 9, 1942, the supervision of this program was entrusted to the newly created Commission for Construction, Planning, and Development (Comisión de Racionalización y Fomento de la Edificación). Similar control was extended to copper, tin, and tin plate on February 12, 1943.

On March 20, 1942, the Government issued the first of a series of decrees designed to conserve the supply of newsprint; the size of newspapers, the number of pages, and the frequency of supplements were limited. 7/

1/ Executive decree, September 1, 1941.

2/ Between September 11, 1942, and January 8, 1943, the National Petroleum Coordination Committee exercised the functions of the National Fuel Rationing Commission.

3/ February 6, 1943, for the city of Montevideo, and February 27, 1943, for the rest of the country.

4/ A portable apparatus for generating combustible gas (usually from charcoal) for use in automobiles.

5/ Executive decree, May 14, 1943.

6/ Executive decrees of March 27, 1942, June 4, 1942, July 31, 1942, September 11, 1942, and December 4, 1942; the General Office of Economic Affairs appears to have been charged with the administration of these measures.

7/ The decree of March 20, 1942, was reenforced by decrees of May 15, 1942, May 22, 1942, November 20, 1942, and December 18, 1942.

The General Office of Economic Affairs was charged with the enforcement of these regulations; on September 18, 1942, however, the Executive appointed an honorary commission to draw up additional regulations if deemed necessary.

In addition to these controls, merchants handling various commodities have been required to declare their stocks. Action of this nature has been applied to such commodities as imported merchandise, materials for ship construction and repair, sugar, cereals, edible oil, newsprint, copper, sisal, hemp, and raw products. Further to alleviate the supply problem, the Bank of the Republic and ANCAP have been authorized at times to purchase and import, when possible, stocks of a variety of commodities including metals, chemical products, corn, sugar, forage, potatoes, and charcoal.

Price control.

Almost immediately after the outbreak of the war in September 1939 the Uruguayan Government took steps to cope with the problem of rising prices. Price-control measures had been employed, however, on previous occasions; for short periods following 1917 and 1934 attempts were made to regulate prices of prime necessities and to curb speculation. During 1939 maximum prices had been fixed for a few essentials such as sugar, rice, and potatoes. On September 5, 1939, the General Assembly granted the Executive, for a temporary period (subsequently extended), authority to take whatever measures might be necessary to prevent price increases and the hoarding of basic commodities. By the end of September maximum prices (usually both wholesale and retail) were fixed for about 20 commodities, including sugar, coal, flour, bread, potatoes, rice, gasoline, and meat products. The Executive appointed an honorary National Subsistence Commission to advise him, and during 1940 and 1941 additional commodities became subject to regulation.

Present price-control activities are authorized by a law of October 23, 1941. At that time the Executive was granted authority to control the supply and prices of a long list of essential materials and articles of first necessity. ^{1/} He was authorized to prohibit the exportation of such products, to reduce or remove customs duties, to fix maximum wholesale or retail prices, and to acquire stocks for resale to the public. A new National Subsistence Commission (Comisión de Subsistencias) was created, and the Executive was required to consult with that body before exercising his price-control powers. The Commission was instructed to appoint auxiliary honorary commissions in the capitals of the various departments. These local subsistence commissions appear to have functioned, however, in only five or six departments. In December 1941 the administrative work of the National Subsistence Commission was taken over by the new General Office of Economic Affairs ^{2/} (Dirección General de Asuntos Económicos), which in addition to its numerous statistical activities was to assist the Executive in the achievement of the general objectives of the law of October 1941.

Practically all of the methods authorized by the law of October 1931 have been employed to check rising prices and to prevent increases in the cost of living. ^{3/} Maximum wholesale and retail prices have been fixed

^{1/} Executive Decree No. 10075, October 23, 1941, Diario Oficial, November 1, 1941.

^{2/} Created by Executive Decree No. 10107, of December 26, 1941, to function as an agency of the Ministry of Industries and Labor.

^{3/} See also the sections on the tariff and on rationing.

for practically all prime necessities. Moreover, the Executive has used the authority granted to him to add many additional commodities to the list originally designated as prime necessities and thereby subject to price control. Prices, when fixed, are published in the newspapers, and merchants are required to post them for public view. The price-control authorities maintain a small corps of inspectors (principally in Montevideo) who make periodic investigations to determine the degree of compliance. Penalties, though moderate, have been imposed frequently. The control authorities operate under many of the handicaps confronting similar agencies in other countries, including the scarcity of supplies, the expansion of bank credit, and the lack of an adequate and trained staff. Nevertheless prices appear to have risen less rapidly in Uruguay than in many other countries. Official statistics, which may not reflect the full change which has taken place, indicate that the cost of living (in Montevideo) has increased less than 10 percent since the outbreak of the war in 1939. Wholesale prices, on the other hand, have increased nearly 35 percent since 1939.

Post-War Problems Relating to Controls and Commercial Policy

The economic position of Uruguay, like that of most countries of South America, usually reflects the general level of international trade and the vigor of commercial activities throughout the world. Because of the importance of such export products as meat, wool, and hides, the prosperity of Uruguay is materially dependent upon the maintenance of a high level of foreign trade. This relationship, however, has not prevented a trend in the pre-war years toward a more restrictive commercial policy. Through such devices as exchange control, export bounties, import restrictions, and the tariff, the Government has sought to stimulate domestic agriculture and industry and to achieve a higher degree of economic self-sufficiency. This trend developed, however, during a period when nations throughout the world were resorting to numerous devices to channelize trade and were increasing barriers to the flow of international commerce. The adoption of a restrictive trade policy by Uruguay represents not only a reflection of this world trend but also, at least in part, an effort to protect against the dislocations resulting from the economic crisis following 1929 and the aggressive trade policies instituted by many other countries.

The general economy of Uruguay will benefit if commercial policies adopted at home and abroad after the war promote a general revival and expansion of international trade. A program which will serve the broad economic needs of the Uruguayan people and promote a healthy development of domestic enterprise can best be achieved, of course, in cooperation with other nations. That Uruguay may be prepared to contribute to such a program is perhaps suggested by its negotiation since 1940 of several most-favored-nation agreements.

Public enterprises.

Many of the enterprises owned and operated by the Uruguayan Government are in fields ordinarily left in other countries to private concerns which make contributions to the Government in the form of taxes and to individuals in the form of interest and net profits. It is probable that Uruguay will continue its present system in the future, possibly expanding its scope. In Uruguay the policies with respect to the management of these public agencies seem to vary. None of them is operated as a fiscal monopoly, as is done in a number of Latin American countries, with the major objective of raising revenue. Some are operated in competition

with private business, whereas others enjoy a monopoly position. Apparently the rendering of service to the public is of greater importance in the management policy of some of the enterprises than the amount of net income returned to the Treasury, whereas in others the ordinary business goal of maximum profit seems to predominate.

Uruguayan public enterprises have made substantial contributions to the well-being of the people and some of them have been important sources of governmental income. In 1942 eight of them earned a total net income, including contributions to the State, of about 10 million pesos, although three incurred deficits of nearly 7 million pesos.

In general, the services rendered are reported to compare favorably with those rendered in neighboring countries by private corporations. It appears, however, that the objectives of managerial policy have not been clearly defined in some instances, and that a comprehensive analysis by the Government might be advantageous to determine for each enterprise the relative extent to which financial self-sufficiency, maximum net income, or maximum service to the public, even though subsidized, should be the goal, and to appraise, in general, standards of service and operation.

