

Contracting Parties

Third Session

GENERAL ECONOMIC AND FINANCIAL SITUATION

OF NICARAGUA

The following letter, dated 29 June, has been received by the Executive Secretary from the President of the Nicaraguan delegation:

With reference to document GATT/CP.3/21 and my communication dated 16 June 1949, I have the honour, through your good offices, to inform the Contracting and Acceding Parties to the General Agreement on Tariffs and Trade that my Government has not imposed any non-discriminatory restrictive measures to promote the establishment, development or reconstruction of particular industries or particular branches of agriculture, notification of which is required in accordance with Article XVIII, paragraph 11 of the General Agreement.

I consider it advisable, however, to inform the Contracting and Acceding Parties of certain aspects of the general economic and financial situation of my country and of various legal provisions which have or may have certain effects on imports.

I

The Memorandum marked A, annexed hereto, which was submitted to the delegations that negotiated with my country, contains a general summary of the economic and financial situation of Nicaragua. It shows that:

- A) My Government is at present revising its Customs tariff. This revision will not, of course, affect the duties negotiated at Annecy while they are in force.
- B) The legislation on exchange control, which dates from the year 1932, was amended by a law of 4 April 1949 in order to carry out the recommendations of the Commission sent to Nicaragua by the International Monetary Fund in February this year, to study international exchange difficulties. The only reason why exchange control has been maintained for more than fifteen years is to protect the nation's balance of payments which, however, showed heavy deficits in the years 1947 and 1948, necessitating the introduction of stricter regulations.
- C) The urgent necessity for economic and financial readjustments has led the Nicaraguan Government to study a General Plan for Economic Development, for the preparation and financing of which it is requesting the co-operation of the International Bank for Reconstruction and Development; the Bank will shortly send a Commission to carry out a general economic survey. When the General Plan for Economic Development has been finally formulated it will probably be desirable to adopt non-discriminatory measures to promote the establishment and development of national industries or branches of agriculture, such as are referred to in Article XVIII, paragraph 11. Should this be the case, the procedure laid down in the General Agreement will then be followed.

II

You will find attached hereto a copy of the Memorandum submitted by my delegation to all countries with which it has negotiated, informing them of the existence of certain internal taxes affecting imports on which my delegation has not conducted negotiations. This Memorandum is marked Annex B.

III

Class P of our Customs Tariff comprises three categories of products, namely:

- A) Prohibited Articles: Import of these products is prohibited in order to protect morals, public health, the security of the State, and internal peace or to enforce fiscal regulations. (Annex C)
- B) Monopoly Articles: These may only be imported by the State or by a person expressly authorized by the Executive, the purpose being to protect internal security and public health, or fiscal receipts. (Annex D)
- C) Restricted Imports: These are subject to compliance with certain formalities designed to protect public health or State revenue. (Annex E).
- D) The prohibition, monopoly or restriction of these products is expressly permitted by the Havana Charter, in particular under Article 45.

I am glad to take this opportunity of informing you that my delegation's negotiations are practically completed and that once the codified list of concessions has been submitted, I shall only await the signature of the Protocol of Accession if, as I hope, my country is accepted.

MEMORANDUM OF THE NICARAGUAN DELEGATION

CUSTOMS TARIFFS

and

CUSTOMS REVENUE IN RELATION TO FISCAL RESOURCES

The existing law on Customs Tariffs in Nicaragua was drafted and enacted in 1918, at the end of the first world war. It was based mainly on fiscal principles, because at that time there were practically no industries to protect. The rates of duty were calculated in "gold cordobas", the national currency at that time, which was then equivalent to the United States dollar. During the last 31 years three increases or additional charges, amounting in all to 37½%, have been imposed under the general tariff; meanwhile, the United States dollar was officially devalued in 1933 to slightly over 39% and, as duties continued to be levied in gold cordobas, equivalent to the American dollar, it follows that the duties on goods imported into Nicaragua are really lower than those levied in 1918.

During these 31 years special increases, and in some cases reductions, were introduced on a few products only, which together do not represent 5% of total imports. Generally speaking, the Nicaraguan Customs Tariff is the lowest in Latin America, in spite of the fact that Customs receipts are the principal source of fiscal revenue. Indeed, Customs receipts represent 45-50% of the total resources available for public expenditure.

These circumstances, together with the facts upon which we shall comment later, forced the Government to undertake a general revision of the law on Customs Tariffs, which is now being completed. The purpose of this revision is to modernize the Tariff Law by reclassifying the items and increasing the rates of duty which are

too low, while taking into account the need for fiscal resources and the protection urgently required by many nascent industries on which the economic development of the nation partly depends.

CURRENCY INFLATION

Like nearly all countries in the world, Nicaragua has suffered an increasing inflation, which has taken a serious turn during the last three years. This tendency is due to a number of causes, both internal and external, most of which derive from the recent war, but also, as far as the last two years are concerned, from budget deficits.

BALANCE OF PAYMENTS

During the years 1947 and 1948, in spite of the operation of exchange control, the balance of payments showed heavy deficits which practically exhausted the monetary resources of the nation, creating a critical financial situation; the Government now has to cope with that situation and endeavour to remedy it by adopting a series of measures advised by the International Monetary Fund which, at the Government's request, recently undertook a survey of the monetary situation. Among these measures is one establishing stricter control of imports, which are classified as essential, semi-essential and non-essential.

Within the possibilities of international exchange, preference will be given to essential imports; semi-essential come next, and finally, provided the necessary currency is available, non-essential imports.

Foreign exchange availabilities for the present year may be set at about 50% of the 1948 amount, which means that imports of non-essential articles will be practically nil.

As the object in view is to level the balance of payments and gradually build up reserves of currency, it seems evident that for the next few years it will hardly be possible to import non-essential commodities.

PUBLIC FINANCES

During the last two years the National Budget has shown a deficit of about 14%, which was financed by loans from the Issuing Department of the National Bank of Nicaragua (Central Bank) by means of note issues, a factor contributing to further inflation.

The reason for having recourse to credits from the Central Bank is that there is no bond market in the country, nor are there any national savings which the State can utilise in the form of public loans.

In order to balance the National Budget, which is essential for the readjustment of the national economy and finances, the Government is reducing non-essential public expenditure and increasing taxation.

The rate of import duties can be studied together with the increase in taxation, not only because Customs revenue is the main source of receipts, but because these rates are generally low.

CONCLUSIONS

In the circumstances described above, the Nicaraguan Government cannot negotiate reductions of Customs Tariffs in respect of non-essential commodities, nor of products competing with national industries which require customs protection. Nor could it grant reductions or bind the present rates of duty on products paying a very low rate, which it will offer to bind at a higher level.

MEMORANDUM

In addition to the duties and new surcharges enumerated in the official text of the 1918 Tariff Law of the Republic of Nicaragua, which are at present serving as a basis for negotiations, certain other taxes are levied, by virtue of Decree-Laws, on goods imported into the country and, even in certain cases, on exports. These taxes and their respective rates are as follows:

I

A. TAX ON PACKAGES - LAW OF 21 FEBRUARY 1929

This law establishes a tax of 10 gold centavos (equivalent to 10 U.S. cents) on all packages of goods or on any other type of package, including postal packets, imported into Nicaragua through any port. Only articles which under the Tariff Law may be imported duty free are exempt from this tax.

B. SPECIAL TAX ON PACKAGES - LAW OF 26 AUGUST 1937

This law establishes a tax of 10 Córdoba gold centavos (equivalent to 10 US cents) on any package not exceeding 46 kilos in weight despatched from ports or frontier zones to the interior of the Republic for purposes of sale or consumption. Domestic products and the personal effects and luggage of persons travelling to the interior of the country are exempt from this tax. On packages weighing more than 46 kilos a further tax is levied of 10 Córdoba gold centavos for each additional 46 kilos up to a limit of 90 Córdoba gold centavos. The tax per package may not exceed 1 gold córdoba (i.e., 1 US dollar) irrespective of its weight.

C. TAXES KNOWN AS THE HOSPITAL AND MUNICIPAL EMBELLISHMENT TAX,
THE CUSTOMS HOUSE AND PORTS IMPROVEMENT TAX AND THE ELECTRIC
LIGHTING TAX

Corinto Customs House (Pacific Coast)

At the Corinto Customs House, a tax of 3 centavos gold (3 US cents) is levied on each package for the benefit of the municipality of the town of destination of the goods, to be used for municipal embellishment and for the hospitals.

In addition, a tax of 5 Córdoba gold centavos (5 US cents) is levied per package for improvements and repairs to customs houses and ports.

Article 964 of the Customs and Ports Law

The San Juan del Sur Customs House (Pacific Coast)

At the San Juan del Sur Customs House a tax of 3 centavos gold (3 US cents) per package is levied for the benefit of the municipality of the town of destination of the goods, to be used for municipal embellishment and for the hospitals.

In addition a tax of 5 centavos gold (5 US cents) per package is levied and distributed as follows: Improvements and repairs to customs houses and ports 50%; for the electric lighting of San Juan del Sur 50%.

Article 966 of the Customs and Ports Law

TAXES FOR THE CAPUCHIN MISSION, FOR THE HOSPITAL AND THE ELECTRIC LIGHTING OF BLUEFIELDS AND THE HOSPITAL OF CAPE GRACIAS A DIOS

Cape Gracias a Dios Customs House (Atlantic Coast)

The Cape Gracias a Dios Customs House levies 8 centavos gold (8 US cents) per package, distributed as follows:

- (a) Bluefields Capuchin Mission 50%
- (b) Cape Gracias a Dios Hospital 50%

Articles 962 and 963 of the Customs and Ports Law

El Bluff Customs House (Atlantic Coast)

At El Bluff Customs House a tax of 8 centavos gold
(8 US cents) is levied per package and distributed as follows:

to Bluefields Hospital	50%
to the Bluefields Capuchin Mission	25%
for the electric lighting of Bluefields	25%

The following additional taxes are levied:

for each 46 kilos of weight	7½ centavos gold (7½ US cents)
for each 1,000 sq.ft. of timber	80 centavos gold (80 US cents)
for each ton of coal	80 centavos gold (80 US cents)

These taxes are distributed as follows:

to the Bluefields Capuchin Mission	50%
for the electric lighting of Bluefields	50%

Articles 957 and 958 of the Customs and Ports Law

II

CONSULAR FEES

(a) The Legislative Decree of 5 February 1937, approved by the Executive and published on the 22nd of the same month, amended, inter alia, Article 11 of the Law of 12 April 1930 and stipulated that:

For the viséing of consular invoices of goods sent on bill of lading or as postal packets, consuls shall charge a comprehensive fee of 5% ad valorem on the goods.

(b) The Executive Decree of 27 April 1937 provides, under Article 11, that Consuls shall levy such fees in United States dollars by means of stamps etc....

III

The Government of Nicaragua is not in a position to negotiate on the laws outlined above both on account of their legal structure and because, at the present time, the Nation and its Government are faced with serious financial disequilibrium and considerable currency inflation. On this account, the Nicaraguan delegation wishes to make the express reservation that the concessions accorded in the course of the present negotiations apply solely to taxes levied in respect of the general duties and of the new charges enumerated -- for the sake of clearness -- in the official publication containing the 1918 Tariff Law. Consequently, the Government will continue to levy on articles forming the subject of negotiations the already existing taxes on imports and, in certain cases, on exports (which are not included in the General Tariff Law) such as the taxes enumerated in this Memorandum, on which it is impossible for it to negotiate.

PROHIBITED ARTICLES

1148 The importation of the following articles is prohibited, and all such articles shall be seized or destroyed if importation is attempted:

- (a) Apparatus for making or printing counterfeit money including dies and plates; also counterfeit coins and paper money.
- (b) Books, pamphlets or other printed or written matter, paintings or illustrations, figures or other objects of an obscene or indecent character or subversive of public order.
- (c) Roulette wheels, gambling outfits, apparatus and devices
Note - This section refers to fraudulent roulette wheels and mechanical devices used in gambling and not to simple roulette wheels devoid of any mechanism for stopping them at certain points determined in advance.

Letter from the Collector-General of Customs, dated 17 December 1928.

- (d) Implements of war and munitions when not imported for or by the Government.
- (e) Coupons and learner vouchers exchangeable for goods issued in lieu of wages to labourers and artisans.
Law of 1 March 1916 - Official Gazette No. 172.
- (f) Reflector lamps for sporting purposes. -
Law of 28 July 1917.- Official Gazette No. 170.
- (g) Used sacks, as such or serving as packing for any type of goods. -

Law of 25 September 1925, - Official Gazette No. 221.

- (h) Toy torpedoes. -

Law of 13 February 1930, - Official Gazette No. 40.

- (i) Khaki cloth, military caps and other garments of the regulation uniform of the Nicaragua National Guard. -

Law of 18 September 1938 - Official Gazette No. 202

The State alone may import such articles

- (j) Old, used articles, including dirty linen, in such a condition as to constitute a danger to public health. Prohibited by the Universal Postal Union Convention.

Letter from the Collector-General of Customs, dated 30 . September 1926.

- (k) Cigarettes or cigars, loose or in bulk and with no indication of manufacturer or origin. -

Law of 19 August 1935, Article 16, Official Gazette No. 205.

MONOPOLY ARTICLES

The following monopoly articles may only be imported by the Government of Nicaragua, or a person expressly authorized by the Executive.

Tariff Item No.

- 273. Pistols (not revolvers), single or double barrelled.
- 274. Revolvers.
- 275. Automatic pistols
- 276. Single barrelled, ramrod or percussion shot guns and rifles.
- 277. Double barrelled.
- 278. Single barrelled, breech-loading.
- 279. Double barrelled, breech-loading
- 280. Repeating
- 281. Automatic
- 283. Parts of fire-arms, imported separately, or spare parts.

All these articles are subject to monopoly under the Law of 26 June 1933, Article 14; Official Gazette No. 262.

- 343. Lead unworked or worked:
 - (a) lumps or ingots
 - (b) bars, sheets, pipe and wire
 - (c) shot and solder.

The monopoly of the articles specified in Item 343 (a), (b) and (c) was established by the Law of 4 December 1897 and reorganised by the Law of 21 May 1918 - Official Gazette No. 117. The monopoly and its re-organization were confirmed by the Law of 26 June 1933 - Official Gazette No. 262.

- 368. Medicaments:

1. "Quenopodio" essential oil (or American "santonico" essential oil) for the treatment of intestinal parasites.
 2. Arsenical products and preparations of bismuth and mercury for the treatment of syphilis.
367. (a) The same, when imported as patent medicines or pharmaceutical specialities.

The monopoly of the medicaments included in the three preceding Items was established by the Law of 6 November 1939 - Official Gazette No. 248.

416. Gunpowder (not smokeless) for sporting purposes.
417. Explosives, smokeless, for sporting purposes.
418. Dynamite, blasting powder, and similar explosives for blasting.
419. Fulminating capsules wired or not and fuses for blasting.

The monopoly for the articles included in Items 416 and 417 was established by the Law of 4 December 1897 and re-organized by the Law of 21 May 1918 - Official Gazette No. 117. Confirmed by the Law of 26 June 1933 - Official Gazette No. 262. In accordance with this last law, the articles listed in Items 418 and 419 were also brought under the monopoly.

422. Matches of wood or cardboard, even if for advertising purposes including also wind or storm matches and the like.
 - (a) Wax matches or vestas.

The monopoly for matches, wax matches and the like, was established by the Law of 29 September 1931 - Official Gazette No. 210

423. Cartridge-caps and cartridges, with or without bullets, for fire-arms.
424. Metal cases for shot guns, empty
 - (a) Cardboard cases for shot guns, empty.
425. Cases of cardboard or metal for shot guns, loaded with powder or explosive compounds and primers only.

426. Cases of cardboard and metal for shot guns, loaded with primers, powder or explosive compounds and shot.

427. Primers and caps for fire-arms.

The monopoly for the articles comprised in Items 423, 424, 424 (a), 425, 426, and 427 was established by the Law of 4 December 1897 and re-organized by the Law of 21 May 1918 - Official Gazette No. 117. Both the monopoly and its re-organization were confirmed by the Law of 26 June 1933 - Official Gazette No. 262.

670. Cigarette paper, printed or not, in books or cut to size of a single cigarette.

(a) the same in rolls or spools, in sheets or blocks or in any other form.

The monopoly for cigarette paper, in any form whatsoever, was established by the Law of 19 August 1935 - Official Gazette No. 205.

896. (b) 1. Cigar lighters, electric.

(b) 2. The same, giving spark or flame by any system whatsoever.

The monopoly for cigar lighters and the like was established by the Law of 29 September 1931 - Official Gazette No. 210.

1022. Aguardiente from sugar cane, fruit and other materials.

The monopoly for these articles was established by the Law of 26 April 1918, Article 1 but, in accordance with Article 2 of the same Law, free trade is permitted in liqueurs manufactured from sugarcane aguardiente provided the appropriate taxes and import duties have been paid on such articles to the Customs authorities of the Republic - Official Gazette No. 98.

1103. Tobacco

(a) in the leaf, of whatever origin

(b) in cigars or cigarettes

(c) for chewing

(d) in any other form not specifically mentioned, such as "rapé".

The monopoly for tobacco in the leaf or prepared was established by the Law of 26 April 1918, Article 1 but, in accordance with Article 2 of the same law, free trade is permitted in prepared tobaccos, provided the appropriate taxes and import duties have been paid on these articles to the Customs authorities of the Republic - Official Gazette No. 98.

The importation of leaf tobacco through the Customs Houses of the Pacific coast and of El Castillo is subject to authorization by the Government of the Republic.

1131. Salts of quinine for therapeutic use against malaria.

The monopoly for this article was established by the Law of 6 November 1939. Patent preparations or pharmaceutical specialities containing salts of quinine, duly registered with the General Directorate of Public Health and which, in accordance with the current Law for the Regulation of Pharmacies contain a sufficient quantity of recognized specific medicaments for the treatment of the diseases for which they are recommended in the prospectuses of the firms manufacturing them are excluded from the monopoly. - Official Gazette No. 248.

ARTICLES SUBJECT TO RESTRICTION.

Schedule of the various articles the importation of which into the Republic of Nicaragua is restricted:

Medicinal substances such as drugs and chemical and pharmaceutical products included in Class C.

Law of 6 December 1925 - Official Gazette No. 278 and Article 2 of the Law of 11 August 1926 (Amendments) - Official Gazette No. 198

Item No.

- 354 Opium, in any form, and extracts and preparations thereof.
Article 20 of the Amendments.
- 367 Proprietary and patent medicines, mixed or compounded:
(a) without alcohol or containing not more than 14% alcohol
(b) containing more than 14% of alcohol
Law for the Regulation of Drug Stores and Pharmacies ... and amendments thereto.
- 367(L) Essences of liquors.
Law of 14 April 1901, Article 1.
- 388 All colouring matters for beverages and food-stuffs.
Order of the General Directorate of Public Health published by the Collector-General of Customs, 18 July 1927.
- 429 Old rags for cleaning machinery
Order of the Ministry of Health published by the Collector-General of Customs, 18 March 1931.
- 895 Stills and other apparatus for distilling liquors
Law on Evasion of Customs and Excise Regulations.

Law of 22 January 1895, Part I.

896 a) Telephone and telegraph apparatus.

A special governmental import licence is required.

Tariff Law of 11 February 1918

b) Apparatus for wireless telegraphy and telephony, whether
for transmission or reception.

A special governmental import licence is required.

Tariff Law of 11 February 1918

932 Machines for the manufacture of cigarette paper.

Law of 19 August 1935, article 20. - Official Gazette

No. 205.

940 Aeroplanes

A special governmental import licence is required.

Law of 23 March 1926

1121 Foreign lottery tickets.

Law of 9 October 1931 - Official Gazette No. 216.

1132 Biological products.

Law of 9 November 1927 - Official Gazette No. 253.

