

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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ACCESSION OF PARAGUAY

Questions and Replies

The contracting parties were invited (L/4159) to submit to the secretariat any questions they might wish to put concerning the matters dealt with in the Memorandum on Foreign Trade Régime submitted by the Government of Paraguay.

In response to that invitation, a number of questions were received and transmitted to the Government of Paraguay. The questions and the replies are set out below.

A. General questions

1. Is there any mandatory national legislation which might run counter to or be inconsistent with the provisions of the General Agreement?

Reply:

There is none.

2. Which are the governmental and quasi-governmental bodies and institutions which orient, direct and encourage Paraguay's foreign trade?

Reply:

INSTITUTIONAL STRUCTURE OF PARAGUAY'S FOREIGN TRADE

(a) Bodies with responsibility for formulating and implementing trade policy

1. National Council for Economic Co-ordination

The Council was established by Law No. 47 of 16 November 1948. Its functions under the chairmanship of the President of the Republic, its members being the Ministers of Finance, Industry and Commerce and Agriculture, and the President of the Central Bank of Paraguay.

Its functions include the following:

- to direct economic policy and the planning thereof;
- to co-ordinate the financial management of the country's economic development;
- to deal with banking, credit and monetary matters.

2. Ministry of External Relations

The Ministry has responsibility for determining the character of International Trade Policy.

2.1 The National Council for Foreign Trade

The Council was established by Decree No. 22699 of 8 May 1962, as an advisory body to the National Government in orienting international trade, and reviewing treaties, conventions and agreements that have been or may be signed by Paraguay in its relations with other countries.

The Council comprises representatives of public sector bodies and private enterprises: the Ministries of External Relations, Finance, Agriculture, Industry and Commerce; the Central Bank of Paraguay, the National Development Bank, the Federation of Production, Industry and Commerce (FEPINCO), and the Paraguayan Industrial Union.

3. The Ministry of Industry and Commerce

Established under Legislative Decree No. 13681 of 4 August 1950. Its functions were established by Law No. 904 of 30 August 1963, with implementing regulations provided under Decree No. 996 of 18 October 1963.

This body plays an important rôle in the institutional structure of foreign trade; it is responsible for promoting industrial output and the growth of domestic and international trade.

3.1 The National Council for Export Promotion

The Council was established under Decree No. 7119 of 28 August 1969 as an advisory and co-ordinating body for international trade.

Its functions are to recommend the adoption of the trade policy most appropriate for export promotion, and to propose the adoption of adequate machinery to encourage foreign sales.

3.2 Export Promotion Centre (CEPEX)

The Centre was established under Decree No. 7119 of 28 August 1969 under the authority of the Ministry of Industry and Commerce.

The objectives of CEPEX are:

- to co-ordinate the work and activities of official and private bodies in order to promote exports of Paraguayan products;
- to encourage export firms to participate in the development process.
- to co-operate with a view to increasing output, diversifying export lines, improving and expanding market outlets.

Its functions include the following:

- to propose appropriate measures for optimum implementation of the recommendations made in development plans.

- to identify exportable products and suggest appropriate measures for expanding production;
- to organize and promote displays and exhibitions of Paraguayan products abroad, and encourage Paraguay's participation in international fairs.

3.3 National Institute for Technology and Standardization

Established under Law No. 862 of 26 June 1963.

The Institute carries out research and studies for the improvement of techniques for the processing of raw materials and the application thereof.

It proposes methods and standards for verifying and regulating the quality of raw materials and processed products.

Its Board of Directors comprises five members appointed by the Executive, on the basis of proposals by the Ministry of Industry and Commerce, the National University, the National Development Bank and FEPRINCO.

4. Ministry of Finance

The Ministry has responsibility for determining the tariff régime for both imports and exports and the country's tax policy.

Under the authority of the Ministry of Finance, certain other bodies have responsibility for applying the instruments of trade policy; these are: The Technical Secretariat; General Directorate of Customs; Directorate of Internal Taxes and Charges; and Directorate of Income Tax.

5. Central Bank of Paraguay

The Bank was established under Legislative Decree No. 18 of 25 March 1952.

It has responsibility for defining the country's monetary, credit and exchange policy in co-ordination with the Government's economic policy.

Within its structure, the Economic Studies Department and the Exchange Department participate in establishing the instruments of the country's trade policy.

6. Ministry of Agriculture

The Ministry was established under Legislative Decree No. 13681 of 4 August 1950 to orient, protect and safeguard agricultural and livestock production.

For the formulation and application of the instruments of trade policy, its organic structure comprises inter alia, the Cotton and Tobacco Tax Office, the Directorate for Agricultural and Livestock Marketing and Economy, the Phyto-sanitary Department and the Veterinary Department.

7. Technical Secretariat for Economic and Social Development Planning

Established under Legislative Decree No. 312 of 6 March 1962, as a body under the authority of the Presidency of the Republic with responsibility for carrying out surveys of the economic and social situation and future trends; on the basis of these studies the Technical Secretariat establishes general development objectives and general, sectoral and regional plans for the country's social and economic development. In addition, the Technical Secretariat gives advisory assistance to the National Council for Economic Co-ordination.

(b) Other bodies

1. Within the framework of their responsibilities, the National Development Bank and the Rural Welfare Institute participate actively in the formulation of the instruments of Paraguay's trade policy.

2. Organization of production and trade sectors

1. Federation of Production, Industry and Commerce (FEPRINCO)
2. Paraguayan Industrial Union
3. Chamber of Exporters
4. Chamber of Commerce and Trade Exchange

3. What are the major national policy guidelines established by Legislative Decree No. 2373 and which specific foreign trade operations are encouraged or discouraged by it?

Reply:

Decree No. 2373/73, approving the BTN-based structure of the customs tariff, established an essentially dynamic instrument within the framework of the plan for accelerated economic development which the Government is implementing. It is reflected in the following aspects of international trade:

Imports

Promotion of domestic industry, in particular products intended for export or for import substitution. At the same time, the customs tariff mechanism is designed to safeguard the interests of domestic industry against competition from like foreign products.

Exports

Fiscal incentives are established to promote exports of Paraguayan products.

These incentives consist of tariff rebates and exemptions on raw materials, semi-manufactures and manufactures.

In addition, imported raw materials and intermediate products intended for the production of exportable semi-manufactures or manufactures enjoy certain advantages under the temporary admission régime.

4. Does Paraguay maintain mechanisms for applying safeguards, anti-dumping duties or countervailing duties? If so, how do these mechanisms work?

Reply:

Paraguay's legislation does not provide for the application of such mechanisms. Nevertheless, the right to apply "safeguard clauses" is expressly recognized within LAFTA (Articles 23, 24 and 26 of the Treaty).

A review of later conference resolutions would be necessary in order to verify the applicability of the other mechanisms mentioned.

The question that appears to be of interest to GATT is whether the application of the "safeguard clause" within LAFTA would affect imports from third countries.

5. With which countries does Paraguay maintain bilateral trade agreements? Does Paraguay intend to continue a system of bilateral trade agreements after current agreements expire?

Reply:

Paraguay maintains bilateral trade agreements with the following:

COUNTRY	Legal provision and date	Coverage
Argentina	Legislative Decree No. 143 of 30.3.1957	Trade
Bolivia	Legislative Decree No. 109 of 3.1.1957 17.12.1954	Petroleum <u>Modus vivendi</u> Frontier trade
Brazil	Legislative Decree No. 127 of 9.3.1957 Legislative Decree No. 126 of 9.3.1957	General trade Frontier trade
Chile	Legislative Decree No. 125 of 9.3.1957	Trade
United States	Legislative Decree No. 17,854 of 10.2.1947	Trade
Uruguay	13.3.1961 26.12.1938	Payments Trade and navigation
BENELUX	Law No. 1175 of 25.3.1966	Trade and navigation
Germany, F.R.	Law No. 317 of 28.10.1955	Payments Trade
Denmark	Law No. 1231 of 13.6.1967 18.5.1957	Trade and navigation Payments
Spain	Law No. 87 of 4.6.1951 N.R. of 11.8.1958	Trade and payments Amendment
France	Law No. 462 of 27.8.1957	Trade
Italy	Law No. 778 of 17.5.1962 Law No. 779 of 17.3.1962	Payments Trade
Great Britain	Law No. 330 of 23.3.1956	Trade and payments
Portugal	9.11.1878	Trade
Switzerland	Law No. 118 of 12.9.1969	Trade
Yugoslavia	Law No. 522 of 10.7.1958	Trade and payments
China	Law No. 811 of 13.7.1962	Trade and economic co-operation
Japan	Law of 31.12.1919	Trade

As regards the second sentence of question 5, the answer is Yes.

B. Export régime

6. Does Paraguay subject any products to export restrictions? If so, what items are restricted and why?
7. Can the Paraguayan Government furnish additional details concerning the export restriction measures that the Paraguayan Government has introduced, in particular those mentioned in paragraph 1.5 of its memorandum?
8. Among the broad range of provisions designed to promote exports, what are the "other direct measures and regulations" mentioned in paragraph 3.1.4 of the memorandum?

Reply:

In reply to questions 6, 7 and 8, the various legal provisions that prohibit or restrict the export of Paraguayan products are enumerated below:

Export prohibition

- Decree No. 21 of December 1953

It is prohibited to re-export in their original state goods and effects imported from abroad which are moved to the frontier zones, in order to avoid fraudulent dealings within the framework of the law.

- Decree No. 2410 of 16 January 1964

It is prohibited to re-export crude palmetto shoots, in order to preserve Paraguay's natural reserves of palmetto which constitute a source of raw material for established industries.

- Legislative Decree No. 402 of 31 March 1965

It is prohibited to export red quebracho in the form of logs, blocks or "pitocos", all supplies being earmarked for the domestic extraction and processing industries.

- Decree No. 13256 of 16 August 1965

It is prohibited to export crude alligator skins, because Paraguay's domestic industry has modern tanneries for processing alligator-skins.

- Decree No. 17729 of 19 February 1971.

It is prohibited to export or re-export scrap of iron, copper, bronze aluminium and duraluminium, in whatever state, because of the need to preserve raw material resources for the metallurgical and construction industry.

- Decree No. 22579 of 27 October 1971.

It is prohibited to export bone meal and compounds containing it, within the limits of domestic consumption requirements, in order to improve pasturage and fodder for animal feed.

- Decree No. 24179 of 2 February 1972.

In furtherance of the industrialization policy for Paraguay's forest resources, it is prohibited to export wood in the form of "torax" or "pitocos" of any size or kind.

- Decree No. 24489 of 18 February 1972.

It is prohibited to export wood in the form of logs and beams of any kind or measurement, in order to ensure sufficient raw material supplies in the context of the wood industrialization policy with a view to the export of manufactured products.

Export restrictions

- Decree No. 11409 of 24 May 1965.

The indication "Industria Paraguaya" must be stamped on all cans of palmetto produced by the domestic industry for export, in order to safeguard the quality and prestige of the product in foreign markets.

- Resolution No. 296 of 7 December 1970 of the Ministry of Industry and Commerce.

A régime of prior export permits has been established in order to ensure raw material supplies for domestic industry and consumption in respect of the following products: wheat bran, sugar, industrial tallow, cattle fat, coffee, untanned hides and skins of wild animals, not processed.

- Law No. 268 of 30 July 1971 and Decree No. 26067 of 10 May 1972.

Under this export régime for essential oil of petit-grain, not more than 60 per cent of the unrefined or crude essence may be exported and the remaining

40 per cent must first be refined, deterpenated or sesquideterpenated in order to improve the quality of exports of this product.

- Decree No. 28963 of 20 October 1972 and Decree No. 15641 of 13 June 1975.

A régime of marketing control is established for crude leather based on a system of tenders, price bids or direct sales to domestic tanning industries, in order to encourage more advanced industrial processing of the product.

- Resolution No. 56 of 30 March 1974 of the Ministry of Industry and Commerce.

Under this Resolution a system of prior certification was introduced for the establishment of export quotas in respect of the following products: oilseeds and products derived therefrom, including vegetable oils, meal, oilcake, expeller and pellets.

9. Would the Paraguayan Government clarify the provisions of Resolution No. 3, Act No. 40 of 10 March 1972 of the Central Bank of Paraguay? Does this Resolution provide for concessionary financing of exports?

Reply:

Resolution No. 3, Act No. 40 of 10 March 1972 of the Central Bank of Paraguay provides for concessionary financing of exports, since the measures adopted by the Bank were designed to ensure a regular flow of credit toward those sectors of the economy that produce agricultural and industrial goods intended primarily for export. Accordingly, the Central Bank decided that credits for the promotion of agriculture and of industries primarily engaged in the production of export goods, and likewise, credits intended for export financing, would be the subject of special periods of validity, interest rates and commission rates as follows:

	<u>Annual interest rate</u>	<u>Annual bank commission</u>
Credit not exceeding 240 days	10%	2%
Credit from 240 days to one year	10%	2.5%
Credit for one year or more	10%	3%

C. Import régime

10. Would it be possible to obtain the Paraguayan customs tariff?

Reply:

A copy of the tariff in force is being sent.

11. What is the average level of protection afforded by the Paraguayan customs tariff, if possible by general product categories?

Reply:

Information not available.

12. What taxes, fees, levies or charges are applied to imports in addition to normal import duties? What are the rules governing application of such charges?

Reply:

There are no such charges.

13. In addition to customs duties, does Paraguay impose any supplementary charges on imports such as additional duties, consular fees, exchange surcharges, prior deposits? If so, what is the justification for these measures? To which products do they apply? What proportion do these products represent in relation to the total value of imports?

Reply:

The customs charges applied on imports are:

Specific duties

Additional ad valorem duties

Complementary ad valorem duties

Compound duties - specific - ad valorem

Exchange surcharges

Exchange surcharges are applied on the c.i.f. value of imports, although there is no remittance of foreign exchange. A 36 per cent surcharge is applied on most general imports. On goods imported from LAFTA countries and included in the national schedule the rate varies between 3 and 30 per cent, while for certain other goods from LAFTA countries (mainly pharmaceutical products included in a special list), the rate is 8 per cent.

Fuel derived from petroleum is subject to a 15 per cent surcharge (10 per cent for neighbouring countries and Uruguay). An additional 5 per cent surcharge is applied on imports from all sources of telephone and telegraph equipment, television receivers, radios and record players and parts and accessories therefor. Articles that are exempt from the surcharge are generally also exempt from the prior deposit. Exchange surcharges are collected by the banks at the time of issuing the necessary documents for customs clearance or when payment is made for the import, whichever is the earlier. The principal products exempt from the surcharge are the following: wheat, crude petroleum, equipment for petroleum prospection and extraction, agricultural tractors, government imports, imports for religious, charitable, cultural or educational purposes, imports by foreign diplomats and certain international organizations, Spanish agricultural and industrial implements and industrial machinery imported into Paraguay through the Spanish free zone, agricultural machinery and implements for the national wheat programme, books and periodicals, and imports for investment under the régime established by the Investment Law No. 216/70. Imports of investment goods and raw materials for export industries are exempted on a case-by-case basis.

Prior deposit on imports

Imports of certain goods are subject to a prior deposit of 100 per cent on the f.o.b value. The deposits are made in authorized banks before the goods are embarked; if, however, the deposit is made after the date of embarkation, it is held for 180 days. For non-exempt products imported into Paraguay through the Spanish free zone, the retention period is ninety days.

The following are exempted from the prior deposit: imports by the State or other public institutions, independent enterprises, mixed-economy enterprises; imports by members of the diplomatic and consular corps accredited to the Paraguayan Government, foreign personnel with special functions whose services are governed by international agreements; imports of wheat, petroleum-based fuels; imports of certain specified machinery, agricultural equipment, newsprint and printing ink for periodicals exclusively, and imports intended for specific use by private institutions offering cultural or religious instruction; gifts and donations therefor; imports of medals and trophies and of equipment for leisure activities or for public and theatre performances, machinery sent abroad for repair, imports of goods included in the national schedule and originating in other LAFTA countries.

14. Does the Paraguayan Government apply any import prohibition measures? If so, what is the justification for these measures? To which products do they apply? What proportion do these products represent in relation to the total value of imports?

Reply:

The general prohibitions on imports are mentioned in question 15. There are certain special prohibitions established by law, such as Article No. 9 of Decree No. 26729/72 which prohibits the import of certain articles in order to protect domestic industry.

15. We understand that Paraguay does not maintain a system of import licensing for normal commercial transactions and that prohibited imports consist primarily of such things as obscene literature, switchblade knives, weapons of war and a number of goods customarily prohibited by most countries. Does Paraguay have any prohibitions or quantitative restrictions on goods other than those falling within this category. If so, why are these goods restricted?

Reply:

Paraguay has a system of import licensing for certain products, such as motor vehicles under Law No. 231/59.

16. Are any Government agencies involved in the importation of specific agricultural or industrial commodities into Paraguay? If so, what imports are affected, what Government agencies are responsible and what is the nature of such involvement?

Reply:

There is involvement solely in the case of purchases of wheat and petroleum. In such case, imports are effected by the Government through the Ministry of Industry and Commerce (Commodities Department).

17. Would the Paraguayan Government clarify and comment upon the operation and purpose of the temporary admission régime? How does this régime function as an incentive mechanism?

Reply:

Articles 202, 203, 204, 205 and 206 of the Customs Code, approved under Legislative Decree No. 18.199/47, establish the following provisions concerning the temporary admission régime:

Article 202 - Drawback and temporary admission. The Executive may organize and grant the benefits of drawback and of temporary admission in respect of materials and goods imported for industry and which are to be re-exported in due course.

The same régime may likewise be applied in respect of packaging and non-packaged processed products.

Article 203 - Definition. Drawback is where the relevant charges are paid on the import of products and are refunded, in whole or in part, when the products are re-exported, whether in the state in which they were imported or after industrial processing. Temporary admission is where certain articles or goods are admitted duty free, in whole or in part, subject to their being re-exported within a certain period.

Article 204 - Extension of temporary admission. Temporary admission may also be granted in respect of apparatus, machinery and tools for scientific, historical or archaeological research or for public works; vehicles of whatever category or system; pure-bred, draught or riding animals; garments, installations and tolls for public spectacles; material and animals for exhibitions.

Article 205 - Conditions for exemption. Exemption shall be granted where the goods to be imported are not normally and adequately produced in the country.

When granting exemption, the Executive may fix the sales price for the finished product where the development of the protected industry permits, and may impose on the processed products an internal charge proportional to the customs advantage granted.

Article 206 - Formalities and authorization. Any conditional or duty-free admission must be the subject of an application presented to and approved by the Ministry of Finance, except where exempted from this requirement under this Code, the Law, the Tariff, or regulations in force. In such cases the Ministry shall likewise determine the amount of the guarantee and the form in which it is to be made.

Under Decree No. 22,403 of 28 May 1962, containing implementing provisions for Article 102 of the Customs Code, and Decree No. 8,460 of 9 December 1964, moulds and matrices for industrial use were included among the goods eligible to benefit under the temporary admission régime.

18. Would the Government of Paraguay explain the operation of the "fiscal incentives" administered by the National Development Bank to promote importation of industrial machinery and equipment.

Reply:

Imports of capital goods financed from loans by the Inter-American Development Bank (IDB) and the Kreditanstalt Für Wiederaufbau of Germany (KfW) are automatically exempted from the following charges:

Exemption from customs duties (Law No. 667/24);

Exemption from additional duties (Legislative Decree No. 19,360/43);

Exemption from complementary duties (Law No. 1224/67);

Exemption from exchange surcharges (Law No. 1334/67);

Exemption from the prior deposit required under regulations of the Central Bank of Paraguay.

The above-mentioned fiscal treatment derives from special legislation enacted on the occasion of the establishment of each credit line. In each case, sub-borrowers must apply to the Ministry of Finance and the Central Bank of Paraguay for exemption from customs duties and exchange surcharges, on the basis of a certification from the National Development Bank.

D. Customs formalities

19. Has the Paraguayan Government considered the elimination of consular invoice requirements in favour of allowing normal commercial invoices to be used for importation?

Reply:

The Paraguayan Government has not yet considered the elimination of consular invoice requirements in favour of allowing normal commercial invoices to be used for importation.