

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

L/6468/Add.2

24 January 1990

Limited Distribution

Original: Spanish

ACCESSION OF PARAGUAY

Additional Questions and Replies Concerning the Foreign Trade Régime of Paraguay (L/6468/Add.1)

In a communication dated 24 February 1989 circulated as L/6468, the Government of Paraguay requested the resumption of negotiations for the accession of Paraguay to the General Agreement pursuant to Article XXXIII. At its meeting on 6 March 1989, the Council established procedures for the resumption of negotiations regarding accession to GATT and set up a Working Party to examine Paraguay's application for accession. The terms of reference of the Working Party are reproduced in document L/6472. In GATT/AIR/2742 contracting parties were invited to submit questions in writing concerning the foreign trade régime of Paraguay. The questions submitted by contracting parties in connection with Paraguay's foreign trade régime and the replies thereto provided by the Paraguayan authorities are given below.¹

Delegations wishing to raise additional questions concerning Paraguay's foreign trade régime might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meeting of the Working Party, so that considered replies can be made available by Paraguay to members at the time of the Working Party meeting.

¹The Annexes are available for consultation in the secretariat (Development Division, Room 2010).

REPLIES BY THE GOVERNMENT OF PARAGUAY TO QUESTIONS RAISED BY
CONTRACTING PARTIES ON THE FOREIGN TRADE REGIME

The questions hereunder refer to the first part of document
L/6468/Add.1.

1. Question

Page 5

II What is the status of the economic and social development plans prepared by the Technical Secretariat for Planning? Are they of an indicative nature?

Reply

The Technical Secretariat for Planning has presented the development plans for the two-year period 1989-1990; these plans are of an indicative nature.

2. Question

What measures does Paraguay adopt to "support" and provide "incentives" for domestic industrial and agricultural production?

Reply

The support and incentive measures that Paraguay adopts are in the following areas:

- (a) Benefits provided under Decree Law No. 19/89 "System of Incentives for Economic Development". The objective is: to promote investment and reinvestment of domestic and foreign capital, by granting benefits to boost production of goods and services, increase exports and incorporate technology to allow production efficiency and ensure greater and better utilization of Paraguay's raw materials, labour and energy resources.

To promote attainment of these objectives, tax exemptions are granted for investment projects.

- (b) Import régime: import régime for industrial inputs and raw materials, under Decree No. 1663/89, setting forth regulations for Law 1095/84, administered by the Directorate General of Customs.
- (c) Technical assistance: Paraguay has concluded a number of technical and financial co-operation agreements for industrial and agricultural production, among which one may mention the following:

- Co-operation between the German Government and the Ministry of Agriculture.
- Between the Interamerican Development Bank and the Ministry of Agriculture.
- Between the Interamerican Institute for Agricultural Co-operation and the Ministry of Agriculture.
- Between the Japanese Government and the Ministry of Agriculture.
- Between the United Kingdom and the Ministry of Agriculture.
- Between Germany and the Industrial Union of Paraguay (UIP).
- Between the United Nations Development Programme (UNDP) and the Ministry of Industry and Commerce.
- Technical co-operation between the National Service for Industrial Apprenticeship of Brazil (SENAI) and Paraguay, through the Ministry of Industry and Commerce and UNDP.

3. Question

Page 5/6

Paraguay's management of national resources guarantees "the conservation of non-renewable resources" and ensures "the supply of basic resources in the domestic market". Could Paraguay provide a comprehensive and exhaustive description of all those measures taken to conserve national resources that may have an effect upon trade.

Reply

Paraguay applies the following legal provisions in connection with the above question:

- Decree No. 24289 of 18 February 1972, prohibiting the export of logs and unsawn wood.
- Decree Law No. 402 of 31 March 1965, prohibiting the export of logs and sawn products of quebracho (schinopsis balansae en GL).
- Decree No. 18796 declaring State protection for all animal species of the forest fauna living in the territory of the Republic, whether temporarily or permanently, laying down conservation measures and prohibiting the hunting, marketing and export of such animals.

4. Question

How does Paraguay envisage "improving, strengthening and consolidating ... the real terms of trade to achieve equilibrium in the balance of payments"? Does this mean recourse to Article XVIII:B? If so what kinds of measures would Paraguay favour: tariffs or non-tariff measures? Will all balance-of-payments measuree be notified?

Reply

The Government's economic policy lays emphasis on the promotion of economic activities oriented toward expansion and diversification of exports, as well as progressive import substitution, in respect of products for which Paraguay enjoys relative advantages.

On the basis of this medium and long-term strategy it is hoped to improve Paraguay's trade balance and in addition generate surpluses so as to be able to meet the country's external commitments and improve the balance-of-payments situation.

As a general rule, the policy guidelines do not envisage the adoption of measures limiting the volume or value of imports as a mechanism for remedying balance-of-payments disequilibrium.

Nevertheless, the law provides that the import of goods similar to goods produced in Paraguay, using raw materials of domestic or foreign origin, that contribute to replace imports in conditions of free competition may be prohibited or restricted temporarily in order to defend and promote Paraguay's economic and social development, maintain equilibrium in the trade balance and balance of payments, or offset unfair competition from foreign products.

The same treatment is to be applicable to goods similar to domestic primary products of agriculture, animal husbandry, forestry and other activities (Article 9, Law 1095/85).

5. Question

4 Does Paraguay intend to protect its infant industries in order to achieve import substitution? Would such measures be notified under Article XVIII:C?

Reply

The Government is not at present envisaging provisions of a protectionist character for infant industries, except incentive and promotion measures for industries wishing to benefit under Law No. 19/89. In the event that the Government, for duly justified reasons, grants support to infant industries likely to promote a better standard of living for the population in general, such measures will be notified under Article XVIII:C.

6. Question

4.1.1 Could some indication be given of the importance of the customs tariff for the country's fiscal receipts? Are the different rates fixed as a function of fiscal desiderata rather than for protective reasons?

Reply

The customs tariff is an important source of fiscal revenue and customs duties are fixed having regard to the fiscal régime, without disregarding protection for domestic industry. Under Law No. 1095/85, the Customs Tariff Law, the Executive is authorized to establish protective duties of up to 70 per cent of the tariff on the taxable value.

7. Page 7

Question 5

The description of Law 1003/64 is confusing. How exactly does the seals and stamps tax operate? What do paragraphs 5, 6, 56 and 66 refer to? What does the 6.95 per cent refer to?

Reply

The reply to this question may be found in document L/6468/Add.1, pages 44-45, which describes the application of Law 1003 in the following terms:

"R. 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 ... 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."

8. Question

4.1.1.A.e Could further details be given of the consular duty; to which goods does it apply and normally how many visas are required?

Reply

Decree Law No. 20 of 2 May 1989 established customs duties and internal charges on imports, to be applied on the "taxable value"; these duties and charges have replaced those applicable under Decree Law No. 46/72, Article 13, paragraph 44 of the consular tariff. The Law requires a consular visa on import documents for clearance. Normally a visa is required for each document.

9. Page 9

Question

Does Import Régime Law 550/75 provide guidance on what are "necessary" or "desirable" investments?

Reply

Law 550/75 has been revoked and replaced by Decree Law No. 19/89, the text of which has been furnished to the GATT secretariat.

10. Page 8

Question

Can Paraguay provide further information on the operation of Decree No. 7804/85? Which organization decides on the application of preferential and differential tariff treatment?

Reply

Decree No. 7804/85 was revoked by Decree No. 1663/88 of 28 December 1989 providing for the adoption of the Harmonized Commodity Description and Coding System as the basic nomenclature for Paraguay's customs tariff, bringing together in one legal instrument, amending and expanding the regulatory provisions of Law No. 1095 of 14 December 1984 and making effective the customs tariff based on the Harmonized System.

The Ministry of Finance, acting through the Directorate General of Customs, has exclusive responsibility and authority for implementing the legislation on the admission and departure of goods from the country, exemptions and preferences.

11. Page 8

Question

4.1.1.C.c Can Paraguay be more precise on the "facilities" provided for trade in certain goods with bordering countries?

Reply

The facilities for trade in goods with bordering countries mainly consist of exemption from the requirement to present certain documents for import clearance such as the load manifest and bill of lading; the purchase invoice is the basis for the regional clearance document, which is a simplified form used for goods covered by the system (single charge at the rate of 10 per cent).

12. Question

6 Can Paraguay supply a comprehensive list of products covered by the regional customs office régime?

Reply

Attached is a photostat copy of the list of goods included in the regional customs clearance régime (Annex I).

13. Page 9

Question

4.1.2 Exports are exempt from the payment of customs levies . What are the taxes then applied to exports of which the incidence is in general 4.9 per cent?

Reply

Under Article 7 of Customs Tariff Law No. 1095/84, exports are exempt from customs and exchange levies, but not from internal charges as follows: Law No. 1003/64, paragraph 7 - 0.3 per cent; paragraph 56 - 1.7 per cent; paragraph 59 - 1.4 per cent and paragraph 66 - 1.5 per cent; income tax 1.8 per cent and exchange withholding which varies from 1 to 5 per cent depending on the goods to be exported (this withholding is of a temporary character).

14. Question

7 Paraguay should provide details of all regional integration agreements in which it participates. Are there any aspects of these agreements which would be incompatible with Paraguay's membership of GATT? Under these agreements does Paraguay retain absolute and sole competence to negotiate and agree its terms of accession to GATT?

Reply

Paraguay is a member of the Latin American Integration Association (LAIA) and considers that there are no incompatibilities between the 1980 Treaty of Montevideo establishing LAIA and the GATT, since that Treaty is based on Article XXIV of the General Agreement and on paragraph 2(c) of the Enabling Clause.

15. Page 11

Question

Can Paraguay give more details on the foreign exchange régime for exports and imports?

Reply

Since February 1989 the fluctuating free exchange system has been in force for imports and exports of goods and services and capital movements, including public and private financial payments. This system is operated by the Central Bank of Paraguay to counteract sudden exchange-rate fluctuations without interfering with basic market trends.

Imports and exports by the public and private sectors, payments for services in general and private capital movements are channelled through the country's banks. The Central Bank of Paraguay deals with demand for foreign exchange for payment of the external public debt and payment of services of the Central Government, at the rate of exchange prevailing on the day of payment in guaraníes. The Central Bank carries out exchange operations with the banks and other authorized entities, at the rate of exchange prevailing on the day concerned.

Exports and imports by the public and private sectors are arranged freely, as regards currency and the form and conditions of payment. Exporters must pay into the banking system all foreign exchange deriving from their exports within 120 days as from the date of the bill of lading. Attached hereto (Annex II) is a copy of the provisions in force regarding the exchange régime.

16. Page 13

Question

Paraguay should produce a complete list of products requiring import licences. Who grants import licences? What is the procedure for issuing a licence?

Reply

Decree No. 1663/88, Article 10, establishes that for reasons of public order and national security, the admission into Paraguay of firearms, gunpowder, explosives and the like are subject to the provisions of Decree 23459/76 of the Directorate of Military Industries, for which the Ministry of National Defence has responsibility.

Article 11 of Decree 1663/88 stipulates that for health reasons the import of vegetables included in the attached list (Annex III) is subject to authorization by the Ministry of Finance, acting on a report by the Customs Tariff Council.

Article 12 stipulates that the import of crude petroleum oil, gas oil, diesel oil, fuel oil, petrol (aviation spirit, high-octane or regular petrol), kerosene and liquified petroleum gas may only be carried out by Petr6leos Paraguayos (PETROPAR) in accordance with the regulations in force.

Other permits generally originate in the Ministry concerned and in all cases a favourable opinion by the Customs Tariff Council is required before the Ministry of Finance grants a permit.

The Customs Tariff Council comprises representatives of the following: the Ministry of Finance, Ministry of Industry and Commerce, Ministry of Agriculture, Central Bank of Paraguay, Technical Secretariat for Planning of the Presidency of the Republic, Directorate General of Customs, Production, Industry and Trade Federation (FEPRINCO), Paraguayan Industrial Union (UIP), National Agricultural Corporation, Importers' Centre and the Customs Clearance Officers' Centre.

17. Question

9 Under which article will Paraguay notify the GATT of its restrictions on the export of logs, forestry products and raw hides?

Reply

It is understood that these restrictions are included in the general exceptions referred to in Article XX of the General Agreement. These measures were adopted because industrial development requires provisions ensuring adequate raw materials for these sectors and the creation of more favourable conditions for employment of the country's labour force, in both urban and rural areas.

18. Page 14

Question

4.1.2.E What is exactly meant by Paraguay's policy of gradual import substitution? Does this not conflict with its policy of outward-looking growth through exports?

Reply

The new Economic and Social Development Plan 1989/90 lays down the following economic policy objectives:

1. Increased production
2. Increased employment
3. External and internal stability

Internal stability will be achieved through budgetary equilibrium, and external stability through balance-of-payments equilibrium.

Traditional export sectors such as agriculture, animal husbandry and forestry will have to incorporate more technological elements conducive to developing a competitive agro-industry that can replace imports and compete on foreign markets. In the short and medium term the aim is to increase agro-industry production with a view to export trade and import substitution, to expand and consolidate the industrial base for the output of exportable products having greater value in terms of technology, quality and value added, and to expand and improve external economies relevant to the objectives mentioned (transport, quality control, packaging, training, etc.).

19. Question

10. Can Paraguay give a comprehensive list of those products restricted for "public health and morals, national security and other reasons"?

Reply

Attached is a comprehensive list of products subject to import restrictions (Annex IV).

20. Page 19

Question

11 Are Paraguay's National Coffee Board and Joint Sugar Board State-trading enterprises? If so, will Paraguay notify them under Article XVII?

Reply

The National Coffee Board is a body responsible for relations with the International Coffee Organization. It is not a State enterprise, for it does not purchase or sell any products, but merely administers the stamp duty system of the ICO.

The Joint Sugar Board has ceased to function since sugar marketing has been declared free under Resolution 85/89 of the Ministry of Industry and Commerce.

21. Pages 23-28

Question

Are the bilateral agreements signed by Paraguay with various countries compatible with its obligations under the GATT?

Reply

Paraguay understands that the bilateral agreements signed with various countries can be considered compatible with the General Agreement having regard to its status as a developing country.

22. Page 40

Question

II.3.1.A Could Paraguay specify the "other measures" that apply to restrict imports now that the prior deposit and foreign-exchange surcharge have been suppressed?

Reply

Imports of a list of goods are prohibited for reasons of animal life and health, human life and health, vegetable health or for reasons of an economic character. Similarly, for reasons of public order, national security and vegetable health, imports of certain goods are subject to prior authorization. Also for reasons of an economic character, the export of certain goods is prohibited. A list of prohibitions is attached.

Paraguay is making no assumption yet as to whether or not the measures currently applicable are consistent with the General Agreement. This will come within the context of a process of negotiation, once the problem of accession has been resolved.

23. Pages 40 and 51

Question

12 On page 40 Paraguay says that prior import deposits have been abolished. On page 51 it is said that they "are not applied at present". Could Paraguay decide on elimination of the prior import deposits?

Reply

The prior deposit requirement has been eliminated from the régime regulating Paraguay's import trade.

24. Question

13 Does Paraguay operate pre-shipment inspection?

Reply

All goods are inspected prior to embarkation for export.

25. Question

What GATT codes does Paraguay intend to sign?

Reply

For the moment, Paraguay's intention is to become a contracting party to GATT and it is therefore not considering signing any code at the present time.

The following questions refer to the second part of document L/6468/Add.1 (page 38 ff).

26. Question 3, page 40

With regard to Paraguay's customs tariff submitted to the secretariat, does Paraguay intend to bind its entire tariff and to negotiate specific bindings at appropriate rates for individual tariff items? What timetable is envisaged for the introduction and submission to the GATT of a customs tariff based on the Harmonized Commodity Description and Coding System?

Reply

The possibility of binding tariffs as a whole and negotiating specific bindings will be the result of tariff negotiations that will take place in due course within the framework of the working party for the accession of Paraguay. The new customs tariff, which has been communicated to the GATT secretariat, is based on the Harmonized Commodity Description and Coding System, adopted by Decree No. 1663 of 28 December 1988.

27. Question 6, page 40 - Other import taxes

Apart from the abolition of the foreign-exchange surcharge and prior deposits, Paraguay continues to impose a number of special purpose import taxes and other levies in addition to customs duties. Can Paraguay provide further information on the findings of the technical studies which have been conducted with a view to reforming these foreign trade policy instruments? Have these studies recommended the elimination of these charges or their incorporation into a GATT bound tariff?

Reply

With a view to greater rationalization of the tax system applicable to imports, it was decided in May 1989 that import transactions would be subject to customs duties and internal taxes, applicable on the taxable customs value. The internal taxes replace a number of charges applicable to imports, as follows: 30 per cent on matches, playing cards, cigars and tobacco, alcohol and alcoholic beverages in general, fruit juices and other products; 3 per cent on raw materials and inputs, fuels and lubricants, coarse salt and agricultural machinery or implements; and 6 per cent on other products. Customs duties are applied in accordance with the provisions of the customs tariff.

Also in effect since May is a single tax of 7 per cent on the import of certain products, with the exception of those originating in and imported from bordering countries, intended for marketing in the national territory through tourism. It was also decided that products dutiable under the import tariff at rates of 3 per cent to 7 per cent would be deemed to be raw materials and inputs, and that the import of goods originating in and coming from bordering countries would be subject to a single tax of 10 per cent.

In the context of Paraguay's tariff reform it will be necessary to recognize the practical impossibility of implementing foreign-trade restrictions and tariffs in an economy that, in fact and traditionally, is very open.

Technical suggestions for a first stage would eliminate the additional duties on imports and incorporate them in the general tariff system; the tariff reform to be undertaken would aim to reduce the average rate (to not more than 10 per cent) and the highest rates (to not less than 20 per cent); tariff exemptions would be eliminated and the list of products subject to import prohibition would be shortened.

For a later stage the following measures have been suggested: elimination of all import prohibition measures with the exception of those based on considerations of health, national security or environmental protection; establishment of a low average level of protection, and simplification of the various charges with a view to achieving a single rate of 10 per cent.

28. Question - Section 4.1.1.C.A. - Import régime under Law 550/75 on "Promotion of Investment for Economic and Social Development" - page 8

Will Paraguay provide the GATT with a current list of "priority investments" as well as the list of capital goods, raw materials and inputs which may be imported free of duties and taxes for use in these investments? Are these lists publicly available? If not, does Paraguay intend to keep GATT members informed on a regular basis of any modifications to these lists?

Reply

The Government has promulgated Decree Law No. 19/89 which revokes Law 550/75. The new law is more extensive in regard to benefits, liberalization measures and exemptions granted to promote investment and reinvestment of national and foreign capital. The text of the new law is with the GATT secretariat.

29. Questions 23 and 24 - Special régime for imports of raw materials and inputs for domestic industries, page 47

Can Paraguay elaborate further on the functioning of this special régime? How is the eligibility of products for preferential customs treatment determined? Is the list of eligible products made available to the public? Is the system administered only on a case-by-case basis subject to a request from the importer as suggested in the reply to Question 23 or does the régime grant blanket preferences for imports of certain products? Are these preferences applied uniformly regardless of the country or origin of the import? Does the preferential tariff treatment provided under this régime differ from the published rates in Paraguay's customs tariff? Are these preferential rates published on a regular basis? If not, how does Paraguay intend to notify the GATT of modifications to these preferential rates? Does this preferential treatment extend beyond tariff concessions to include exemptions from the variety of other levies on imports into Paraguay?

Reply

Decree No. 1663/88, Article 14, stipulates that products dutiable under the customs tariff at rates of 3 to 7 per cent are deemed to be raw materials and inputs. The list of goods eligible for preferential treatment under the Tariff is available to the public. Provided that the importer is registered as an industrialist by the Directorate General of Customs, he is eligible to benefit in general under the system. The benefits are applied without any preference, whatever the country from which the goods are imported, the only tax applicable being that stipulated in the tariff, with the exception of internal taxes. These preferential rates are published regularly.

30. Question - Section 4.1.1.C.D - Import régime within the framework of Latin American integration (LAIA), page 9

What is the nature and extent of the preferential treatment and additional benefits accorded to Paraguay within the LAIA as a result of its status as a relatively less developed and land-locked country? For example, has Paraguay submitted a schedule of products to be excepted from the regional tariff preference? Does Paraguay benefit from any transitional provisions exempting it from the early application of the regional tariff preference? Is Paraguay entitled to higher preferences than other LAIA member States?

Reply

The 1980 Treaty of Montevideo establishing the Latin American Integration Association (LAIA) recognizes the need to ensure special treatment for countries at a relatively less advanced stage of economic development, in order to achieve the harmonious and balanced growth of the region.

Situated in this context is the system of support for countries at a relatively less advanced stage of economic development (Chapter III) under which member countries "shall establish conditions favouring participation of countries at a relatively less advanced stage of economic development in the economic integration process, based on the principles of non-reciprocity and community co-operation" (Article 15).

As an integral part of the system and in order to ensure effective preferential treatment for those countries (Article 16), member countries undertook to establish lists of market openings as well as to set up programmes and other specific forms of co-operation. In Article 17, furthermore, they stipulated that co-operation actions favouring those countries are to be concluded through regional scope and partial scope agreements and that, in order to ensure the effectiveness of such agreements, member countries should execute negotiated rules concerning preservation of preferences, elimination of non-tariff restrictions and application of safeguard clauses in justified cases.

Similarly, Articles 22 and 23 established collective and partial co-operation actions calling for effective mechanisms designed to compensate the disadvantageous situation faced by Bolivia and Paraguay due to their land-locked location.

Paraguay has presented a schedule of products excepted from application of the regional tariff preference. It is not invoking transitional provisions exempting it from prompt application of the regional tariff preference. It is entitled to higher preferences than other States by reason of the differential and more favourable treatment for which it is eligible as a relatively less developed country.

31. Question - Agreements relating to foreign trade,
Section II - multilateral agreements, page 27

Will the details of the LAIA partial scope agreements referred to in this section be notified to the GATT pursuant to the Enabling Clause of the General Agreement?

Reply

Paraguay is disposed, once it is a contracting party to the General Agreement, to fulfil all the obligations it takes on as a party to the General Agreement, inter alia the provisions of the Enabling Clause.

32. Question - Section 5 - Institutional matters, page 14

Which Government organization in Paraguay is responsible for customs valuations? Does Paraguay employ the services of any specialized private enterprises to perform customs valuations or other inspection services? If so, are there any additional import fees associated with these services?

Reply

The Customs Valuation Service, for which the Directorate General of Customs has responsibility, is the body with exclusive authority to establish the taxable base for customs purposes; it was established under Law 489/74 and does not receive assistance from any specialized private enterprises, but operates with its own staff. The advisory body to the Government in valuation matters is the Customs Valuation Council, established by the public sector with private-sector participation. For the services operations, a percentage of 0.5 per cent is charged on the taxable value of the import clearance.