

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CENTRAL AMERICAN FREE TRADE AREA

First Annual Report (1960) by the Government of Nicaragua

ANNEXES

- I. Central American Agreement on the equalization of import duties and charges
- II. Protocol to the Central American Agreement on the equalization of import duties and charges

I. CENTRAL AMERICAN AGREEMENT ON THE EQUALIZATION OF IMPORT DUTIES
AND CHARGES

CHAPTER I

SYSTEM OF EQUALIZATION OF IMPORT DUTIES AND CHARGES

Article I

The Contracting States agree to establish a common tariff policy and decide to set up a Central American import tariff consistent with the integration and economic development requirements of Central America. To this end, they agree to equalize import duties and charges within not more than five years from the date on which the present Agreement enters into force.

The Signatory States shall maintain the Standard Central American Tariff Nomenclature as the basis of the customs tariff for imports.

Article II

For the purposes of article I hereof and of article IV of the Multilateral Treaty on Free Trade and Central American Economic Integration, the Contracting States agree to adopt forthwith the tariffs and tariff denominations specified in Schedule A. They likewise agree to establish an interim system of exemptions, with a view to progressive equalization, in respect of the items included on Schedule B. The two schedules form an integral part of the present Agreement.

Article III

The Contracting Parties, besides aiming at tariff equalization in conformity with article IV of the Multilateral Treaty on Free Trade and Central American Economic Integration and with a view to expediting the establishment of the Central American import tariff, pledge themselves, with respect to additions to Schedules A and B, to observe, by preference, the following order of priorities:

- a) Commodities in respect of which the immediate or progressive liberalization of trade is provided for under the terms of bilateral free-trade treaties concluded between the Contracting Parties to this Agreement;
- b) Goods manufactured in Central America;

- c) Imported goods for which goods produced in Central America may be substituted over the short term;
- d) Raw materials, intermediate products and containers, priority being given to those required for the production and sale of the items included in the foregoing sub-paragraphs; and
- e) Other goods.

Article IV

Once tariff equalization has been achieved in respect of the items comprised in the groups of products referred to in the foregoing article, the Contracting States pledge themselves to apply to these same items multilateral free-trade treatment within not more than five years, without exceeding the ten-year time limit stipulated in article I of the Multilateral Treaty for the establishment of the free-trade area in its final form.

Article V

The Parties engage not to impose or levy any tax other than those provided for in this Agreement on imports of goods included in Schedules A and B. The bases for valuation adopted are the c.i.f. import value in the case of the ad valorem part, and, for the specific component, the standard physical units set forth in Schedules A and B.

If any of the Signatory States is not in a position to abolish consular fees immediately in respect of the goods included in Schedules A and B, it shall be entitled to maintain the fees as such, discounting the value they represent from the ad valorem part of the duty and/or charge agreed upon. The term "duty and/or charge agreed upon" shall be understood to mean the duty and/or charge immediately applicable by all Parties to the goods included in Schedule A; that which all Parties pledge themselves to reach by the end of the interim period, in the case of the goods included in Schedule B; and the tariffs established by any of the Parties with a view to progressive equalization in respect of the goods included in Schedule B and to attainment of the stipulated standard duty by the end of the interim period.

In the case of items which are equalized at levels below the consular fees - either immediately (Schedule A) or by the end of the interim period (Schedule B) - the Signatory States shall not charge consular fees.

Article VI

The Contracting States agree to the establishment of fixed equivalences, solely for equalization purposes, between the currency units in which each country's tariff duties are expressed and a common currency unit equivalent to the United States dollar. These equivalences, which are those existing at the date of signature of the present Agreement, are established as follows: Guatemala, 1 quetzal; El Salvador, a currency unit equivalent to the United States dollar; Honduras, 2 lempiras; Nicaragua, a currency unit equivalent to the United States dollar; and Costa Rica, 5.67 or 6.65 colons, according to the exchange provisions applicable to the item in question. If a country makes any change in the equivalence of its currency unit vis-à-vis the United States dollar in respect of goods included in Schedules A and B, it shall be under the obligation to alter its tariffs immediately in the proportion necessary to maintain equalization.

Article VII

In order to make the equalization of import duties and charges effective, the Contracting Parties shall renegotiate any multilateral or bilateral pacts that remain in force with non-signatories of the present Agreement whereby tariffs lower than those established herein are consolidated, and shall release themselves from the consolidation commitment assumed within not more than one year from the date of deposit of the corresponding instrument of ratification of this agreement. Likewise, the Contracting Parties undertake to refrain from signing new agreements or tariff concessions with other countries which are contrary to the spirit and objectives of the present Agreement and, in particular, to the provisions of this article.

Article VIII

Wheresoever the duty agreed upon for a specific product is higher than the tariff in force in one or more of the Contracting Parties, the countries concerned shall apply, in all inter-Central American trade not covered by the free-trade régime, the lower tariff in force, unless the Central American Trade Commission decides otherwise.

The preferential tariffs which the Parties pledge themselves to establish are set forth in Schedule A and in Annex 6 of Schedule B (this annex forms an integral part of the schedule in question).

"Tariff in force" shall be understood to mean the sum of the tariff duties, consular fees and other duties, charges and surcharges levied on imports of the goods listed in Schedules A and B at the time the present Agreement is signed. Legal rates and charges for services rendered are not included.

As this Agreement is specifically Central American in character and constitutes one of the bases for the customs union of the Contracting Parties, the Signatory States agree to maintain the "Central American exemption clause" with respect to third countries, to the extent that the application of the preferential tariff system established by the present article is concerned.

Article IX

The Schedules appended to this Agreement shall be expanded, by agreement among the Contracting States, through the signing of successive protocols and in accordance with respective constitutional procedures.

CHAPTER II

CENTRAL AMERICAN TRADE COMMISSION

Article X

The Signatory States agree to set up a Central American Trade Commission, made up of representatives of each of the Contracting Parties, which shall meet as often as its work requires or when any of the Contracting States so requests.

The Commission (or any of its members) shall be entitled to travel freely in the territory of the Contracting Parties in order that matters within its purview may be studied on the spot, and the authorities of the Signatory States shall provide such information and facilities as it/they may need for the discharge of its/their functions.

The Commission shall have a permanent Secretariat, which shall be responsible to the Secretariat of the Organization of Central American States.

The Commission shall adopt its own rules of procedure unanimously.

Article XI

The following shall be the terms of reference of the Central American Trade Commission:

- a) To recommend to the Contracting Parties measures conducive to the establishment of the Central American customs tariff referred to in this Agreement;
- b) To study, at the request of one or more Governments, topics or matters relating to the development of tariff equalization and in particular to the implementation of the present Agreement, and to propose the measures that should be adopted in order to solve such problems as may arise;
- c) To study production and trade activities in the signatory States and recommend additions to Schedules A and B;
- d) To act as the agency responsible for co-ordinating tariff equalization, taking into special consideration the progress made in this field by virtue of bilateral treaties signed between Central American countries, with a view to submitting early proposals for standard duties and charges and endeavouring to promote their adoption by all the Contracting Parties. In this connexion, the Parties undertake to notify the Commission of bilateral tariff equalization agreements as soon as these are negotiated;
- e) To study the various aspects of the maintenance of uniformity in the application of the Standard Central American Tariff Nomenclature and to recommend to the Contracting Parties such amendments as may seem advisable in the light of experience and from the standpoint of increased diversification of production in Central America;
- f) To take steps calculated to establish and maintain uniformity in customs regulations.

In the discharge of its functions, the Commission shall utilize the studies carried out by other Central American and international bodies.

CHAPTER III

GENERAL PROVISIONS

Article XII

The Contracting Parties agree to renegotiate at the request of any one of their number, and through the Central American Trade Commission, the standard duties and charges agreed upon and the standardized tariff classification. The renegotiation shall affect only those goods in respect of which it is applied for.

Decisions in this connexion shall be adopted by the unanimous vote of the States for which the Agreement is in force. In any event, every change shall be introduced at uniform levels.

Article XIII

The Signatory States agree that differences arising in connexion with the interpretation or application of any of the provisions of this Agreement shall be settled amicably, in accordance with the spirit of the Agreement, through the Central American Trade Commission. In the event of failure to reach agreement, controversies shall be decided by arbitration. To form the tribunal of arbiters, each of the Contracting Parties shall submit to the Secretariat of the Organization of Central American States the names of three magistrates from its respective Supreme Court of Justice. From the complete list of candidates, the Secretary-General of the Organization of Central American States and Government representatives to this Organization shall choose by lot five arbiters to form the tribunal, each of whom must be of a different nationality. The ruling of the tribunal of arbiters shall be awarded on the affirmative vote of at least three of the members present, and shall have the effect of res judicata for all the Contracting Parties in respect of any point settled in connexion with the interpretation or application of the provisions of this Agreement.

CHAPTER IV

INTERIM SYSTEM

Article XIV

To facilitate the equalization of import duties and charges in the case of products with respect to which, for economic, fiscal or other motives, it is impossible to establish a standard tariff to be applied immediately by all Parties, the Contracting States establish an interim system of progressive equalization.

The Contracting States agree to adopt progressively, for the goods included in Schedule B, the standard duties given in column I of the said Schedule, each Party conforming to the time limit (column II), to the initial tariffs (column III) and to the tariff denomination established therein.

The first change in the initial tariffs shall be introduced twelve months after the date on which the present Agreement enters into force, and succeeding modifications shall be affected for periods of twelve months exactly, until the duty agreed upon is reached.

In annexes 1 to 5 of Schedule B, the tariffs applicable by the Contracting Parties during each year of the interim period are set forth. These annexes form an integral part of Schedule B.

When progressive equalization is being put into effect, the annual decrease or increase in tariffs which must be introduced by each Contracting Party shall not be less than the quotient resulting from division of the total amount of the decrease or increase to be effected by the number of years in the interim period. This commitment shall be binding on the Contracting States except in so far as, during the interim period, they may have introduced annual changes exceeding those agreed upon.

This interim system does not preclude the immediate adoption of the standard duty by a group of countries smaller than the total number of the Contracting Parties, or release the remaining country or countries from the commitment to attain the said standard duty by means of progressive equalization.

When the interim period ends for each of the goods or articles included in Schedule B, these shall be automatically transferred to Schedule A.

CHAPTER VFINAL PROVISIONSArticle XV

This Agreement shall be submitted by each State for ratification in conformity with its pertinent constitutional and legal procedure and shall enter into force, for the first three countries to deposit the instrument of ratification, on the date of deposit of the third such instrument, and, for countries acceding thereafter, on the date of deposit of their respective instruments of ratification. Its duration shall be twenty years from the date of its entry into force, and it shall be tacitly renewed for successive ten-year periods.

The Contracting States agree that the tariff equalization of goods included in Schedule B shall be completed by the end of the interim period which shall begin upon the entry into force of the Agreement. Consequently, they agree to effect progressive tariff equalization within the time limit established at the end of the interim period, without changing the year-by-year tariffs established in the relevant annex of Schedule B, each State taking as a base the level which it would have reached if it had deposited its instrument of ratification upon the entry into force of the Agreement.

The present Agreement may be denounced by any of the Signatory States at least two years before the date of expiry of the initial period or of the succeeding periods during which it is in force. Denunciation shall become effective for the denouncing State at the date on which the corresponding period of validity of the Agreement ends, and the Agreement shall remain in force for the other Parties so long as at least two of them continue to uphold it.

Article XVI

The present Agreement shall be deposited with the Secretariat of the Organization of Central American States, which shall send certified copies to the Chancelleries of each of the Contracting States and shall also notify them of the deposit of the pertinent instruments of ratification, as well as of any denunciation which may take place within the time limits established in that connexion. Upon the entry into force of the Agreement, it shall also transmit a certified copy to the Secretariat of the United Nations for registration in conformity with Article 102 of the United Nations Charter.

Provisional article

With respect to the implementation of article X of this Agreement, the Contracting Parties agree that preferential duties shall not be applicable to the items or sub-items of the Standard Central American Tariff Nomenclature which are included both in annex A of the Multilateral Treaty and in Schedules A and B of the present Agreement.

Provisional article

The Signatory States agree that representatives of the Parties for which the Agreement has not entered into force shall be entitled to attend meetings of the Central American Trade Commission as observers with the right to speak but not to vote.

IN WITNESS WHEREOF, the respective plenipotentiaries sign the present Agreement at the city of San José, capital of the Republic of Costa Rica, this first day of September one thousand nine hundred and fifty-nine.

SCHEDULE A

IMMEDIATE EQUALIZATION OF IMPORT DUTIES

SCHEDULE B

PROGRESSIVE EQUALIZATION OF IMPORT DUTIES

II. PROTOCOL TO THE CENTRAL AMERICAN AGREEMENT ON THE EQUALIZATION
OF IMPORT DUTIES AND CHARGES

Central American Preferential Tariff

Article I

The Contracting States agree to grant one another, as from the date on which this Protocol enters into force, a preferential tariff of 20 per cent on imports of the natural products of their territories and goods manufactured therein. The reduction shall be applicable to the sum total of import duties and charges including tariff duties, consular fees and other surcharges and taxes.

Article II

The Signatory States agree to maintain the "Central American exemption clause" with respect to the application of the preferential tariff established in the preceding article.

Article III

This Protocol shall be subject to ratification by each State, in conformity with its pertinent constitutional and legal regulations, and shall enter into force for the first three countries to deposit the instrument of ratification on the date of deposit of the third such instrument, and for countries subsequently acceding on the date of deposit of their respective instruments of ratification. Its duration shall be twenty years from the date of its entry into force, and it shall be tacitly renewed for successive ten-year periods.

The present Protocol may be denounced by any of the Signatory States at least two years before the date of expiry of the initial period or of the succeeding periods during which it is in force. Denunciation shall become effective for the denouncing State at the date on which the corresponding period of validity of the Agreement ends, and the Agreement shall remain in force for the other Parties so long as at least two of them continue to uphold it.

Article IV

Ratification of this Protocol is independent of the ratification of the Central American Agreement on the Equalization of Import Duties and Charges signed on the same date by the Contracting Parties, and denunciation of this instrument is likewise independent of denunciation of the aforesaid Agreement.

Article V

The Secretariat of the Organization of Central American States shall be the depositary of the present Protocol, of which it shall send certified copies to the Chancelleries of each of the Contracting States, notifying them likewise of the deposit of the pertinent instruments of ratification, as well as of any denunciation which may take place within time limits established in that connexion. Upon the entry into force of the Protocol, it shall also transmit a certified copy to the United Nations Secretariat for registration purposes, in conformity with Article 102 of the United Nations Charter.

IN WITNESS WHEREOF the respective plenipotentiaries sign the present Agreement at the city of San José, capital of the Republic of Costa Rica, this first day of September one thousand nine hundred and fifty-nine.

