

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6468/Add.1

7 April 1989

Limited Distribution

Original: Spanish

ACCESSION OF PARAGUAY

Foreign Trade Régime and Questions and Replies

Addendum

The following texts on Foreign Trade Régime and the Replies by the Government of Paraguay to the questions submitted by contracting parties concerning the Memorandum on the Foreign Trade Régime (L/5500) have been received from the Permanent Mission of Paraguay. In order that the matter may be examined by the Working Party (L/6472), contracting parties are requested to communicate to the secretariat by 25 May 1989 any questions they may wish to put concerning the matters dealt with in the Memorandum, for transmission to the delegation of Paraguay.

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I. INTRODUCTION

In 1975 and 1983, Paraguay initiated the procedures for accession to the General Agreement on Tariffs and Trade (GATT). To that end a delegation of high government officials submitted to the authorities of the General Agreement a Memorandum describing Paraguay's foreign-trade régime.

In the course of 1988, that document has been revised and updated by a special commission in view of Paraguay's desire to conclude the accession procedure.

This revision and updating became necessary by reason of the new measures affecting the foreign trade régime introduced since the last submission of the Memorandum (1983).

This Memorandum is submitted for consideration by the GATT contracting parties in accordance with the negotiation process for Paraguay's accession to the General Agreement.

II. OUTLINE OF THE GENERAL ECONOMIC POLICY OF THE REPUBLIC OF PARAGUAY

Within the broad framework of its general economic policy, the National Government has defined its objectives, goals and strategies - explicitly for some of the country's production sectors and implicitly for others - by means of economic and social development plans prepared by the Technical Secretariat for Planning, a subsidiary of the Office of the President of the Republic. Although not exhaustive, they are listed below:

1. In the field of agricultural policy:

support for the development of agricultural products, for export and for productivity improvement;

domestic supply of basic foodstuffs, such as wheat, sugar and meat.

2. In the field of industrial policy:

support for existing domestic industries;

incentives for the creation of new industries; and

supply of the basic inputs for industries, on a selective basis.

3. In the field of management of natural resources:

rational utilization of resources;

guaranteeing the conservation of non-renewable resources;

ensuring the supply of basic resources in the domestic market;

developing renewable energy and water resources.

4. In the field of foreign trade policy:

Improvement, strengthening and consolidation of the real terms of trade to achieve equilibrium in the balance of payments, in keeping with the strategy of outward-looking growth through exports and import substitution with competitive goods. The aim is to orient imports towards products necessary to strengthen domestic economic development (inter alia capital goods and raw materials not produced in the country) that go to what are defined as priority sectors, and to see that the products to be exported are those with the most added value and/or the highest unit prices.

This policy is implemented by means of a range of legal, institutional, administrative and other measures, including the following in particular:

4.1. Fiscal matters

4.1.1. Imports

4.1.1.A. General régime: The basic instrument governing imports is the Customs Tariff, established by Law No. 1095/84, Law No. 1173/85 establishing the Customs Code, and Decrees Nos. 7536/84 and 7804/85 which establish the regulations governing the Customs Code.

The Customs Tariff is based on the Customs Co-operation Council Nomenclature. Technical studies with a view to the introduction of a Customs Tariff based on the Harmonized Commodity Description and Coding System are in their final stage. The Customs Tariff is one of the main instruments of the country's fiscal and foreign trade policy. By its structure, it establishes differential levels of taxation for products, depending on their importance for the national economy. The tariff levels, whose rates are all ad valorem, are established in a single column indicating the Customs duty normally applied.

Goods are valued for taxation purposes on the basis of their normal price, which is defined and described in Law No. 489/74, based on the Brussels Definition of Value.

In addition, imports are subject to other, mostly ad valorem, taxes which are created for specific purposes and are added to those already mentioned. They are:

4.1.1.A.a. A 0.5 per cent tax created by Law No. 962/63. The proceeds are used to finance the National Technology and Standards Institute (INTN).

4.1.1.A.b. The tax for the Paraguay Housing and Town-Planning Institute (IPVU) created by Decree No. 27753/63, with taxation at the rate of 1 per cent on imports of building materials.

4.1.1.A.c. Law 1003/64 on seals and stamps. This Law is of a purely documentary character. Although the object is not the taxation of imports and exports as such, it affects them by way of the documents involved, whether they relate to sales, payment arrangements, or foreign-exchange operations (paragraphs 5, 6, 56, 66, with a total of 6.95 per cent).

4.1.1.A.d. Law No. 291/71 taxes at a rate of 2 per cent the sales value of imports of alcoholic beverages in general, the proceeds going to the Municipal Development Institute.

4.1.1.A.e. Consular Duty. Decree -Law No. 46/72 establishes a rate of 5 per cent for each visa of copies of the consular invoice.

4.1.1.A.f. Law No. 551/75 establishes a rate of 1 per cent on the value of imports, the proceeds going to the financing of the Agricultural Development Agency.

4.1.1.A.g. Law No. 780/79 establishes a customs duty surcharge of 1 per cent on the value of imports for the benefit of the National Institute for the Protection of Exceptional Persons (INPRO).

4.1.1.B. Exceptions

Law No. 1095/84 establishes exceptions as follows:

- a. baggage of international travellers;
- b. goods that are exempt in accordance with international treaties;
- c. baggage and household effects of immigrants and repatriated Paraguayans, as well as instruments of work and equipment related to the occupation in which they will be engaged in Paraguay;
- d. goods intended for cultural purposes, teaching, research, or social services by volunteer, religious, teaching or scientific non-profit institutions;

- e. samples without commercial value, provided their quantity, weight, volume or other conditions demonstrate that they cannot be used for commercial purpose;
- f. devices, instruments and special equipment for physically or mentally handicapped persons;
- g. coffins containing corpses; and
- h. movable property acquired through inheritance.

4.1.1.C. There are other exceptions established by special legislation such as:

4.1.1.C.a. Import Régime Law 550/75 on "Promotion of Investment for Economic and Social Development"

The purpose of this law is to stimulate what are considered by the Government as priority investments from both the sectoral and regional points of view. To that end, it provides inter alia for exemptions for imports of capital goods, inputs and raw materials which apply particularly to customs taxes and income taxes in accordance with the classification of "necessary" or "desirable" investments.

4.1.1.C.b. Special régime for imports of raw materials and inputs for domestic industries

This régime, created by Decree No. 7804/85 establishes preferential and differential tariff treatment for imports of raw materials, inputs, and other materials destined for domestic industries, especially inputs of goods which are not produced in the country.

There are two levels, determined by the destination and final use of the intermediate goods. These are taxed at rates of 5 per cent or 10 per cent, depending on whether they are to aid in the processing of domestic raw materials, to produce import-substitution products and/or to be subjected to industrial processing.

4.1.1.C.c. Regional customs office régime

This régime, established by Decree No. 7804/85, is designed to provide facilities for trade in certain goods coming from bordering countries (Argentina, Brazil and Bolivia).

To that end, the Decree fixes a single rate of tariff taxation on the introduction of such goods in accordance

with a list of eligible products. The rate is 10 per cent and replaces all levies on imports.

4.1.1.C.d. Import régime within the framework of Latin American integration (LAIA)

This régime reflects the process of negotiations establishing the machinery of the Latin American Integration Association (LAIA).

By the 1980 Treaty of Montevideo, Paraguay receives preferential treatment as a relatively less-developed country and additional benefits owing to its geographical situation (land-locked country).

4.1.1.C.e. Temporary admission

With a view to encouraging industrial production for foreign markets, the national government can suspend payment of import levies on certain imported goods, destined to be re-exported within a time-limit established by the law and regulations, either in the State in which they were admitted or after processing, preparation or repair.

This mechanism is incorporated in the Customs Code Law No. 1173/84, and the regulations are established by Decree Law No. 15813/86.

4.1.1.C.f. Import régime for agricultural inputs

Law No. 166/69 establishes a preferential tax régime for imports of insecticides, fungicides, herbicides, fertilizers, bulbs and seeds for sowing, and raw materials to be used for the industrial production of all kinds of fertilizers and for soil enrichment in general.

4.1.2. Exports

In keeping with the national policy of production and industrialization, exports are exempt from the payment of customs levies (Law 1095/84, Article 7).

Exports are affected by paragraphs 7, 56, 59 and 66 of Law No. 1003/64 on seals and stamps.

The general tax incidence on exports is 4.9 per cent.

4.1.2.A. Currency, foreign exchange and credit matters

Measures in the sphere of currency, foreign exchange and credit policy are designed to adjust the global pace of monetary and credit expansion to the actual trends in the

aggregate demand for goods and services, so as to avoid excess money supply, as well as to ensure that the various components of the country's balance of payments develop smoothly, as well as generation of international reserves.

The basic aspects of these policies are implemented by the following provisions:

- Decree Law No. 18 of 25 March 1952 creating the Central Bank of Paraguay.
- Law No. 417 of 6 November 1973, the General Law governing banks and other financial institutions, and Law No. 771 partly amending Articles 11, 15, 18, 23, 24 and 25 of Law No. 417/73.
- Resolution No. 2, in Record No. 49/73, as amended, which extends the free foreign-exchange market and establishes the floating free market.
- Resolution No. 2, in Record 168/86, as amended, which establishes the foreign-exchange régime for exports, imports and foreign capital movements.
- Resolution No. 12, in Record 26/87, as amended, which sets the exchange rate applicable to disbursements of loans from international organizations.

4.1.2.B. Currency régime

In general, currency measures are aimed at protecting the internal and external value of the guarani, encouraging saving, stimulating investment, raising the level of foreign trade and bringing about conditions favourable to the promotion of the country's economic and social development. The following are some recent currency measures taken by the Central Bank of Paraguay:

- Resolution No.1, Record No. 67 of 26 May 1987, which sets ceilings for deposits by public agencies in the country's banks.
- Resolution No. 1, Record No. 63 of 18 July 1988, which establishes the interest rates charged or paid by banks and other financial entities, in accordance with Article 475 of the current Civil Code. The structure of current interest rates is as follows:

<u>Maximum lending rates</u>	<u>Development rates</u>	<u>Commercial rates</u>
National Development Bank	22%	28%
Commercial banks	22%	28%
Financial enterprises		35%
Home Savings and Loan System	22%	
Livestock Fund	22%	
Investment and development banks		
- Medium and long-term loans (more than a year)	24%	
- Short-term loans	22%	28%

The rates paid by the banks and the Home Savings and Loan System for time deposits will be the following:

31 to 60 days	15% per annum
61 to 90 days	16% per annum
91 to 180 days	17% per annum
over 180 days	18% per annum

Resolution No. 16, Record No. 69 of 1 August 1988, regulates interest rates for the Home Savings and Loan System.

Maximum lending rates

For mortgages:

<u>Loan amount</u>	<u>Yearly interest rate</u>
I. up to G 3,600,000	18%
II. from G 3,600,001 to G 6,000,000	20%
III. over G 6,000,000	22%

Interest paid on deposits

Demand deposits	up to 14%
Time deposits:	
31 to 60 days	15%
61 to 90 days	16%
91 to 180 days	17%
over 180 days	18%

With a view to regulation of the currency, banks receiving deposit from the public are required under Resolution 2, Record No. 103/66, to maintain a legal reserve of 42 per cent of demand deposits. The required reserve is 30 per cent for time deposits of 30 days or more (Resolution

No. 5, Record No. 92/88). Deposits in foreign currency require a 30 per cent reserve (Resolution No. 39, Record No. 113 of 18 June 1982).

4.1.2.C. Credit régime:

As regards credit policy, current measures by the Central Bank of Paraguay provide as follows:

Bank credit for the promotion of agriculture, industry and exports ("Minimum portfolio régime" - Resolution No.3, Record No. 40 of 10 March 1973). Under this provision, the country's banks are required to maintain 50 per cent of their total loan portfolio in the form of credits to the agricultural, livestock, industrial and export sectors.

By virtue of Resolution No. 1, Record No. 155 of 14 November 1985, as from November 1985 the loans and discounts of the Central Bank of Paraguay will be established on a product and seasonal basis with well-defined ceilings and payment schedules. This is to ensure that the resources of the Central Bank of Paraguay become revolving funds that stimulate production and productivity.

The Central Bank of Paraguay applies a 10 per cent interest rate for loans and re-discounting; commercial banks and the National Development Bank in turn apply a 22 per cent rate (Resolution No. 1, Record No. 63 of 18 July 1988).

Of the remaining 50 per cent of the total amount of the banks' loan portfolio (free loan portfolio) the applicable lending rate is 28 per cent.

4.1.2.D. Foreign-exchange régime

In the field of foreign exchange transactions take place at the exchange rate of the bank free market, subject to regulations of the Central Bank of Paraguay. Since 1973, when foreign-exchange establishments were authorized, most operations in invisibles are effected on the floating free market and prices are determined by market forces.

Resolution No. 1 in Record No. 64 of 19 July 1988, updates the "Foreign Exchange Régime for the Public Sector", which provides as follows:

1. Establishes an exchange rate of G 400 per dollar for foreign debt payments by the public sector.

2. Establishment of an exchange rate of G 400 per dollar, taking effect as from the date of the Resolution, for all Central Government imports at c.i.f. values and all imports of Public Enterprises De-centralized Entities and Municipalities at f.o.b. values.
3. Debt-service payments in guaranis on loans contracted by the public sector with international organizations will be paid at the exchange rate in force for loan payments to those organizations, in accordance with the value-maintenance clauses included in the relevant agreements signed by the Republic of Paraguay.

Import régime

Prior permits are not needed to import, except for some products requiring authorization. These are firearms, gunpowder, explosives among others, for reasons of security, public health or morals to and to protect national production. See Decree - Law No. 7804/85.

Export régime

In principle, all exports are free of any permit requirement, but some need a certificate issued by the National Technology and Standards Institute, the Ministry of Industry and Trade and/or the Ministry of Agriculture.

Exports of logs and of some other unprocessed forestry products, as well as of raw hides, are prohibited. Exports of certain products require prior authorization in order to safeguard domestic consumption and local industry requirements.

The total value of exports must be received in foreign currency within 120 days from the date on which the bank processed the shipping declaration. The foreign currency must be negotiated in a bank authorized to engage in foreign-exchange operations. Transfers are allowed in the following currencies: US dollars, sterling, deutsche marks, Swiss francs, French francs, Swedish crowns and yen.

Foreign-exchange proceeds from exports are banked on the basis of the minimum prices set in each case by the Central Bank of Paraguay.

4.1.2.E. Foreign-trade policy and balance of payments

Foreign trade plays an important rôle in the functioning of Paraguay's economic system, inasmuch as the principal premises of the definition of its growth strategy are based on outward-looking growth through exports, gradual import-substitution, expanding the domestic market and developing agro-industry.

The Government of Paraguay is pursuing a policy oriented towards the dynamic expansion of Paraguayan exports by bringing about the conditions necessary for the production and creation of exportable surpluses.

As a result of the implementation of this policy, Paraguayan exports have enjoyed steady growth as well as a healthy diversification of markets and products as can be seen from the annexed tables.

The Paraguayan Government's import policy is one of free trade, and its trade has grown steadily. There are some limits related to public health and morals, national security and others, which are allowed by the GATT rules.

5. Institutional matters

Foreign trade policy is implemented by the institutions legally empowered to that end. The Paraguayan Government has given these institutions the legal authority, organizational and operational structure, and the human, material, financial and technological resources for fulfilling the stated objectives.

5.1. National Economic Co-ordination Council

The National Economic Co-ordination Council, the highest authority in economic matters, has responsibility for national economic policy. The Chairman of the Council is the President of the Republic, and its membership comprises all the Ministers, the President of the Central Bank, the President of the National Development Bank, the Presidents of the Senate and Chamber of Deputies and the Executive Secretary of the Technical Secretariat for Planning.

The functions of the Council include:

- conduct and planning of economic policy;
- review of tax bills;
- decisions on matters relating to banking, credits and currency; and
- preparation of draft trade agreements and international conventions or agreements directly or indirectly bearing on the national economy or finances.

5.2. Ministry of External Relations

The Ministry of External Relations has the following functions, inter alia:

- participation in the study and negotiation of trade agreements;
- promotion of implementation of economic and trade treaties or agreements signed by Paraguay.

5.2.1. Department of International Economic Relations

The Department of International Economic Relations handles economic and trade matters for the Ministry of External Affairs.

The following departments assist it in carrying out its tasks:

5.2.1.1. Department of Multilateral Relations

The Department of Multilateral Relations has responsibility for multilateral economic and trade relations. The multilateral bodies include:

- the Latin American Integration Association (LAIA);
- the Inter-American Economic and Social Council (CIES);
- the European Economic Community (EEC);
- the General Agreement on Tariffs and Trade (GATT);
- the Institute for Latin American Integration (INTAL);
- the Italian-Latin American Institute (ILAI);
- the United Nations Economic Commission for Latin America (ECLA);
- the Latin American Economic System (LAES).

5.2.1.2. Department of Economic Affairs

The Department of Economic Relations has responsibility for bilateral economic and trade relations, including negotiations carried out in joint commissions.

5.2.2. National Council on Foreign Trade

The National Council advises the Ministry of External Relations on international trade negotiations. It was established under Executive Decree No. 22,699/62 of 8 June 1962

and the relevant implementing regulations are set forth in Decree No. 23,604/62. Its chairman is the Minister for External Relations.

The Council comprises representatives of the:

- Ministry of External Relations
- Ministry of Finance;
- Ministry of Agriculture;
- Ministry of Industry and Trade;
- Central Bank of Paraguay;
- National Development Bank;
- Federation of Production, Industry and Trade (FEPRINCO); and
- Paraguayan Industrial Union (UIP).

5.3. Ministry of Finance

The Ministry of Finance has responsibility for implementing fiscal policy and, in particular, the import and export tariff system.

Within the Ministry of Finance, implementation of trade policy instruments is the responsibility of the following bodies:

- General Directorate for Customs;
- Inland Revenue Directorate;
- Income Tax Directorate; and
- Technical Secretariat.

5.3.1. Economic Task Group

The Economic Task Group is part of the National Economic Co-ordination Council. It studies and analyses specific economic topics referred to it by the Council.

Its chairman is the Minister for Finance. The members are:

- the Minister for Industry and Trade;
- the Minister for Agriculture;
- the President of the Central Bank of Paraguay;
- the President of the National Development Bank.

5.3.2. Customs Tariff Council

Law 1095/84, establishing the customs tariff, set up the Customs Tariff Council as an advisory body under the responsibility of the General Directorate of Customs, in order to carry out studies and make recommendations regarding the customs tariff régime.

The Council is made up as follows:

Its chairman is the Director General for Customs, and the members are representatives of the following institutions:

Ministry of Finance;
Ministry of Industry and Trade;
Ministry of Agriculture;
Central Bank of Paraguay;
Technical Secretariat for Planning;
Paraguayan Industrial Union;
FEPRINCO;
National Agricultural Corporation.

5.4. Ministry of Agriculture

This Ministry, established by Decree Law No. 13,681 of 4 August 1950, has responsibility for implementing national policy on agriculture, livestock and forestry.

Its functions include:

- protection and promotion of agricultural, livestock and forestry production;
- study and protection of the country's economic resources and regulation of their extraction and use, with the exception of sub-soil resources;
- economic regulation and co-ordination of agricultural and livestock production, and agro-economic statistics;
- land and rural development issues, exchange matters, domestic migration, immigration and repatriation;
- agricultural credit system and matters relating to the co-operative movement.

The following institutions are part of, or report to, the Ministry of Agriculture:

- Cotton and Tobacco Administration (OFAT);
- Marketing and Agro-Economics Directorate;
- Directorate of Agricultural Standards and Surveillance; and
- Directorate of Livestock Standards and Surveillance.

Autonomous agencies supervised by the Ministry of Agriculture are:

- Rural Welfare Institute; and
- Agricultural Finance Agency.

5.5. Ministry of Industry and Trade

The Ministry of Industry and Trade was created by Decree Law No. 13,681 of 4 August 1950. Its functions are set forth in Law No. 904 of 30 August 1963, and the relevant implementing regulations were established by Decree No. 996/63.

The Ministry of Industry and Trade encourages industrial production through the installation of new establishments and improvement of existing ones; it facilitates distribution, movement and consumption of domestic and foreign goods, and carries out domestic and foreign trade promotion activities.

5.5.1. Department of State for Trade

The Department has responsibility for foreign trade, inter alia, and for the following bodies:

- Export Promotion Centre (CEPEX);
- Foreign Trade Department;
- International Economic Negotiations Unit (UNEI).

5.5.1.1. Export Promotion Centre (CEPEX)

CEPEX was established by Decree No. 7,119 of 28 August 1969. Its objectives are:

- to co-ordinate the work and functions of official and private agencies for promoting Paraguayan exports;
- to encourage participation of export firms in the development process; and
- to help increase production, diversify export lines, and improve and expand markets;
- to participate in trade fairs and exhibitions.

Its functions are, inter alia:

- to propose necessary measures for better implementation of recommendations contained in development plans;
- to identify exportable products and suggest appropriate measures to promote production; and
- to organize and promote displays and exhibits of Paraguayan products abroad and Paraguayan participation in international fairs.

5.5.1.2. Department of Foreign Trade

The Department has responsibility for the issue of certificates required for exports, such as certificates of origin, inter alia.

5.5.1.3. International Economic Negotiations Unit (UNEI)

UNEI is a technical body with responsibility in regarding to international economic negotiations. Its functions are:

- to propose plans and programmes regarding international trade negotiations to develop Paraguay's foreign trade;
- to propose and co-ordinate general policies on international economic and trade co-operation;
- to propose and co-ordinate measures to protect the rights and interests of Paraguay in foreign trade matters;
- to organize, conduct and co-ordinate economic and trade negotiations, in accordance with the relevant guidelines, in the areas of international trade, investment promotion and business, industrial and financial complementarity, in particular:
 - (a) negotiations within the Latin American Integration Association (LAIA); and
 - (b) negotiations in the bilateral joint commissions;
 - (c) negotiations within the framework of GATT.

Other sections of the Ministry that deal with foreign trade matters are:

5.5.1.4. Commodities Division

This Division has responsibility for:

- the National Coffee Board;
- the Joint Sugar Board; and
- the Executive Committee for Commodity Agreements.

5.5.1.5. Handicrafts Promotion Service

This service promotes and co-ordinates the production and marketing of Paraguayan handicrafts.

The Ministry also has responsibility for:

5.5.2. National Export Council

The Council was established by Decree No. 13093 of 6 January 1986 to implement new instruments necessary in view of the world economic situation; these are dynamic instruments to encourage the growth of our exports as the basis for sustained economic development. The Council carries out analyses and special studies with a view to the adoption of export promotion mechanisms. Its chairman is the Minister for Industry and Trade; the members are: the Minister for Agriculture, the Minister for Finance, the President of the Central Bank of Paraguay, the President of the National Development Bank, the Technical Secretary for Planning and their respective alternates.

5.5.3. National Investment Council

The Council has responsibility for implementing the Law on investment promotion (Law No. 550/75), and in particular to evaluate and report its findings on investment projects and to counsel public and private institutions on investment matters.

The Minister for Industry and Trade is chairman of the Council, which comprises representatives of the Ministries of Finance, Agriculture, Justice and Labour, Industry and Trade, and representatives of the Central Bank of Paraguay, the National Development Bank, the National Technology and Standards Institute, FEPRINCO and UIP.

5.6. Central Bank of Paraguay

The Bank was established under Decree Law No. 18 of 25 March 1952. It has responsibility for implementing national monetary, credit and exchange policies, in accordance with the economic policy of the Government.

The Bank includes the Department of Economic Studies and the Department of International Operations, that contribute as appropriate to implementing arrangements for national trade policy.

5.7. Technical Secretariat for Economic and Social Development Planning

The Secretariat was established under Decree Law No. 312 of 6 March 1962, and reports to the office of the President of the Republic. It prepares background studies for evaluation of the country's economic and social position, forecasts and targets, and draws up programmes for achieving the targets established. One of the major functions of this body is to advise the National Economic Co-ordination Council.

5.8 Private-sector organizations

The Production, Industry and Trade Federation (FEPRINCO) groups private-sector professional organizations - it includes organizations from the sectors of production (primary), industry (secondary), and trade and services (tertiary).

5.8.2. Paraguayan Industrial Union (UIP)

UIP is a federation of professional organizations from the various branches of private industry. Its objectives are to promote national industrial development, its progress, improvement and consolidation, and to lobby for appropriate legislation.

5.8.3. Chamber of Commerce

The Chamber of Commerce is an organization of private businesses and management service organizations.

5.8.4. Chamber of Exporters

This is a private-sector organization of undertakings operating in the export sub-sector.

5.8.5. Importers' Centre

This is a private-sector organization of undertakings operating in the import sub-sector.

ANNEX

Agreements Relating to Foreign Trade

The Republic of Paraguay is a party to the following agreements,
inter alia:

I. Bilateral agreements

1. Paraguay - Argentina

- Agreement signed on 27 November 1944 under which the Argentine Government granted the Paraguayan Government a bonded warehouse in the ports of Buenos Aires and Rosario for goods imported or exported by the Republic of Paraguay.
- Agreement between the Governments of Paraguay and Argentina on the creation of a joint Paraguayan-Argentine commission for co-operation and co-ordination on economic, technical, financial and cultural matters. Signed at Buenos Aires on 21 October 1964.
- Agreement on investments and industrial complementarity. Signed at Buenos Aires on 20 July 1967. Law 18 of 17 October 1968.
- Agreement on cross-border river transport of passengers, vehicles and cargo. Signed at Buenos Aires on 31 July 1972. Approved by Law No. 368 of 14 November 1972.
- Agreement on the establishment of a free zone in the port of Rosario for the Republic of Paraguay. Signed at Buenos Aires on 29 November 1979.

2. Paraguay - Brazil

- Agreement between the Federative Republic of Brazil and the Republic of Paraguay for the establishment in Santos (Brazil) of a bonded warehouse for goods exported and imported by Paraguay. Signed at Rio de Janeiro on 14 June 1941. Approved by Law No. 8,009 of that year.
- Agreement on the establishment in Paranaguá of a bonded warehouse for goods imported or exported by Paraguay. Signed at Rio de Janeiro on 20 January 1956. Approved by Law No. 332 of that year.
- Agreement on the establishment in Concepción (Paraguay) of a bonded warehouse for goods imported or exported by Brazil. Signed at Rio de Janeiro on 20 January 1956. Approved by Law No. 329 of that year.
- Agreement on the establishment in the port of Encarnación (Paraguay) of a bonded warehouse for the receipt, storage and distribution of

goods originating in and imported from Brazil and goods consigned to Brazil. Signed at Asunción on 5 November 1959.

- Treaty of Friendship and Co-operation between the Republic of Paraguay and the Federative Republic of Brazil. Signed at Asunción on 4 December 1975. Approved by Law No. 571 of 19 December 1975.

3. Paraguay - Bolivia

- Agreement by an exchange of notes between Paraguay and Bolivia establishing the Standing Joint Commission. Signed at La Paz on 10 March 1962.

4. Paraguay - Chile

- Agreement by an exchange of notes for the establishment of a joint Paraguayan-Chilean Commission. Signed at Asunción on 19 August 1968.
- Agreement between the Republic of Paraguay and the Republic of Chile for the establishment of a bonded warehouse and free zone in the port of Antofagasta (Chile), for goods exported or imported by Paraguay. Signed at Asunción on 19 August 1968. Approved by Law No. 45 of 13 December 1968.
- Agreement for the establishment of a bonded warehouse and free zone in the port of Villeta (Paraguay) for goods exported and imported by Chile. Signed at Santiago de Chile on 19 September 1974. Approved by Law No. 483 of 22 November 1974.

5. Paraguay - Uruguay

- Agreement by diplomatic notes on use by the Republic of Paraguay of free zones in Uruguayan territory (Nueva Palmira and Colónia). Signed at Asunción on 16 May 1975.
- Agreement by diplomatic notes on port facilities granted to the Republic of Paraguay in the port of Montevideo. Signed at Asunción on 16 May 1975.
- Agreement by diplomatic notes on the creation of a joint Paraguayan-Uruguayan Commission on Co-ordination and Co-operation. Signed at Asunción on 16 May 1975.
- Agreement on trade, industrial complementarity and investments between the Republic of Paraguay and the Oriental Republic of Uruguay. Signed at Montevideo on 25 March 1976. Approved by Law No. 575 of 2 June 1976.

6. Paraguay - Germany

- Trade agreement between Paraguay and the Federal Republic of Germany. Signed at Asunción on 25 July 1955. Approved by Law No. 317 of 28 October 1955.

7. Paraguay - Benelux

- Agreement on trade and navigation between the Republic of Paraguay and the Benelux Economic Union. Signed at Asunción on 13 August 1963. Approved by Law No. 1,175 of 25 August 1966.

8. Paraguay - China

- Treaty on trade and economic co-operation between the Republic of Paraguay and the Nationalist Republic of China. Signed at Taipei on 11 May 1962. Approved by Law No. 811 of 13 July 1962.
- Agreement on investments between the Republic of Paraguay and the Republic of China. Signed at Taipei on 25 September 1975. Approved by Law No. 554 of 11 December 1975.

9. Paraguay - Denmark

- Agreement on trade and navigation between the Republic of Paraguay and Denmark. Signed at Copenhagen on 3 May 1967. Approved by Law No. 1,231 of 13 June 1967.

10. Paraguay - Egypt

- Trade agreement between the Republic of Paraguay and the Arab Republic of Egypt. Signed at Asunción on 11 May 1977. Approved by Law No. 648 of 28 July 1977.

11. Paraguay - Spain

- Agreement for the establishment in Paraguay of a bonded warehouse for Spanish goods and a free zone for Paraguayan and/or Spanish goods. Signed at Madrid on 25 June 1959. Approved by Law No. 781 of 17 May 1962.
- Agreement for the establishment of a joint Paraguayan-Spanish Trade Commission. Signed at Asunción on 24 May 1961.
- Agreement on economic co-operation between the Republic of Paraguay and Spain. Signed at Asunción on 31 March 1971. Approved by Law No. 260 of 2 July 1971.

12. Paraguay - France

- Agreement on trade between Paraguay and France. Signed at Asunción on 22 September 1956. Approved by Law No. 462 of 27 August 1957.

- Agreement on the reciprocal promotion and protection of investments. Signed at Asunción on 30 November 1978.
- 13. Paraguay - Italy
 - Trade agreement between the Republic of Paraguay and the Republic of Italy. Signed at Rome on 8 July 1959. Approved by Law No. 779 of 17 May 1962.
- 14. Paraguay - Switzerland
 - Trade agreement between the Republic of Paraguay and the Swiss Confederation. Signed at Asunción on 2 April 1969. Approved by Law No. 118 of 12 September 1969.
- 15. Paraguay - South Africa
 - Agreement on economic co-operation and investments between the Republic of Paraguay and the Republic of South Africa. Signed at Pretoria on 3 April 1974. Approved by Law No. 443 of 9 August 1974.
- 16. Paraguay - United States
 - Agreement on guarantee of United States private investment. Signed at Asunción on 28 March 1956.

II. Multilateral agreements

1. Treaty of Montevideo of 1980 establishing the Latin American Integration Association (LAIA).

The Republic of Paraguay has signed the following agreements within the framework of LAIA:

- Regional Agreement No. 1 on Market Opening in favour of relatively less-developed countries of 30 April 1983 and amendments thereto, in favour of the Republic of Bolivia.
- Regional Agreement No. 2 on Market Opening in favour of relatively less-developed countries of 30 April 1983 and amendments thereto, in favour of Ecuador.
- Regional Agreement No. 3 on Market Opening in favour of relatively less-developed countries, in favour of Paraguay, signed on 30 April 1983 and amendments thereto.
- Agreement establishing the Regional Tariff Preference, signed by the LAIA member countries on 27 April 1984 and its Protocol of Amendment.

- Partial-Scope Agreement No. 17, Paraguay - Bolivia, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1962/1980.
- Partial-Scope Agreement No. 18, Paraguay - Colombia, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 19, Paraguay - Ecuador, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 20, Paraguay - Peru, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 21, Paraguay - Venezuela, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 26, Argentina, Chile, Paraguay and Uruguay, signed on 30 April 1983 and amendments thereto, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 34, Paraguay - Brazil, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.
- Partial-Scope Agreement No. 38, Paraguay - Mexico, signed on 30 April 1983, for the renegotiation of preferences granted in the period 1960/1980.

2. International Coffee Agreement of 1983.

3. Inter-American agreement on conflicting legislation in respect of bills of exchange, promissory notes and invoices. Signed at Panama on 30 January 1975. Approved by Law No. 609 of 24 November 1976.

4. Inter-American agreement on international trade arbitration. Signed at Panama City on 30 January 1975. Approved by Law No. 611 of 18 November 1976.

5. Agreement on International Land Transport. Signed in 1974 between Argentina, Brazil, Uruguay and Paraguay.

6. International Sugar Agreement. Signed at Geneva on 13 October 1973. Approved by Law No. 530 of 25 November 1975.

7. Inter-American agreement to facilitate water transport. Signed at Mar del Plata on 7 June 1963. Approved by Law No. 304 on 27 October 1967.

8. River Plate Basin Treaty. Signed at Brasilia on 23 April 1969.

9. Agreement Establishing the Financial Fund for the River Plate Basin.
Signed at Buenos Aires on 12 June 1974. Approved by Law No. 492 of
6 December 1974.

Asunción, 22 December 1988

STATISTICAL TABLES

FOREIGN TRADE OF PARAGUAY
(In US\$'000 f.o.b.)

Year	Exports	Imports		Trade balance
1970	64,070	63,835		235
1971	65,204	70,272	-	5,068
1972	86,187	69,849		16,638
1973	126,928	104,790		22,138
1974	169,806	171,397	-	1,591
1975	176,711	178,361	-	1,650
1976	181,834	180,218		1,616
1977	278,891	255,377		23,514
1978	256,984	317,738	-	60,754
1979	305,176	437,721	-	132,545
1980	310,230	517,142	-	206,912
1981	295,541	506,111	-	210,570
1982	329,784	581,474	-	251,690
1983	269,176	478,264	-	209,088
1984	334,502	513,055	-	178,553
1985	303,902	443,483	-	139,581
1986	232,534	509,393	-	276,859
1987	353,377	517,476	-	164,099

Source: Statistical Bulletin of the Central Bank of Paraguay

EXPORTS BY COUNTRY OF DESTINATION
(In US\$'000, f.o.b.)

Country	1982	1983	1984	1985	1986	1987
Argentina	59,151	32,143	40,525	15,690	32,172	53,570
Brazil	83,358	56,616	53,219	60,075	91,826	62,236
United States	8,667	23,180	17,464	3,614	9,289	13,914
Germany	40,947	31,856	39,557	41,001	7,770	13,483
United Kingdom	3,886	1,906	651	1,566	930	2,517
Japan	25,463	5,241	7,900	3,169	1,896	2,606
Switzerland	14,175	19,178	12,755	20,016	13,610	24,137
Netherlands	16,022	38,586	41,264	38,390	22,512	63,587
Other	57,205	60,470	121,149	120,387	49,528	107,327
Total	308,874	269,176	334,484	303,908	232,533	329,894

Source: Statistical Bulletin of the Central Bank of Paraguay

PARAGUAYAN EXPORTS BY MAIN HEADINGS
(US\$'000, f.o.b.)

PERIOD 1982/87

Product	1982	1983	1984	1985	1986	1987
Wood	44,182	20,894	22,622	10,050	18,271	27,458
Livestock products	2,075	5,273	4,585	1,447	32,918	20,901
Dried and tanned cowhide	6,768	7,284	7,112	5,221	9,732	13,768
Oilseeds	90,964	88,487	101,572	106,328	45,776	125,011
Cotton fibre	122,415	85,416	131,156	141,811	80,745	100,957
Tobacco	5,947	10,171	15,253	6,033	5,448	9,860
Fresh and prepared fruit	245	136	88	101	273	987
Vegetables	8,413	2,589	3,756	894	4,985	3,681
Coffee beans	307	-	108	88	-	-
Maté	168	41	177	92	137	1,110
Canned palmito	1,154	1,054	2,300	1,255	2,146	4,797
Vegetable oils	18,783	19,437	18,963	13,656	9,215	9,555
Essential oils	3,458	1,777	3,154	5,615	3,976	5,825
Oilcake or expeller cake	12,073	13,626	12,392	6,396	8,746	12,462
Quebracho extract	4,972	5,373	5,636	4,023	3,762	5,268
Wild-animal furskins	435	137	-	-	-	-
Sugar-cane products	3,900	5,438	4,183	11	3,610	2,581
Silkworm cocoons	1,337	1,136	-	-	-	-
Other	1,748	554	1,993	3,871	1,589	1,834
Miscellaneous	440	354	452	630	1,204	7,302
Total	329,784	269,176	334,502	303,902	232,533	353,377

Source: Statistical Bulletin of the Central Bank of Paraguay

PERCENTAGE SHARE OF PARAGUAYAN EXPORTS BY MAIN HEADINGS
STRUCTURE BASED ON VALUE

PERIOD 1982/87

Product	1982	1983	1984	1985	1986	1987
Wood	13.40	7.76	6.76	3.30	7.86	7.77
Livestock products	0.70	1.89	1.27	0.46	14.31	5.91
Dried and tanned cowhide	2.05	2.71	2.13	1.72	4.18	3.90
Oilseeds	27.58	32.87	30.37	34.99	19.69	35.38
Cotton fibre	37.12	31.62	39.21	34.99	34.72	28.57
Tobacco	1.80	3.78	4.56	0.03	1.68	2.79
Fresh and prepared fruit	0.07	0.05	0.03	0.29	0.12	0.28
Vegetables	2.55	0.96	1.12	0.03	2.14	1.04
Coffee beans	0.09	-	0.04	0.03	-	-
Maté	0.05	0.02	0.05	0.41	0.05	0.31
Canned palmito	0.35	0.39	0.69	4.49	0.92	1.36
Vegetable oils	5.69	7.22	5.67	1.85	3.96	2.70
Essential oils	1.05	0.66	0.94	2.10	1.71	1.65
Oilcake or expeller cake	3.66	5.06	3.70	1.32	3.76	3.53
Quebracho extract	1.51	1.99	1.68	-	1.62	1.49
Wild-animal furskins	0.13	0.05	-	0.04	-	-
Sugar-cane products	1.18	2.02	1.25	-	1.55	0.73
Silkworm cocoons	0.41	0.42	-	11.72	-	-
Other	0.48	0.40	0.40	0.21	1.21	0.72
Miscellaneous	0.13	0.13	0.13	-	0.52	2.07
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Statistical Bulletin of the Central Bank of Paraguay

IMPORTS BY COUNTRY OF ORIGIN

(In US\$'000, f.o.b.)

Country	1982	1983	1984	1985	1986	1987
Argentina	113,163	90,357	80,959	74,878	69,545	46,099.8
Brazil	154,260	136,210	167,890	159,873	160,838	169,005.9
United States	51,099	30,795	905	34,999	69,831	55,249.7
Germany	37,262	32,320	16,062	21,965	32,976	30,161.5
United Kingdom	34,013	24,728	21,455	18,475	424	33,984.3
Japan	32,038	20,168	60,741	20,205	29,217	30,014.0
Switzerland	4,909	4,937	5,097	26,811	19,737	5,689.2
Netherlands	9,898	1,712	6,669	2,314	120	1,857.6
Other	145,032	137,037	153,277	82,761	126,705	150,388.0
Total	581,674	478,264	513,055	442,281	509,393	522,450

Source: Statistical Bulletin of the Central Bank of Paraguay

Paraguayan Imports by Principal Products

(1982-1987)

(US\$'000, f.o.b.)

Products	1982	1983	1984	1985	1986	1987
Fuels and lubricants	154,241,0	120,024,1	137,556,1	114,570,9	96,918,9	102,773,3
Machines, appliances and motors	105,357,8	107,802,0	92,159,1	101,699,6	163,529,0	151,951,5
Transport equipment and accessories	47,644,7	29,437,2	102,635,5	30,514,8	30,663,3	47,869,1
Beverages and tobacco	38,185,4	15,569,3	25,482,5	25,058,6	33,945,4	41,626,8
Steel and steel products	39,515,9	39,584,3	23,460,3	17,855,0	28,803,1	24,370,6
Foodstuffs	23,899,4	31,250,0	14,321,1	19,811,5	17,013,6	8,970,9
Chemical and pharmaceutical products	32,736,8	28,326,2	29,448,0	34,423,7	29,561,3	25,874,1
Agricultural tools and accessories	9,401,5	6,896,3	11,790,2	11,660,4	6,361,7	8,301,7
Textiles and textile products	9,665,0	8,546,0	6,074,9	8,698,0	10,347,0	12,374,9
Paper, cardboard and articles thereof	13,357,4	7,044,7	7,802,8	9,302,7	8,801,4	10,464,0
Base metals and their products	14,537,4	11,350,3	5,561,6	7,093,7	8,860,1	9,080,2
Other	92,921,5	72,433,5	56,752,4	61,592,2	74,578,3	73,819,3
Total	581,474,3	478,236,7	513,054,5	442,281,1	509,393,1	517,476,4

Source: Statistical Bulletin of the Central Bank of Paraguay

STRUCTURE OF IMPORTS BY PRINCIPAL PRODUCTS
(in per cent of total imports)

Products	1982	1983	1984	1985	1986	1987
Fuels and lubricants	26.52	25.09	26.81	25.90	19.02	19.86
Machinery, appliances and motors	18.11	22.54	17.96	22.99	32.10	29.36
Transport equipment & accessories	8.19	6.15	20.00	6.89	6.01	9.25
Beverages and tobacco	6.56	3.25	4.96	5.66	6.66	8.04
Steel and steel products	6.79	8.27	4.57	4.03	5.65	4.70
Foodstuffs	4.11	6.53	2.79	4.47	3.33	1.73
Chemical and pharmaceutical products	5.62	5.92	5.73	7.78	5.80	5.00
Agricultural tools & accessories	1.62	1.44	2.29	2.63	1.24	1.60
Textile and textile products	1.66	1.78	1.18	1.96	2.03	2.39
Paper, paperboard and articles thereof	2.29	1.47	1.52	2.10	1.72	2.02
Base metals and articles thereof	2.50	2.37	1.08	1.60	1.73	1.75
Other	15.98	15.14	11.06	13.92	14.64	14.26
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Statistical Bulletin of the Central Bank of Paraguay

BALANCE-OF-PAYMENTS SITUATION

(US\$ million)

1985	- 88.7
1986	- 90.1
1987	53.2

Balance-of-Payments Division

REPLIES BY THE GOVERNMENT OF PARAGUAY
TO THE QUESTIONS RAISED BY CONTRACTING PARTIES
ON THE FOREIGN-TRADE REGIME OF PARAGUAY (L/5500)

II.1 Industrial policy

1. What do the "support for existing domestic industries and incentives for the creation of new industries" mentioned in Section II, paragraph 1, (page 6 of document L/5500) comprise, and do they include export subsidies?

Reply

Support for existing and new industries comprises:

- (a) The benefits provided by Law 550/75 for the promotion of investment for economic and social development. The objective is to encourage, by granting special incentives, capital investments which, in keeping with the country's economic and social policy, will contribute to the growth of production of goods and services and stimulate the development of specific geographical regions, primarily using national resources.
- (b) Bank credits: preferential credit of the National Development Bank, Special Development Fund (FED), credit for the development of agriculture, industry and exports, Resolution 1, Record 55, of 14 November 1985, and private banks.
- (c) Technical assistance, through the Ministry of Industry and Trade.
- (d) Import régime for industrial inputs and raw materials established by Decree 7804/85 setting forth the regulations for Law 1095/84, administered by the Directorate-General for Customs.

II.3 General foreign-trade policy

2. This paragraph states that the general aim of Paraguay's trade policy is "to orient imports towards necessary and non-substitutable products (inter alia capital goods and raw materials not produced in the country) that go to what are defined as priority sectors, and to see that the products to be exported are those with the most added value and/or the highest unit prices". How are the priority sectors for domestic production referred to above defined and identified? Priority sectors for export? Which sectors are currently considered to be priority sectors for domestic production? For export?

Reply

Priority activities are those which basically process national raw materials and are oriented towards exports or import substitution, and they

are determined by their high productivity, large-scale employment of labour, low cost, etc. At present they also include hydro-power resources (electricity) with the commissioning of the Itaipu binational power station, and shortly of the Yacyreta power station.

The priority sector for exports is the agro-industrial sector.

The priority sectors for domestic production are:

(a) Short and medium term:

1. Agriculture and forestry production (cereals, vegetables, flowers and fruit, livestock, raw materials for producing alcohol, forestry nurseries).
2. Fruit and vegetable industry.
3. Dairy industry.
4. Fatty acids and glycerol.
5. Woodchip/particle agglomeration plants.
6. Glass containers.
7. Manufacture of machinery, tools and instruments for small-scale and medium industry.
8. Manufacture of agricultural tools, machinery and implements.
9. Electronic materials and equipment industry.
10. Fuel alcohol industry.

(b) Long term (high energy consumption)

1. Aluminium.
2. Iron and steel-making.
3. Electrolytic steel-making.
4. Ferro-manganese.
5. Nitric acid.
6. Manufacture of phosphate.
7. Blister copper refining.
8. Nitrogenous fertilizers.

Without prejudice to the above sectors, it should be pointed out that any other sector that emerges may be included under the benefits granted by the investment promotion Law (Law 550/75).

II.3.1.A Imports - General régime

3. Could Paraguay communicate its customs tariff? What is the average level of protection of the Paraguayan Customs Tariff (by major product categories, if possible)?

Reply

The latest Customs Tariff, containing the information requested, is transmitted herewith.

4. Notwithstanding the Paraguayan Government's policy of free trade a wide range of measures apply to restrict imports (e.g. prior deposits, foreign-exchange surcharges and taxes). Could Paraguay indicate under what conditions they would envisage eliminating or reducing the effect of these measures?

Reply

To date, the prior deposit and foreign-exchange surcharge have been abolished and other measures could be eliminated during the process of negotiation, on the basis of special treatment for accession to the markets of GATT contracting parties.

5. The Paraguayan Customs Tariff is comprised of three basic taxes - duty, supplement and additional customs tax. What is the purpose of each of these three taxes? How do they differ in magnitude from product to product? How are they applied? Are all imports subject to each of the three component taxes?

Reply

The supplement and additional customs taxes have been abolished, and therefore only the customs duty remains: it is applicable to all imports except those that are declared exempt. The basic purpose of the application of the customs duty is to regulate foreign trade.

6. In addition to customs duties, Paraguay imposes supplementary import charges such as additional duties, foreign-exchange surcharge, prior deposits, consular duties.

What is the justification for these measures?

To what products do they apply?

What proportion of the total value of imports do these products represent?

Does Paraguay consider these measures compatible with the General Agreement, in particular Article III?

If not, is there a timetable for the elimination of these measures?

Reply

The foreign-exchange surcharge and prior deposits no longer exist since the entry into force of Law 1095/84.

The Consular Tariff is a charge defraying the services of the National Consular Service.

The reply to the question concerning which products are concerned is to be found in the relevant specific points of this document.

Paraguay does not yet have any assumptions as to whether the measures currently applied are or are not compatible with the General Agreement. That will stem from a process of negotiation once the accession problem is resolved.

Nevertheless, technical studies have been carried out of the possibility of reforming the country's foreign trade policy instruments, which will always be in line with the objectives of reducing the deficit or the current account of the balance of payments, in the short term, and balancing it in the longer term.

7. Paragraph 3.1.A refers to differential levels of taxation for products depending on their importance for the national economy. We understand the domestic sales tax (governed by Law No. 130 of 21.3.1957 as amended) allows for a tax of 3 per cent on domestic goods with a general rate of 5 per cent on imports and exceptions for luxury goods ranging to 10-12 per cent. Can the Paraguayan authorities clarify the operation of the system and provide assurances it will be brought into conformity with the national treatment obligation of Article III?

Reply

Paragraph 3.1.A refers to differential levels of taxation for products depending on their importance for the national economy. The domestic sales tax, governed by Law No. 130 of 21.3.1957, as amended, allows for a rate of tax of 3 per cent on domestic products and a general rate of 5 per cent for imports, with exceptions for luxury goods, for which the rates vary between 10 and 12 per cent.

Law 130/57 has been repealed; however, Law 69/68 on merchandise sales tax, as amended by Laws 920/81 and 1035/83, establishes the following differential rates:

- 4 per cent for domestic goods;
- 9 per cent for imported goods;

14 per cent for certain luxury goods, regardless of national or imported origin.

The Ministry of Finance is studying the possibility of modifying the rates applicable to domestic and imported goods.

8. Does the Paraguayan Government apply import prohibitions or restrictions?

If so, what is the justification for them?

To what product do they apply?

What proportion of the total value of imports do these products represent?

Reply

The National Government applies import prohibitions or restrictions in various ways:

(a) those of a general nature, in accordance with the provisions of Law 1095/84 and the Customs Code;

(b) those of a specific nature, for certain products listed in Decree 7804/85, annexed hereto.

9. What is the "normal price" which Paraguay takes into consideration for customs valuation (see page 7)?

10. What is the definition of the "normal price" (in accordance with Law 489/74) which serves as a basis for the calculation of customs duties?

Are other charges (special taxes) also calculated on the basis of "normal prices"?

Does the Government intend to accede to the customs evaluation code?

Reply to questions 9 and 10

The reply to these questions is to be found in Law 489/74, Article 4 et seq., and Decree No. 12.317/74, copies of which are attached.

11. Paragraph 3.1.A refers to goods being valued for taxation purposes on their "normal price" with tariff levels assessed on ad valorem basis. It is Canada's understanding that for many imports ad valorem duties are, in fact, levied on the CIF value calculated as being the FOB value plus 10 per cent for imports from neighbouring countries and Uruguay, and the FOB value plus 20 per cent for other countries. This seems arbitrary and discriminatory treatment in contravention of Article VII. Could Paraguay confirm the method of tariff calculation and how it might be changed to meet GATT regulations?

Reply

The method for calculating the "normal price", on which taxation is based, is established by the provisions of Law 489/74 and its regulations. No other method exists.

II.3.1.A.a Foreign exchange surcharge

12. What is the specific purpose of this surcharge? How is it levied? How is the level of taxation - between 6 and 36 per cent - determined for each product? Are exceptions granted? If so, under what circumstances and on what grounds? Are they published?

Reply

This question is answered in the reply to question six.

13. After Paraguay has acceded to the GATT, what will its policy be with regard to the "other taxes" applied to imports such as the "foreign-exchange surcharge" and "other special purpose taxes" (see page 7)?

Reply

The Ministry of Finance is studying the possibility of consolidating all taxes of a customs nature affecting imports, including the taxes mentioned. These studies are currently at the technical stage.

II.3.1.A.b Other special-purpose taxes

14. At what point are these special purpose taxes levied? At the time of entry? Subsequently? What is the average cumulative incidence of these special-purpose taxes?

Reply

The special purpose taxes are levied at the time when the goods are imported.

The average incidence of these special purpose taxes varies according to the level of customs duties. However, the total of all these taxes is under 8 per cent.

15. Paragraph 3.1.A(B) lists a number of "special-purpose taxes" used to finance various national agencies and institutes. These clearly represent "taxation of imports for fiscal purposes", in contravention of Article VIII. Will Paraguay modify its method of financing these bodies?

Reply

All the special purpose taxes referred to by the question are taxes of a customs nature from the standpoint of their collection, although they are

destined for special purposes. In any event, the reply to question 13 is valid for the final part of the question.

II.3.1.A.b.1 Tax for financing the National Technology and Standards Institute (INTN)

16. Is this tax assessed on all imported products? If not, what products are exempted? What criteria are used to determine exceptions? Are they published?

Reply

The tax created by Law 862/63, INTN, applies to all imports except wheat and wheat products, fuels and lubricants, chemical and pharmaceutical products, and all products exempted under special agreements or laws. The purpose of the exceptions mentioned is to free imports of what are considered basic products, or to fulfil special laws and agreements.

17. Are the taxes mentioned in sub-paragraphs b.1, b.6 and b.7 applied to all products and to both imported and domestic products?

Reply

The taxes mentioned in the above mentioned sub-paragraphs do not apply to domestic products.

Tax on seals and stamps (see above II.3.1.A.b.1)

18. What is the purpose of the flat rate? Or does it vary according to the services rendered? Are exemptions from this tax granted? If so, on what grounds? Are they published?

Reply

All bonds, acts and contracts set forth in an import document, as listed below, are subject to payment of the tax on seals and stamps.

Article 27

Paragraphs

- 5. (c) Endorsements of bills of lading in the case of every transfer of goods to a customs warehouse and clearance for transit or re-shipment, with the exception of such endorsements made by the importer for customs officer clearing the goods solely for the purpose of importation 1.75 per cent.

OBSERVATION

This paragraph is occasionally applied.

6. For each clearance of imports 2 per cent.
56. Contracts and bonds concerning sales, transfers, barter, rental or sub-rental of movable property and transfer of ownership of trade marks 1.70 per cent.
66. Bills of exchange, drafts, bank payment orders, letters of credit and in general any operation involving the transfer of foreign exchange abroad 1.50 per cent.

The following are exempt:

- (a) The National Government and offices of the three Powers of the State, municipalities and universities;
- (b) The Apostolic Roman Catholic Church.

II.3.1.A.b.5 Consular tariff

19. What is the purpose of this tax? On what basis is it levied? Are all imports subject to this tax? Or any exceptions made? If so on what grounds? Are they published?

Reply

It is intended to improve the services and infrastructure of the Ministry of External Relations, and is entirely included in the National Revenue.

It applies to all imports with the exception of specific products listed below:

- Wheat, wheat flour and food stuffs (which are excepted as purchases made by State bodies);
- Cooking salt (to facilitate supply and not increase the cost of a good for which demand is inelastic and which is important for human and animal nutrition);
- Books, newspapers and magazines (for educational and cultural reasons);
- Gold and silver coins (considered foreign exchange, or as numismatic articles);
- Ships and aircraft in general and railway machinery and equipment imported directly by the railway company (to facilitate the supply of transport equipment, for which special import conditions exist).

II.3.1.A.b:6 Agricultural Credit-in-Kind Agency (CAH)

20. Is this tax applied to all imports or only to imports of agricultural products? Are exceptions made? If so, on what grounds? Are they published? What is the function of the Agricultural Credit-in-Kind Agency?

Reply

This tax applies to all imports except: wheat and wheat products, fuels and lubricants, chemical and pharmaceutical products and imports exempted under special agreements or laws.

The function of the Agency is to provide credit, technical and organizational assistance services for low-income farmers, preferably grouped in co-operatives, associations and other credit institutions.

The Agency may provide services for the development of handicraft cottage industry in rural areas. The same reasons as are listed in the replies to questions 16 and 19 are valid for the exemptions.

II.3.1.A.b.7 National Institute for the Protection of Exceptional Persons (INPRO)

21. Is this customs duty surcharge applied to all imports? Are exceptions made? If so, on what grounds? Are they published? What is the function of this Institute?

Reply

This tax applies to all imports except: wheat and flour, fuels and lubricants, chemical and pharmaceutical products, agricultural implements and machinery, and imports exempted under special agreements or laws.

The function of INPRO is to provide comprehensive protection for handicapped persons, so as to offset their disadvantages stemming from their condition and give them an opportunity, through their own efforts, to play the same role in the community as normal persons.

Anyone who, for congenital or acquired reasons, suffers from diminished mental or physical ability which affects his or her possibilities of self-reliance, training or work, is considered exceptional or deficient, i.e. a beneficiary.

The exceptions are applied for the same reasons as have been given earlier.

22. After acceding to the GATT, what will Paraguay's policy be towards the "exceptions" to the general import régime (see paragraphs 8 to 10)?

Reply

The exceptions in points 1, 2, 5 and 6 of document L/5500 are applicable provided the requirements laid down in the legal instruments

regulating imports in any economic field are fulfilled; consequently, there is no discrimination with regard to the origin of the merchandise.

II.3.1.A Exceptions 2 Special régime for imports of raw materials and inputs for domestic industries

23. How does this special régime function? Are all customs duty and other taxes waived for imports of these products and then replaced with the preferential rates? How is it determined which of the three preferential rates are assessed on which products? Are they applied to all imports to these products? Only a portion? Are they applied equally regardless of country of origin?

Reply

Natural or legal persons recognized by the Government as industries may benefit from the import régime for raw materials and inputs, if they so request.

The applicable special tax treatment is established in Decree 7.804/85

24. Paragraph 3.1.A.2 refers to the special régime for imports of raw materials and inputs for domestic industries which establishes a preferential and differential tariff treatment based on the destination and final use of intermediate goods. Does "preferential" refer to treatment at the border depending on the source of imports or is the régime administered on an MFN basis?

Reply

The term "preferential" refers only to the treatment granted to the industrial sector.

2.3.1.A Exceptions 3 Regional customs-office régime

25. What is the purpose of the regional customs office régime? How is the list of eligible products established? What percentage of Paraguay's imports from bordering countries (Argentina, Brazil and Bolivia) are covered by this régime?

Reply

The regional customs clearance system for trade with bordering countries was established in order to provide special treatment for imports of certain products from neighbouring countries.

The régime was established in order to facilitate imports of specific products which are used and/or consumed on a large scale by the population and heavily traded in frontier areas, thus tending to increase unregistered trade, given the length of the frontiers and the scale of the operations carried on. Hence the application of a special rate of duty and simplified rules for the importation of goods.

The customs statistics do not break down imports by régimes.

26. Paragraph 3.1.A.3 of document L/5500 of 20 June 1983 notes the preferential treatment accorded trade in certain goods coming from bordering countries, i.e. a single tariff of 15 per cent which replaces all other tariff and non-tariff levies on imports. The document refers to the arrangement as a "regional customs-office régime" which seems to be outside the terms of LAIA/LAFTA agreements. How does this conform with the MFN obligation of Article I and will Paraguay modify this régime?

Reply

It is intended to include the products falling under this régime in the process of negotiations conducted within LAIA.

27. What is the list of goods coming from Argentina, Brazil and Bolivia which benefit from a single rate of 15 per cent (page 9, paragraph 3)? Are these reciprocal preferences outside LAIA?

Reply

The list of products covered by the regional customs-office régime, in Decree No. 7804/85, is annexed. This is a unilateral measure introduced for the reasons given in the reply to question 25.

II.3.1.A Exceptions 5 Temporary Admission

28. In what circumstances does the Government of Paraguay suspend payment of import levies on packing and other inputs used in preparation of products for export? Does this include all customs levies and special-purpose taxes?

Reply

The temporary admission régime allows entry into the country, with suspension of import taxes, of certain goods imported for a specific purpose and intended to be re-exported within the period established by the law and regulations, either in the state in which they were admitted or after having been processed or repaired.

II.3.1.A Exceptions 6

29. Please describe the preferential fiscal régime for imports of inputs of agricultural production, as established by Law No. 166/69.

Reply

Imports covered by Law 166/69 benefit from exemption from the duties, supplements and additional customs taxes, consular tariff, commercial restocking, sales tax and foreign exchange surplus (see paragraph 6.)

30. Similarly, paragraph 3.1.A.6. refers to the preferential fiscal régime for imports of certain insecticides, etc. Does this refer to discrimination among sources of imports or to the fact that these products are accorded a generally lower tariff?

Reply

Owing to the nature of the products (necessary for agricultural development), they are given preferential tax treatment, without taking the origin of the imports into account.

II.3.1.B Exports

31. With regard to the export régime, reference is made to "an additional customs tax": is this an export tax or an internal tax or levy (page 10)?

Reply

Law No. 1095/84 establishes that no tax of a customs nature shall be levied on exports.

32. What is the purpose of the export duty and additional customs tax? How are the rates established? Are these charges assessed on all exports? Are exports in priority sectors, as described in section II.3, exempted?

Reply

See the reply to question 31.

II.3.2.2 Credit régime

33. Although the interest rates for bank credit for the promotion of agriculture, industry and exports indicated in document L/5500 would be commercial rates, how are they fixed and how do they vary over time (page 12)?

Reply

In accordance with article 475 of the Civil Code of Paraguay, the Central Bank of Paraguay is responsible for determining interest rates. Resolution No. 1, Record No. 63, provides for the updating of the lending and deposit rates in effect in the Financial System, as well as the rates for rediscount loans granted by the Bank to private banks and public sector entities.

These provisions are aimed at bringing interest rate levels into line with current market trends.

34. For the remaining 50 per cent of the total amount of the Bank's development loan portfolio, how are interest rates fixed and how do they vary over time (page 12)?

Reply

Fifty per cent of the total amount of the Bank's loan portfolio must be for the development of agriculture, industry and exports; the remainder is free. The interest rate for the minimum portfolio is fixed according to market trends, production costs and the rediscount rate applied by the Central Bank of Paraguay for those sectors.

II.3.2.3.A Import régime

35. How is it determined which products will require prior import authorization (e.g. those referred to in footnote 1, page 13)?

Reply

In general, imports are not subject to prior authorization. However, for reasons of safety, health, public morals and protection of domestic production, a few products require authorization or licensing in each case. See Decree No. 7804/85.

II.3.2.3.A (a) Prior import deposits

36. Prior deposit system. Detailed explanation of the authorizing law and regulations requested.

Reply

Prior deposits are not applied at present.

37. Prior approval system. List of the items subject to this system requested.

Reply

See the reply to question number 35.

38. What is the purpose of the prior import deposit requirement? How is it determined which products will be included in Group "A" and exempt from the prior import deposit requirement? How is it determined which products are semi-essential and therefore included in Group "B" and subject to a 100 per cent prior import deposit? How is it determined which products are non-essential and therefore included in Group "C" and subject to a 200 per cent prior import deposit? How long are each of these prior import deposits held? A minimum of 120 days? 180 days? What is the rationale for waiving prior import deposits, regardless of product, on imports from the LAIA area?

39. After Paraguay accedes to the GATT, what will its policy be with regard to the prior import deposits for non-LAIA countries (pages 13 and 14)?

40. Should the prior import deposits be considered a temporary measure or are they an integral part of the import régime?

41. Another measure affecting and perhaps discouraging imports should be noted. One is the prior import deposit scheme (paragraph 3.2.3.A) with deposits of 100-200% for 120 days with exceptions for LAIA members. Is the 120 day limit a strictly enforced minimum?

Reply to questions 38 to 41

Prior deposits are not applied at present.

II.3.2.3.A (b) Foreign-exchange surcharge

42. Foreign-exchange surcharge. Please provide:

- (i) list of the items subject to this surcharge;
- (ii) detailed explanation of the authorizing law and regulations (including (a) name of the competent office, (b) procedures for "case by case" treatment, and (c) criteria for decision)

Reply

The foreign exchange surcharge does not currently exist, as all private sector imports are effected with foreign exchange from the free market, save for a very small percentage of essential agricultural inputs which are administered by co-operatives which receive official foreign exchange, but without a foreign-exchange surcharge. Public-sector imports of goods and services are effected with foreign exchange from the official market.

43. What is the rationale for assessing a lesser foreign exchange surcharge on imports from LAIA countries? How is it determined what products should be exempted from the foreign exchange surcharge? What criteria are used in determining on a case-by-case basis whether exemptions are granted on imports of capital goods and raw materials? Are these criteria published?

Reply

Although no foreign-exchange surcharge exists at present, the exemption is based on the 1980 Treaty of Montevideo.

44. After Paraguay accedes to the GATT, what will its policy be with regard to the foreign exchange surcharges on the CIF value of imports coming from non-LAIA countries and for imports coming from LAIA countries (page 14)?

Reply

See the reply to question 6.

II.3.2.3.A (c) Recent measures concerning imports

45. Treatment of motor vehicles. A detailed explanation of the measure (cash importation only) is requested.

Reply

This provision is no longer in force.

II.3.2.3.B Export régime

46. What are the reasons or grounds for the application of prohibitions and quantitative restrictions on exports of some products (see document L/5500, page 15) and their compatibility with the provisions of the General Agreement.

Reply

With regard to prohibitions and quantitative restrictions on exports of certain products, the Government of Paraguay's criterion is basically that exports should include greater national value-added (see document L/5500, page 15).

47. What type of exports are subject to the levy varying between 2.5 and 7.5 per cent on the f.o.b. value?

Reply

The exchange levy is fixed selectively according to the degree of processing. Exports of products with the most processing pay the lowest levels. However, the possibility of wholly exempting exports is currently under study. See Decree No. 7804/85.

48. Under its export régime, the Government of Paraguay orders that contracts be negotiated in a limited number of foreign currencies. Could Paraguay explain the reasons for this limited choice of foreign currencies.

Reply

Under Resolution No. 5/82 of the Central Bank of Paraguay, for reasons of protecting the country's foreign currency reserves and balance-of-payments situation, exports may be negotiated only in United States dollars, sterling, Swiss francs, Belgian francs, Deutsche marks, Swedish Kronor and yen. This is a normal practice in international trade.

II.3.3 Foreign trade policy

49. What are the policy elements aimed at "gradual import substitution"? (It should be noted that the table on page 18 indicates that imports have grown steadily since 1982.)

Reply

Imports have increased steadily owing to the industrial policy and programmes for incorporating capital goods for new or established industries, and to imports of materials and inputs needed by industry.

50. In paragraph 3.3 of its Memorandum, the Government of Paraguay explains that its country's foreign trade is "based on outward-looking growth and gradual import substitution". Could Paraguay explain by what means it expects to achieve gradual import substitution?

Reply

Paraguay intends to achieve the gradual substitution of imported products through the implementation of its industrial policy which seeks to make greater use of raw materials, local labour and resources available in the country.

For that purpose, the Government envisages the incorporation of capital goods and inputs in accordance with the classification of necessary and desirable industries (Law No. 550/75, Promotion of Investment).

51. Import restrictions. List of items subject to import restrictions under the laws referred to requested.

52. Discriminatory import restrictions. In case of existence of this type of restriction, list of the items subject to this system requested.

Reply to questions 51 and 52

See Decree No. 7804/85.

Other questions

53. Could Paraguay provide a breakdown of items covered by each of the eight-figure tariff headings listed in pages 48 - 67 of L/5500, particularly for chapters 1 to 24 of CCCN. If such a list is unavailable, could a breakdown be provided in respect of Group C: "non-essential articles".

Reply

See Decree No. 78/85.

54. What steps have been taken or are contemplated by the Government of Paraguay to monitor and control unregistered foreign trade?

Reply

Steps to monitor and control unregistered foreign trade are contemplated through a joint effort by Ministries and relevant institutions.