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GENERAL AGREEMENT ON TARIFFS AND TRADE

L/33

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NICARAGUA-EL SALVADOR FREE-TRADE AREA

A Note on the First Annual Report

1. At the Sixth Session the Contracting Parties took a formal Decision, in accordance with the provisions of paragraph 10 of Article XXIV, that the Government of Nicaragua was entitled to claim the benefits of the provisions of Article XXIV, relating to the formation of free-trade areas, in respect of its Treaty for the establishment of a free-trade area with the Government of El Salvador which had been concluded on 8 March and made effective on 21 August 1951. The Contracting Parties decided, further, that this Decision should be reviewed if, at any time, after study of reports furnished by the Government of Nicaragua and of other relevant data, they find that the operation of the Treaty is not resulting in the maintenance of a free-trade area in the sense of Article XXIV.

2. Before reaching this Decision the Contracting Parties ascertained that the Treaty complied with the requirement of paragraph 8 (b) of Article XXIV, namely that duties and other restrictive regulations of commerce are to be eliminated on substantially all the trade between the constituent territories in products originating in those territories. The list of items for which duty exemption was provided was found to include all those traded between the two countries at that time, but the two Governments had reserved the right to modify that list and to apply quantitative restrictions to the trade in certain products. Therefore the Decision of the Contracting Parties was made conditional upon the submission by the Government of Nicaragua of an annual report on action taken pursuant to these provisions, i.e. to Articles II and IV of the Treaty.

3. The first annual report appears in document G/19. The report states that the Government of Nicaragua "has not taken measures of quantitative restriction on any Salvadorean product" but that, "owing to the persistent fall in the price of maize", El Salvador has "temporarily forbidden the importation of maize from Nicaragua". The statistics accompanying the report show that, in the months since the Treaty was made effective, the exports of maize from Nicaragua have amounted to about a half of the total value of exports to El Salvador. Hence it appears that, for the time being, one of the conditions of paragraph 8 (b) of Article XXIV is not being fulfilled.

4. The report submitted by the Government of Nicaragua further records that each government, party to the Treaty, has requested that additional products be granted duty exemption and that these requests are under consideration. It would appear from the statistics of trade accompanying the report that the items which enjoy exemption from duties and other charges still comprise substantially all the trade between the two countries.

5. Paragraph 4 of Article XXIV requires that the establishment of a free-trade area shall not result in the raising of barriers to the trade of other contracting parties. On this point the report provides no information.

6. The Decision of the Sixth Session requires the Government of Nicaragua to furnish "such additional information as would be of assistance to the Contracting Parties". It is therefore suggested, for consideration at the Seventh Session, that the Government of Nicaragua might be asked to furnish, with future annual reports on action under Articles III and IV, the following information:

- 1) Details of all changes, since the formation of the free-trade area, in Nicaragua's rates of duty applied to products originating in the territories of other contracting parties.
- 2) Monthly and annual published statistics of trade.
- 3) Monthly statistics of trade, product by product, between Nicaragua and El Salvador, distinguishing if possible between products originating in the territories and foreign products.

Points for Decision

Paragraph 5

Paragraph 6