



**Committee on Trade and Development
Dedicated Session on Regional Trade Agreements**

FACTUAL PRESENTATION

**PARTIAL SCOPE AGREEMENT BETWEEN MEXICO AND PARAGUAY
(GOODS)**

Report by the Secretariat

This report, prepared for the consideration of the Partial Scope Agreement between Mexico and Paraguay, has been drawn up by the WTO Secretariat on its own responsibility and in full consultation with the Parties. The factual presentation reproduces as closely as possible the terminology used in the Agreement and in the comments provided and does not imply official endorsement or acceptance by the Secretariat of such terminology. The report has been drawn up in accordance with the rules and procedures contained in the Decision for a Transparency Mechanism for Regional Trade Agreements (WT/L/671) and thus does not imply any value judgement by the Secretariat regarding the contents of the Agreement.

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Key Facts

Parties to the Agreement:	Mexico and Paraguay
Date of Signature:	30 April 1983
Date of Entry into Force:	1 January 1984
Date of Notification:	23 July 2019
Full implementation:	1984

1 TRADE ENVIRONMENT

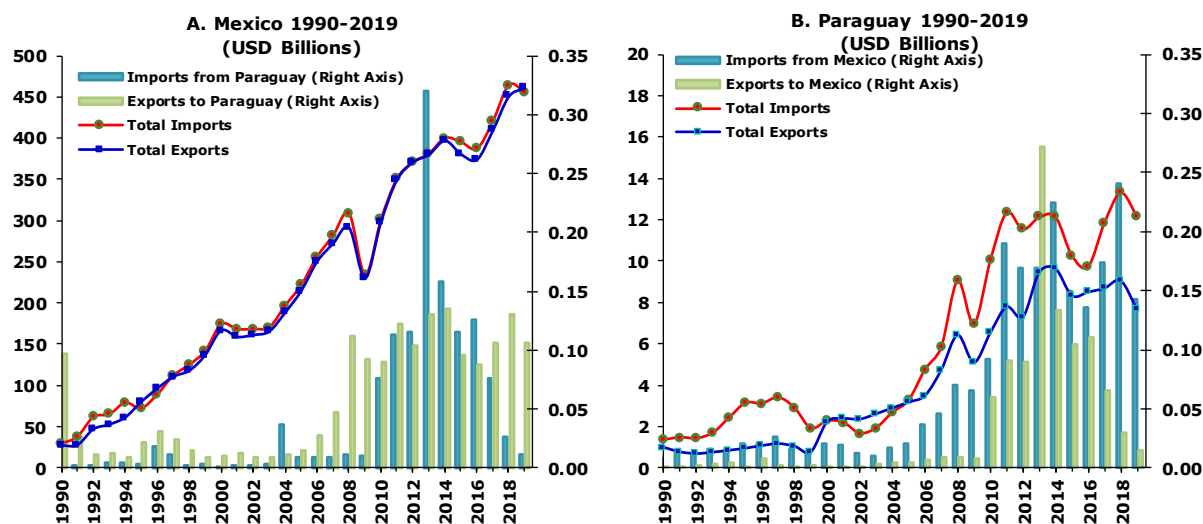
1.1. The size and structure of the economies of the Parties differ greatly. In 2019, the GDP of Mexico totalled USD 1,268.9 billion and that of Paraguay USD 38.1 billion.¹

1.2. The large difference in the size of the Parties' economies is also reflected in their ranking in international merchandise trade in 2019 – Mexico ranked 11 for exports and 12 for imports, and Paraguay ranked 96 for exports and 89 for imports. While the imports of both Parties are dominated by manufacturing (around 75%), and manufacturing also make up the bulk of Mexico's exports – 80.5%, for Paraguay agricultural products are the main export category – at 64.1%.

1.3. Trade flows between the Parties are low and represent a very small share in each Party's trade. In 2019, Mexico was Paraguay's 28th largest export market, and 11th largest supplier of imports. In turn, Paraguay ranked 46th in terms of exports from Mexico and 71st for origin of imports.

1.4. Chart 1.1 presents the trends in global and intra-Party merchandise trade between 1990 and 2019.² Over the period Mexico has had a constant small global trade deficit, while as recently as 2019 a small surplus was observed. Paraguay maintained a global trade deficit, save for 2001-2004.

Chart 1.1 Mexico-Paraguay: Merchandise bilateral trade and with world, 1990-2019



Source: UNSD Comtrade database.

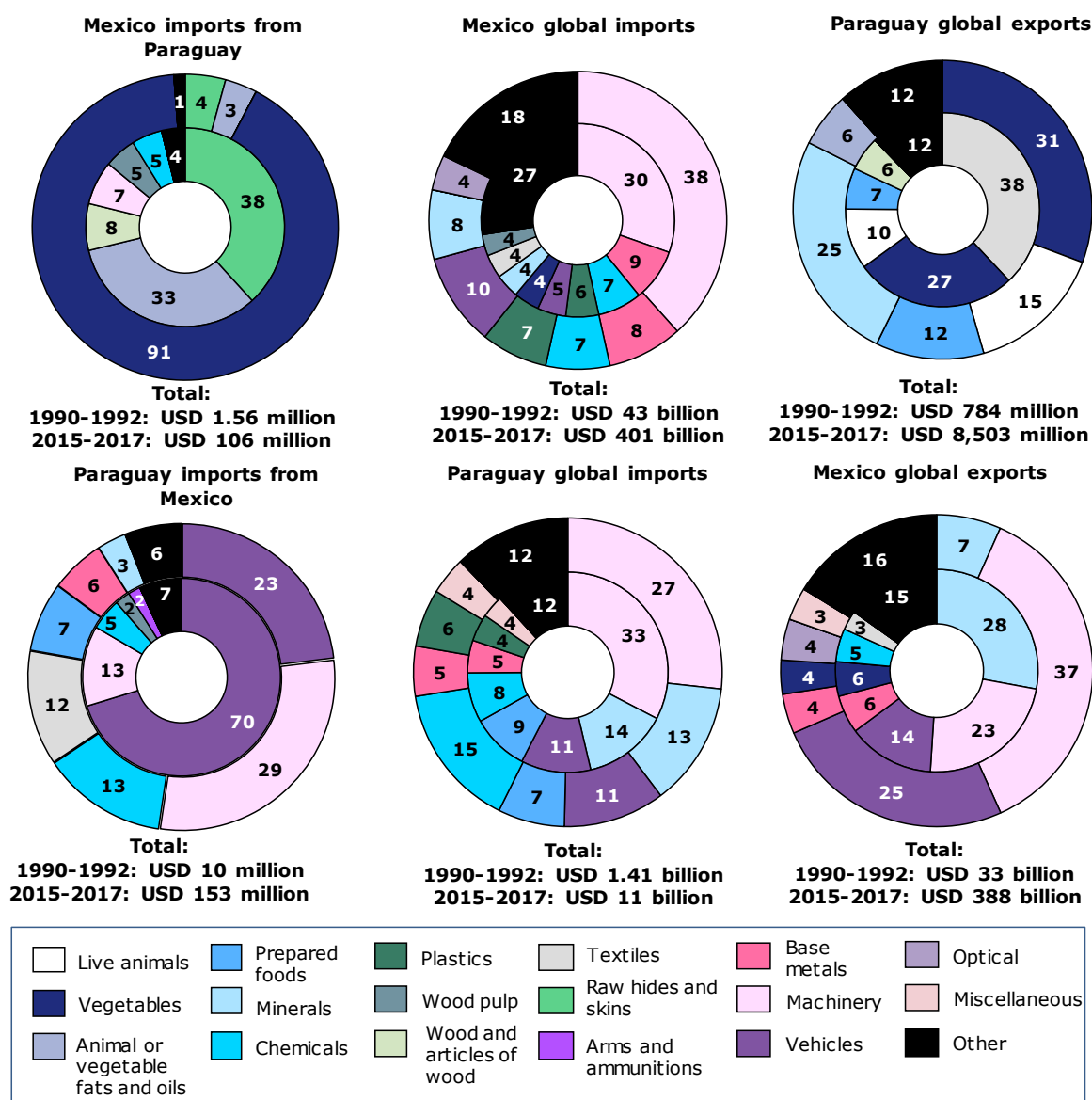
¹ Statistics in this Section are from the WTO Trade Profiles (2020) and the WTO Statistics Database. GDP data, sourced from the World Bank, are given in current prices. Data in merchandise trade charts are from Comtrade.

² Statistics as from 1990 since they were not available for both Parties for the three years preceding entry into force.

1.5. Bilateral trade figures diverge between Mexico and Paraguay. Statistics from Mexico present a constant trade surplus during the period, except in 2004 and 2012-2016, while those from Paraguay indicate that it had a surplus with Mexico only in 2013.³ Both statistics show a record level of exports from Paraguay to Mexico in 2013, more than three times average exports in 2010-2012. Thereafter exports decreased continuously, with the 2019 level being similar to that prevailing before 2010.

1.6. The commodity structure of trade between Mexico and Paraguay, as well as of their global trade in the periods 1990-1992 (inner circle) and 2015-2017 (outer circle) is shown in Chart 1.2 on the basis of Harmonized System (HS).

Chart 1.2 Mexico-Paraguay: Product composition of merchandise trade, annual average, 1990-1992 (inner circle) and 2015-2017 (outer circle)



Source: UNSD, Comtrade database.

³ Parties' different methodologies may explain these discrepancies.

1.7. Compared with 1990-1992 - when of Paraguay's main exports of textiles, vegetables and live animals, none were key imports by Mexico - Mexico's imports from Paraguay during 2015-2017 were largely dominated by vegetables (91%) whose share in Paraguay's exports had also expanded. That contrasts with the 2000-2002 period, when hides and skins and fats and oils were the top imports, and vegetables imports were negligible. Diversification of Mexico's imports from Paraguay has thus been reduced over the two periods. Mexico's main global imports in the most recent period - machinery, vehicles and metals and minerals - account for 64% of its global imports.

1.8. Of Mexico's largest global export categories of machinery, vehicles and minerals - which accounted for nearly three quarters of exports over the periods surveyed - the structure of Paraguay's imports from Mexico shows that the two main categories have traded places: in 2015-2017, machinery were followed by vehicles, while in 1990-1992 they were second and first, respectively. Contrary to the case of Paraguay, in the case of Mexico diversification of Paraguay's structure of imports from Mexico has increased. In 2015-2017, Paraguay's largest import categories globally were machinery, chemicals and minerals.

2 CHARACTERISTIC ELEMENTS OF THE AGREEMENT

2.1 Background information

2.1. The Partial Scope Agreement number 38 between Mexico and Paraguay (hereafter, the "Agreement") was signed on 30 April 1983 by both Parties and entered into force on 1 January 1984. The "Partial Scope Historical Heritage Renegotiation Agreement No. 38" (AAP.R 38) was concluded in the context of the Latin American Integration Association (LAIA) 1980 Treaty of Montevideo (TM 80). Article 1 of the Agreement states that its objective is to incorporate into the LAIA framework the preferential "heritage" tariffs from the 1960 Latin American Free Trade Association (LAFTA).⁴

2.2. Since its conclusion and until the adoption of a Transposition Protocol in 1993, three additional protocols were signed (in 1983, 1986 and 1988). The 1993 Transposition Protocol aligned the concessions with LAIA's tariff nomenclature Naladisa, while also consolidating the text and annexes of the liberalization programme. The Agreement foresaw the expiration of the preferences on 30 June 1994, thus, additional protocols were signed annually extending of the validity of the preferences.⁵ Finally, the December 2001 Tenth Additional Protocol extended the preferences from 1 January 2002 until the entry into force of a preferential agreement between Mexico and the Southern Common Market (MERCOSUR). As of December 2020, no such Agreement has been signed.

2.3. In that context, there are five other agreements under LAIA that are worth noting in relation to trade relations between Mexico and Paraguay:

- a. the broader MERCOSUR-Mexico Economic Complementarity Agreement (ACE) number 54 (AAP.ACE No. 54). The ACE 54 is a framework agreement under which each MERCOSUR member State has concluded/will conclude a bilateral preferential agreement with Mexico. No such Agreement has yet been signed between Mexico and Paraguay. Also under ACE 54 is a MERCOSUR-Mexico agreement providing for preferential treatment in automotive products (AAP.ACE No. 55);
- b. the MERCOSUR-Mexico Agreement on automotive products, ACE 55, has been in force bilaterally since 1 February 2011; however, no preferences have yet been agreed;
- c. the Regional Scope Agreement No. 4 (AAR.PAR No. 4, or PAR 4 has been in force since 1 July 1984. The PAR 4 establishes the LAIA regional tariff preference; under its terms, Mexico grants Paraguay a 48% margin of preference (MOP) on the MFN rate, while Mexico benefits from a MOP of 8% in Paraguay;

⁴ The TM 80 substitutes the Treaty instituting the LAFTA. Beyond the Agreement being considered in this factual presentation, only one heritage agreement remains in force, namely between Mexico and Ecuador (AAP.R 29), notified by Mexico in July 2019 (WT/COMTD/RTA3/N/1).

⁵ That is in accordance with Article 26 - "Validity" - which provides for an indefinite duration of the Agreement but for the preferences to have a validity of 10 years.

- d. the Regional Market Opening Agreement No. 3 in favour of Paraguay (AAR.AM 3), which entered into force simultaneously with AAP.R 38. Under AM3, Mexico unilaterally eliminates tariffs and other restrictions on around 200 tariff lines of products originating in Paraguay; and
- e. the "Regional Agreement for Cooperation and Trade in Assets in the Cultural, Educational and Scientific Areas" (AAR.CEYC No. 7), which entered into force on 1 January 1989. Under this Agreement, Mexico, Paraguay and other LAIA member States undertake to eliminate their import duties for a list of goods from the cultural, educational and scientific areas.

2.4. The Agreement was notified to the WTO by Mexico on 23 July 2019 under paragraph 4(a) of the Enabling Clause (WT/COMTD/RTA4/N/1).⁶ The Agreement was also subject to a notification of changes to the LAIA Treaty of Montevideo under paragraph 4(a) of the Enabling Clause.⁷ The text of the Agreement and Additional Protocols are available at:

<http://www.aladi.org/nsfaladi/textacdos.nsf/vrenegowebR?OpenView&Start=1&Count=100&Expand=2#2>

2.5. The structure of the Agreement is presented in Box 2.1.

Box 2.1 Structure of the Agreement

Chapters & Annexes	Title
Chapter I	Subject of the Agreement
Chapter II	Treatment of Imports
Chapter III	Preservation of Agreed Preferences
Chapter IV	Rules of Origin
Chapter V	Safeguard Clauses
Chapter VI	Withdrawal of Concessions
Chapter VII	Differential Treatment
Chapter VIII	Review of the Agreement
Chapter IX	Accession
Chapter X	Validity
Chapter XI	Administration of the Agreement
Chapter XII	Withdrawal
Chapter XIII	Convergence
Chapter XIV	Final Provisions
Annexes	
Annex I	Tariff Preferences - Mexico
Annex II	Tariff Preferences - Paraguay
Annex III	Rules of Origin

2.6. The Parties will review the Agreement every three years during the LAIA's periodic Conference on Evaluation and Convergence (Chapter VIII, Article 24). The Agreement may also be reviewed at any time upon a Party's request, with the aim of expanding and diversifying trade flows with the results being recorded in Protocols. The Parties will examine the possibility of a progressive multilateralization of the Agreement's preferential treatment to other LAIA members, in the context of the Conference on Evaluation and Convergence (Chapter XIII, Article 29). As of February 2021, this has not been the case.

⁶ Information on this Agreement can also be found in various LAIA reports made to the Committee on Trade and Development of the GATT 1947 and WTO.

⁷ WT/COMTD/RTA15/N/1/Add.221, 27 March 2020.

3 PROVISIONS ON TRADE IN GOODS

3.1 Import duties and charges, and quantitative restrictions

3.1.1 General provisions

3.1. Preferential treatment under the Agreement is granted through margins of preference (MOPs) on the MFN duty. The originating products being granted preferential treatment and the corresponding MOPs are specified in Annexes I and II to the Agreement (Articles 1 and 2); originally Mexico granted preferences on 2,006 lines and Paraguay on 950 lines (at 8-digit Naladis 1993 nomenclature).

3.2. The MOP applies on customs duties and any other import charges having equivalent effect, including e.g. those for fiscal and monetary purposes, but excluding fees and charges on imports that correspond to the costs of services rendered (Article 3).

3.3. Article 4 includes a general prohibition on the application of non-tariff restrictions on imports of products covered by the Agreement, unless these are specifically referred to in the Annexes. Only Paraguay lists such measures in Annex II; accordingly, an import licence ("previous authorization") to be issued by the Ministry of Industry and Trade is required for 138 tariff lines (see Table 3.1 and Annex 2). The stand-still means that no new non-tariff restrictions can be applied on products covered by the Agreement. However, the application of measures under Article 50 of the TM 1980 (general and security exceptions) remain authorized (Article 3).

Table 3.1 Paraguay: Products under import licence

HS Chapter and Product	Number of lines ^a
30 - Pharmaceutical products	14
70 - Glass bottles	2
72 - Iron and steel	89
73 - Articles of iron or steel	12
74 - Copper and articles thereof	4
82 - Saw blades	3
83 - Electrodes of base metal	1
84 - Fire extinguishers and works trucks	2
85 - Cells and batteries	5
87 - Trailers - semi-trailers and other vehicles	6
Total	138

a Full lines or part of lines.

Source: Annex II to the Agreement.

3.4. The Parties commit to maintain the agreed level of preferences, irrespective of the applied duties. In order to prevent the erosion of preferences, an MFN clause is included in Article 6: if one Party grants third-parties better preferential treatment on a covered product, upon the request of the affected Party consultations will be held in order to re-establish the benefits of the Agreement.

3.1.2 Liberalization of trade and tariff lines

3.5. The MOPs granted under the Agreement are between 6% and 100%. As shown in Table 3.2, Mexico provides preferences for a higher number of lines and the frequency of deeper preferences are also higher than those of Paraguay. For Mexico, 59.8% of the covered tariff lines became duty-free as from the Agreement's entry into force; the corresponding figure for Paraguay was 14.8%.

3.6. The preferences were fully implemented as from the entry into force of the Agreement. The Agreement foresees adding products to be liberalized or increasing the MOP; accordingly, these took place in 1983, 1986 and 1988.

Table 3.2: Preferences granted under the Agreement

Margin of Preference	Mexico		Paraguay	
	Number of lines (full or partial)	% lines	Number of lines (full or partial)	% lines
100%	1,342	59.8%	144	14.8%
90%-99%	120	5.3%	8	0.8%
80%-89%	214	9.5%	10	1.0%
70%-79%	119	5.3%	44	4.5%
60%-69%	144	6.4%	32	3.3%
50%-59%	140	6.2%	92	9.4%
40%-49%	59	2.6%	102	10.5%
30%-39%	48	2.1%	22	2.3%
20%-29%	41	1.8%	388	39.8%
10%-19%	14	0.6%	122	12.5%
1%-9%	5	0.2%	10	1.0%
Total	2,246	100.0%	974	100.0%

Note: Based on the Agreement's original Naladisa 1996 nomenclature.

Source: WTO estimates based on Mexico's Official Journal of 17 April 2000.

3.7. The Factual Presentation presents liberalization by the Agreement in 2018, using HS2012 nomenclature for Mexico and HS2017 for Paraguay.⁸ Tables 3.3 and 3.4 present each Party's liberalization and relates it to 2015-2017 import data.

3.8. Table 3.3 illustrates liberalization by Mexico of imports from Paraguay. In 2018, under the Agreement Mexico granted Paraguay a preferential treatment on around one-fourth of its tariff lines; however, more than half of these lines were already duty-free on an MFN basis. Preferential treatment under the Agreement is granted in 9.9% of Mexico's schedule. Additional 756 lines (6%) were duty-free under the Agreement, while 489 tariff lines (3.9%) benefitted from reduced rates. In terms of bilateral trade for products under the Agreement, MFN duty-free lines represented 5.7% of imports into Mexico from Paraguay. Additional liberalization brought about by the Agreement through elimination of duties extends duty-free to 0.7% of Paraguay's imports in 2015-2017 while reduced rates of duty affect a negligible trade value. No preferential treatment applies on a total of 24 lines covered by the Agreement; these include 19 dutiable lines but with MOP of zero, and 5 which are prohibited lines. Not covered by the Agreement were 77% of Mexico's tariff lines, of which 44.3% were duty-free representing 84.3% of Mexico imports from Paraguay.

Table 3.3 Mexico: Tariff elimination and reduction commitments under the Agreement and corresponding average trade

Duty phase-out period	Number of lines	% of total lines in Mexico's tariff schedule	Value of Mexico's imports from Paraguay (2015-2017) USD million	% of Mexico's total imports from Paraguay 2015-2017
Covered by the Agreement				
Already MFN duty-free (2018)	1,617	12.9	6.5	5.7
Duty-free	756	6.0	0.8	0.7
Reduced rate	489	3.9	0.0	0.0
Dutiable ^a	24	0.2		
Sub-total	2,886	23.0	7.3	6.4
Not covered by the Agreement				
Already MFN duty-free	5,556	44.3	96.4	84.3
MFN dutiable ^b	4,094	32.7	10.6	9.3
Sub-total	9,650	77.0	107.0	93.6
Total	12,536	100.0	114.3	100.0

a 19 dutiable lines are covered by the Agreement but with an MOP of zero, and 5 are prohibited lines.

b Of these, 17 are prohibited lines.

Note: Based on the HS2012 nomenclature.
Import and tariff coverage is from HS Chapters 1-97.

Source: WTO estimates based on the data submitted by the Mexican authorities and the WTO-IDB.

⁸ Successive transpositions from Naladisa 1996 to HS2012 and HS2017 were made on the basis of concordance tables supplied by the Parties or available in the LAIA website.

3.9. Table 3.4 shows that 606 lines (5.9% of the schedule) covered by the Agreement, representing 9.1% of imports into Paraguay from Mexico, were already duty-free on an MFN basis in 2018. Under the Agreement, Paraguay grants Mexico preferential treatment on additional 14% its schedule: duty-free treatment is granted on an additional 79 lines, covering 0.1% of imports from Mexico, while reduced rates are provided for 1,350 lines (13.2% of the schedule) under which 17.8% of imports entered. A total of 64 "dutiabale" lines are covered under the Agreement but the MOP is zero. Not covered by the Agreement were 79.5% of Paraguay's tariff lines, of which 10% were duty-free under which 14.6% of Paraguay's imports from Mexico entered.

Table 3.4 Paraguay: Tariff elimination and reduction commitments under the Agreement and corresponding average trade

Duty phase-out period	Number of lines	% of total lines in Paraguay's tariff schedule	Value of Paraguay's imports from Mexico (2015-2017) USD million	% of Paraguay's total imports from Mexico 2015-2017
Covered by the Agreement				
Already MFN (2018) duty-free	606	5.9	13.8	9.1
Duty-free	79	0.8	0.1	0.1
Reduced rate	1,350	13.2	27.2	17.8
Dutiabale ^a	64	0.6	1.9	1.3
Sub-total	2,099	20.5	43.0	28.2
Not covered by the Agreement				
Already MFN duty-free	1,025	10.0	22.2	14.6
MFN dutiable	7,102	69.5	87.5	57.3
Sub-total	8,127	79.5	109.7	71.8
Total	10,226	100.0	152.8	100.0

a Lines covered by the Agreement but with an MOP of zero.

Note: Based on the HS2017 nomenclature.

Source: WTO estimates based on the data submitted by the Paraguay authorities and the WTO-IDB.

3.1.3 Liberalization schedule

3.1.3.1 Mexico

3.10. Mexico's tariff elimination/reduction under the Agreement by HS Section is depicted in Table 3.5. The majority of fully liberalized lines are for prepared foodstuffs and textiles of HS Sections IV and XI respectively, while the highest number of lines that are partially liberalized correspond to machinery of Section XVI. Chemicals (Section VI) also has numerous lines for which tariffs are eliminated or reduced. The average final dutiable tariff varies from 4.9% in Section V (minerals) to 20% in Section VIII (hides and skins, and footwear).

Table 3.5 Mexico: Tariff elimination and reduction commitments under the Agreement, by HS Section

HS Section	MFN Average %	Total number of lines	Number of tariff lines						Avg. Final Tariff (Dutiable)
			Agreement				Not covered by the Agreement		
			MFN duty-free (2018)	Preferential			Duty-free	Dutiable	
				Duty-free	Reduced	Dutiable ^a			
I	15.7	439	2	26	23		60	328	17.5
II	11.7	519	43	101	31	15	74	255	13.5
III	8.5	72	9	14	5	5	8	31	10.1
IV	18.4	356	7	117	26		24	182	18.7
V	0.3	219	65	4	1		146	3	4.9
VI	1.4	2,865	361	60	72		1,925	447	6.0
VII	3.8	570	24		14		323	209	9.3
VIII	4.8	124	59	27		1	33	4	20.0

HS Section	MFN Average %	Total number of lines	Number of tariff lines						Avg. Final Tariff (Dutiable)
			Agreement				Not covered by the Agreement		
			MFN duty-free (2018)	Preferential			Duty-free	Dutiable	
Duty-free	Reduced	Dutiable ^a							
IX	6.7	188	37	67	3		29	52	10.0
X	2.8	311	114	63	18	2	68	46	5.8
XI	13.3	1,422	38	115	43		121	1,105	14.3
XII	17.1	167	7	27			11	122	20.0
XIII	5.8	313	54	66	19		108	66	8.5
XIV	3.3	65	7				40	18	11.9
XV	3.8	1,268	118		41		743	366	10.8
XVI	2.7	2,492	572	13	150		1,329	428	9.8
XVII	7.6	402	7			1	193	201	15.1
XVIII	2.6	450	58	5	38		261	88	7.2
XIX	11.2	33			2		2	29	11.2
XX	8.9	247	35	51	3		44	114	13.1
XXI	0.0	14					14		
Total ^b	5.7	12,536	1,617	756	489	24	5,556	4,094	12.2

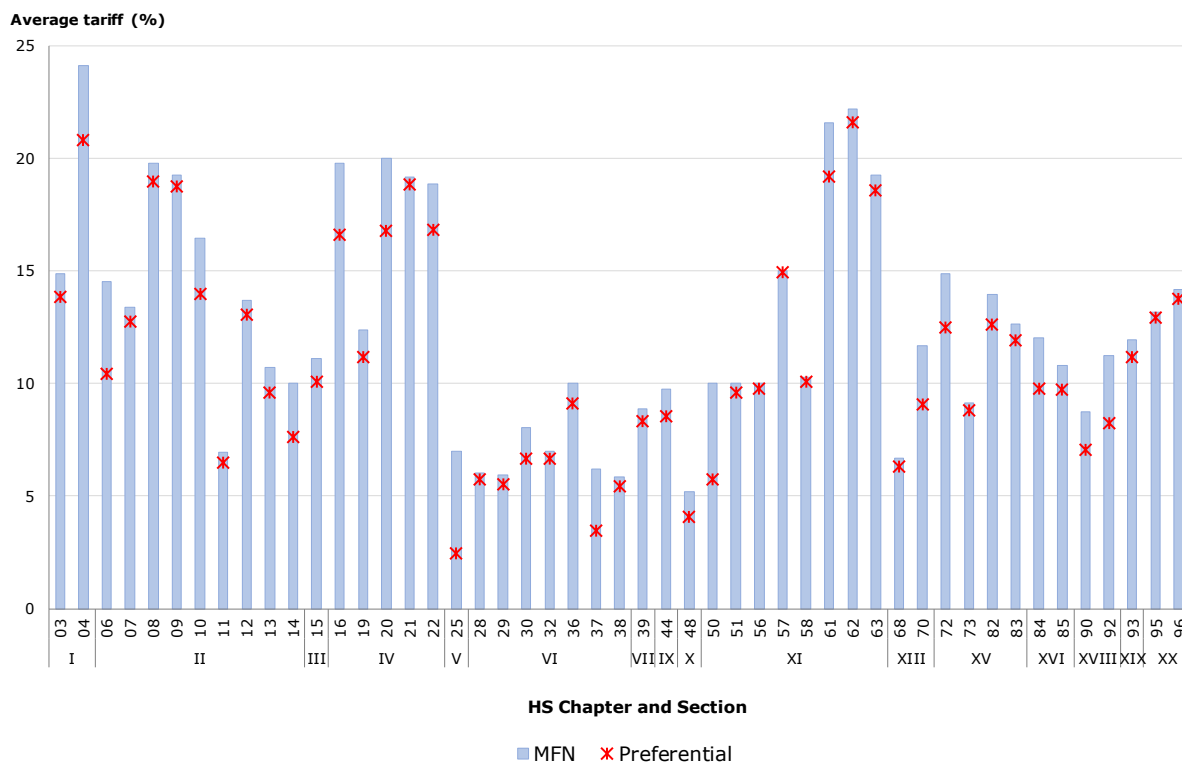
a Lines covered by the Agreement but with an MOP of zero.

b Tariff coverage is from HS Chapters 1-97.

Note: Tariff line count includes 22 prohibited lines falling under HS Sections I, II, VI, VIII and X. These lines are however excluded from the calculation of the average final dutiable tariff. For the calculation of averages, specific rates are excluded, and the *ad valorem* parts of alternate rates are included. Based on the HS2012 nomenclature.

Source: WTO estimates based on data submitted by the Mexican authorities and the WTO-IDB.

3.11. Chart 3.1 presents the average MFN and preferential duty rates of 49 Chapters in which preferences are granted. Among the 513 dutiable lines (MFN 2018) covered by the Agreement, the highest average MOPs are in mineral products and silk of Chapters 25 and 50 (average preferential rates of 2.5% and 5.8% compared to average MFN rates of 7% and 10%). For agricultural products, the highest MOPs are found in Chapters 4 (dairy) and 20 (vegetables and fruits preparations), with MOPs of 4.1 and 3.3 percentage points. No preferences are granted in the remaining 48 Chapters.

Chart 3.1 Mexico: Average of dutiable rates, by selected HS Chapter and Section

Note: Based on the HS 2012 nomenclature.

Source: WTO estimates based on the data submitted by the Mexican authorities and the WTO-IDB.

3.1.3.2 Paraguay

3.12. Table 3.6 details Paraguay's tariff elimination/reduction under the Agreement by HS Section. The majority of either fully or partially liberalized lines are in Sections VI and XVI - products of the chemical and allied industries, and machinery. The average dutiable rate for imports from Mexico is 6.2% in the case of chemicals and 6.5% for machinery. Sections I (animals and their products) and XV (base metals) also account for a number of preferences granted for imports from Mexico. The average final dutiable tariff varies from 3.5% in Section V (minerals) to 20% in Section XIX (arms and ammunition).

Table 3.6 Paraguay: Tariff elimination under the Agreement, by HS Section

HS Section	MFN Average %	Total number of lines	Number of tariff lines						Avg. Final Tariff (Dutiable)
			Agreement				Not covered by the Agreement		
			MFN duty-free	Preferential			Duty-free	Dutiable	
				Duty-free	Reduced	Dutiable ^a			
I	9.1	515	12	2	90	5	23	383	9.4
II	7.9	404	40	26	43	2	30	263	8.9
III	9.5	74			12			62	9.2
IV	14.6	311			25		2	284	14.5
V	2.4	207	3		7		66	131	3.5
VI	6.4	3,020	93	7	383	34	75	2,428	6.2
VII	9.9	424	6		41	2	20	355	10.3

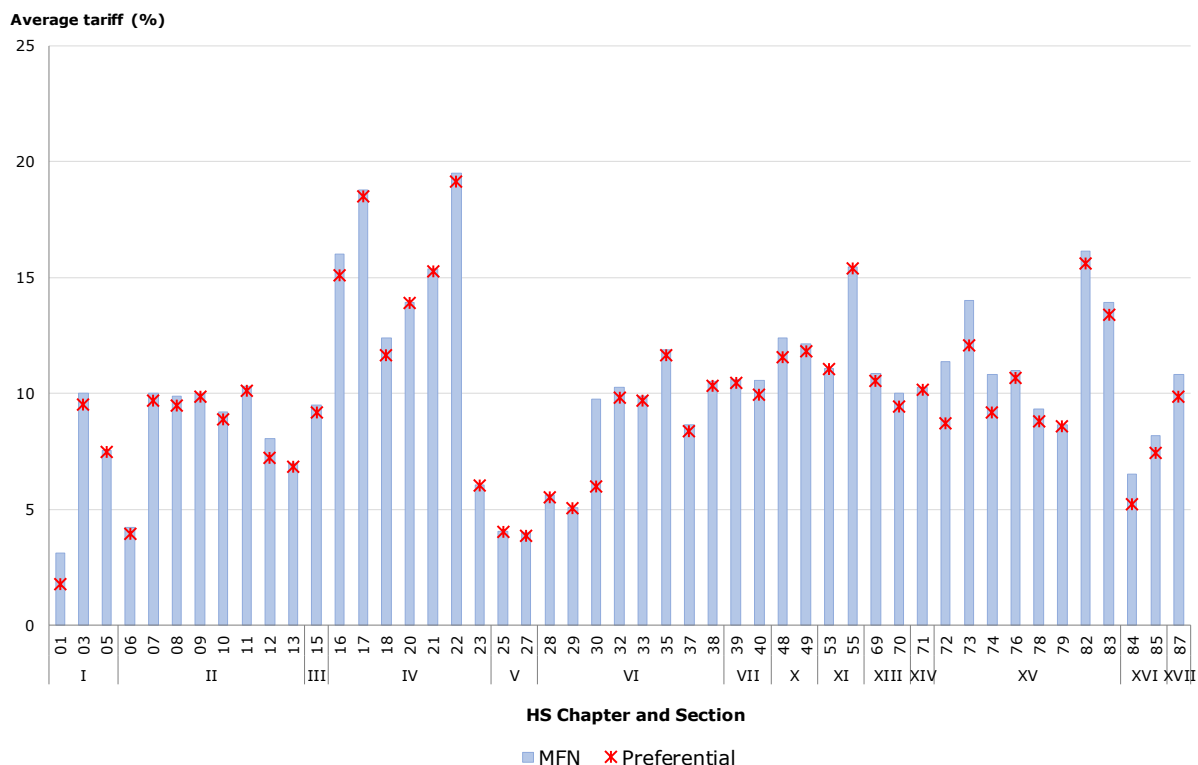
HS Section	MFN Average %	Total number of lines	Number of tariff lines						Avg. Final Tariff (Dutiable)
			Agreement				Not covered by the Agreement		
			MFN duty-free	Preferential			Duty-free	Dutiable	
				Duty-free	Reduced	Dutiable ^a			
VIII	10.5	113						113	10.5
IX	7.9	157						157	7.9
X	10.4	222	13		60		8	141	10.7
XI	16.8	1,055		12	4		21	1,018	17.2
XII	18.6	70						70	18.6
XIII	9.6	217			12		3	202	9.4
XIV	9.3	64			5		6	53	10.2
XV	11.4	739	7	2	240	10	12	468	10.3
XVI	3.6	1,765	382	27	342		527	487	6.5
XVII	6.1	229	27	2	36	11	60	93	9.2
XVIII	7.0	450	23		47		165	215	11.4
XIX	20.0	18						18	20.0
XX	14.7	165		1	3		7	154	15.1
XXI	4.0	7						7	4.0
Total	8.4	10,226	606	79	1,350	64	1,025	7,102	9.5

a Lines covered by the Agreement but with an MOP of zero.

Note: Based on the HS2017 nomenclature.

Source: WTO estimates based on the data submitted by the Paraguay authorities and the WTO-IDB.

3.13. Chart 3.2 presents the average preferential and MFN duty rates in 53 Chapters in which preferences are granted. Among the 1,414 dutiable lines (MFN 2018) covered by the Agreement, pharmaceuticals and iron and steel of Chapters 30 and 72 benefit from the highest average MOP, with average preferential tariffs at 6% and 8.7% compared to MFN averages of 9.8% and 11.4% respectively. Among agricultural products the highest MOPs apply on live animals of Chapter 1. No preferences are granted in the remaining 44 HS Chapters.

Chart 3.2 Paraguay: Average of dutiable rates, by selected HS Chapter and Section

Note: Based on the HS 2017 nomenclature.

Source: WTO estimates based on the data submitted by Paraguayan authorities and the WTO-IDB.

3.1.4 Tariff rate quotas

3.14. The Agreement has no provision concerning tariff-rate quotas (TRQ).

3.2 Rules of origin

3.15. In accordance with Article 7 of the Agreement, preferences are only granted to originating products that satisfy the rules of origin, which are set in Chapter I of Annex III and its Appendix. The basic requirements for a good to be considered originating (Article 1 of Annex III), are:

- the good is produced entirely in the in the territory of one or both Parties from originating materials only;
- wholly obtained/produced goods which are included in the Appendix to Annex III;⁹
- the good is produced entirely in the territory of one or both Parties by using non-originating materials, with the transformation resulting in a change in tariff classification (CTC) at the HS heading level;
- the (c.i.f.) value of non-originating materials used in the production of the good is not higher than 50% of the (fob) value of the good; and

⁹ The list includes 624 8-digit products (Naladisa 1993) of Chapters 01, 03, 05-10, 12-15, 20-23, 25-26, 37, 40-41, 43-44, 47 49-53, 65-66, 68-69, 71, 94 and 96.

- e. goods produced in the territory of the Parties which comply with the specific rules of origin in Appendix 2 to Annex III.¹⁰ The vast majority require that certain materials be originating; for some goods, the requirement is that certain production processes take place in one of the Parties and for two products of Chapter 84 a value-content requirement applies.

3.16. Articles 2 and 4 of Annex III authorize the Parties to review existing, or agree on new, product-specific requirements which would take precedence over the general requirements. These are to be based on elements specified in Article 3 of Annex III.

3.17. Non-qualifying operations that do not confer origin are described in Articles 1.b.iii and 1.c of Annex III.

3.18. Article 6 of Annex III provides that the domestic content requirement associated with the value-added criterion may not be used to set requirements that would imply the mandatory use of originating materials, when Parties are of the view that such materials do not meet adequate conditions as regards supply, quality and price.

3.19. Article 7 of Annex III defines "materials" as including raw materials, intermediate products and parts or pieces used in the production of goods.

3.20. Bilateral cumulation applies between the two Parties (Article 5 of Annex III).

3.21. The rules of origin do not include a *de minimis* rule nor the absorption principle.

3.22. While the rules of origin do not include provisions regarding transit, the relevant LAIA provisions contained in the Resolution 252 of 4 August 1999 apply.¹¹ Thus, transit through other LAIA parties is authorized if justified for geographical or transportation reasons, provided the good remains under the control or surveillance of customs authorities and it can be demonstrated that the the good has not been modified.

Box 3.1 Rules of origin at a glance

Basic Characteristics

- Product-specific general criteria:
 - Wholly obtained goods
 - CTC
 - Production process requirements
 - RVC- maximum import content generally of 50%
- Bilateral cumulation.
- No tolerance rules, no absorption principle

3.3 Export duties and charges, and quantitative restrictions

3.23. The Agreement has no provision concerning export measures.

3.4 Regulatory provisions of the agreement

3.4.1 Standards

3.24. The Agreement has no provision concerning sanitary and phytosanitary measures nor technical barriers to trade.

¹⁰ The list includes 506 8-digit products (Naladisa 1993) of Chapters 04, 11, 13, 15-17, 19-22, 24, 28-29, 31-35, 38, 42, 44, 48-49, 68, 71-72, 81, 84 and 94.

¹¹ Article 4 of LAIA Resolution 252, see: http://www2.aladi.org/biblioteca/Publicaciones/ALADI/Comite_de_Representantes/CR_Resoluciones/ES/252.PDF.

3.4.2 Safeguard mechanisms

3.4.2.1 Global safeguards

3.25. The Agreement has no provision concerning global safeguards.

3.4.2.2 Bilateral safeguards

3.26. Bilateral safeguards were authorized one year from the Agreement's entry into force; disciplines for their imposition, spelled out in Articles 8 to 15 of Chapter V, provide that:

- a. a Party can apply safeguard measures on a covered product in cases where its imports cause serious injury to a productive activity of significant importance to its economy;
- b. its initial duration will be one year, with a maximum extension of two consecutive annual periods (Article 9) – see below;
- c. transparency provisions require the importing Party to notify the exporting Party within 72 hours from adoption of the safeguard measure and the reasons for its application;
- d. the safeguard measure will be applied through the suspension of preferential treatment. In order to avoid trade disruption, a TRQ shall be negotiated between the Parties, with an in-quota rate equivalent to the preferential rate.¹² The TRQ shall be reviewed within 60 days from the receipt of the notification under c. above; pending agreement, it shall remain at the initial level until at least the end of the first year of its imposition;
- e. negotiations on the terms and conditions for extending the safeguard measure shall be initiated 60 days prior to the original date foreseen for its termination, and shall be concluded within this period. Upon its successful conclusion, the safeguard measure is extended and the compensatory measures are to be implemented (Article 12). In case the negotiations fail, the safeguard measure can be extended provided the TRQ is maintained (Article 13); and
- f. if a second annual extension is required, negotiations shall again take place. However, should these fail, the safeguard measure will be terminated at the end of the second year and the importing Party will start the procedures for withdrawal of concessions under Chapter VI (Article 14). Those procedures will also be invoked in cases where, following two or three years of application of (authorized) safeguard measures, the situation that led to the adoption of safeguards remains (Article 15).

3.27. As of February 2021, no bilateral safeguard measure has been applied.

3.4.2.3 Safeguards for balance of payments reasons

3.28. A Party may extend global balance-of-payments safeguard measures to imports of covered products from the other Party, under non-discriminatory terms (Article 16). The Party imposing the measure shall inform the other Party within 72 hours from its adoption of the measures applied and the reasons for their application.

3.29. If Mexico is to impose such measures, it shall take into account Paraguay's status as a relatively less developed country,¹³ their trade balance as well as the composition and value of the products traded under the Agreement, in order to ensure that the effects of the measure do not cause damage to Paraguay. Bilateral consultations shall take place in order to address these issues.

3.30. Goods shipped on the date of the adoption of BOP measures shall not be affected by them (Article 17).

¹² The Agreement does not define how the volume of the TRQ will be calculated.

¹³ See paragraph 4.17. for a description of LAIA's category of countries in terms of level of development.

3.31. As of February 2021, no balance-of-payments safeguard measure has been applied.

3.4.2.4 Withdrawal of concessions

3.32. Chapter VI (Articles 18-20) authorizes the withdrawal of a concession granted to a good that has been subject to the imposition of safeguard measures (see Section 3.4.2.2), in accordance with the following terms and conditions:

- a. compensation negotiations shall be initiated within 30 days from the date of communication of the intention to withdraw the concession; and
- b. the compensation shall apply to trade flows of an equivalent value to that affected by the withdrawal.

3.33. If the compensatory negotiations fail, the affected Party may retaliate by withdrawing equivalent concessions.

3.4.3 Anti-dumping and countervailing measures

3.34. The Agreement has no provision concerning anti-dumping and countervailing measures.

3.4.4 Subsidies and State-aid

3.35. The Agreement has no provision concerning subsidies and State-aid.

3.4.5 Customs-related procedures

3.36. Disciplines on customs procedures are included in Chapter II of Annex III. Preferential treatment is granted on the basis of a Declaration of origin issued by the producer or the exporter and certified by government bodies or its delegated authorities¹⁴ (Articles 8-10 of Annex III), in accordance with the agreed format included in Appendix 3 to Annex III.¹⁵

3.37. In cases where a Party considers that the certification documents do not correspond to the requirements, it shall inform the exporting Party and request additional information (Article 13 of Annex III). In these cases, the importing Party cannot stop the importation process, but it may adopt measures considered necessary to guarantee its fiscal interest.

3.38. For customs-related procedures not dealt with in Annex III, Article 17 of LAIA's Resolution 252 and Parties' domestic legislations are of relevance.

4 GENERAL PROVISIONS OF THE AGREEMENT

4.1 Transparency

4.1. Transparency provisions included in the Agreement have been referred to elsewhere in the Factual Presentation.

4.2 Current payments and capital movements

4.2. The Agreement has no provisions concerning payments and movement of capital.

¹⁴ The list of government bodies and/or delegated authorities (including any changes therein), as well as their signature, is to be communicated to the LAIA Secretariat. This list can be found in: <http://www2.aladi.org/nsfaladi/firmas.nsf/v1paísesR/mexico> and <http://www2.aladi.org/nsfaladi/firmas.nsf/v1paísesR/paraguay>.

¹⁵ The format can be found in: http://www2.aladi.org/biblioteca/publicaciones/aladi/acuerdos/apr/es/apr38/web/Anexo_III_Ap03.pdf.

4.3 Exceptions

4.3. While the Agreement has no provision for exceptions per se, Article 3 authorizes the imposition of non-tariff restrictions on products covered by the Agreement provided these are applied under Article 50 of the TM 1980, which refer to general and security exceptions.

4.4 Accession and withdrawal

4.4. The Agreement is open for accession from other LAIA members, subject to negotiations, the results of which are to be included in an additional protocol to the Agreement (Chapter IX, Article 25). Entry into force will take place 30 days following its deposit with the LAIA Secretariat.

4.5. Either Party can terminate the Agreement. The other Party shall be notified of the decision to terminate the Agreement 90 days before the deposit of the withdrawal instrument with the LAIA Secretariat. Once withdrawal is formalized, the rights and obligations under the Agreement applying to the Party denouncing the Agreement will cease to apply, except as regards the preferential treatment which will remain in force for a period of one year from the deposit of the withdrawal instrument, unless the Parties agree otherwise.

4.5 Institutional framework

4.6. The Agreement will be administered by a Commission composed of representatives designated by each Party (Article 27).

4.6 Dispute settlement

4.7. The Agreement has no provision for dispute settlement.

4.7 Relationship with other agreements concluded by the Parties

4.8. The Preamble states that the Agreement will be governed by the Provisions of the LAIA TM80.

4.9. Other regional trade agreements to which Mexico and Paraguay are parties (including notified and non-notified agreements) are listed in Table 4.1.

Table 4.1 Mexico and Paraguay: Participation in other RTAs (notified and non-notified in force), as of 24 February 2021

RTA Name	Date of entry into force ^a	Coverage	GATT/WTO Notification	
			Year ¹⁶	WTO Provisions
MEXICO				
United States-Mexico-Canada Agreement (USMCA/CUSMA/T-MEC) ^b	01-Jul-20	Goods & Services	2020	GATT Art. XXIV & GATS Art. V
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	30-Dec-18	Goods & Services	2018	GATT Art. XXIV & GATS Art. V
Pacific Alliance	01-May-16	Goods & Services	2016	GATT Art. XXIV & GATS Art. V
Mexico - Panama	01-Jul-15	Goods & Services	2016	GATT Art. XXIV & GATS Art. V
Mexico - Central America	01-Sep-12	Goods & Services	2014	GATT Art. XXIV & GATS Art. V
Peru - Mexico	01-Feb-12	Goods & Services	2012	GATT Art. XXIV & GATS Art. V; Enabling Clause - Changes to LAIA TM 80

¹⁶ For Agreements under LAIA TM 80, two dates are included in the table. The first date is that of the circulation of the relevant individual datasheet under the series *WT/COMTD/RTA15/N/1/-*; the second date is that of the circulation of LAIA's reports that referred to the relevant agreement, circulated under the series *WT/COMTD/-* and (GATT 1947) *L/-*.

RTA Name	Date of entry into force ^a	Coverage	GATT/WTO Notification	
			Year ¹⁶	WTO Provisions
Mexico - Plurinational State of Bolivia	07-Jun-10	Goods	2019	Enabling Clause
Japan - Mexico	01-Apr-05	Goods & Services	2005	GATT Art. XXIV & GATS Art. V
Mexico - Uruguay	15-Jul-04	Goods & Services	2013	GATT Art. XXIV & GATS Art. V; Enabling Clause - Changes to LAIA TM 80
Brazil - Mexico	02-May-03	Goods	2019	Enabling Clause
MERCOSUR - Mexico [LAIA, AAP.CE 55]	01-Jan-03	Goods	2020 / 2004	Enabling Clause - Changes to LAIA TM 80
EFTA - Mexico	01-Jul-01	Goods & Services	2001	GATT Art. XXIV & GATS Art. V
Mexico - Cuba	28-Feb-01	Goods	2019	Enabling Clause
Mexico - Guatemala [LAIA, AAP.A25TM 37]	05-Dec-00	Goods Services	2020 / 2001 Not notified	Enabling Clause - Changes to LAIA TM 80
EU - Mexico	01-Jul-00	Goods	2000	GATT Art. XXIV
	01-Oct-00	Services	2002	GATS Art. V
Israel - Mexico	01-Jul-00	Goods	2001	GATT Art. XXIV
LAIA - Accession of Cuba	26-Aug-99	Goods	1999	Enabling Clause
Chile - Mexico	01-Aug-99	Goods & Services	2001	GATT Art. XXIV & GATS Art. V; Enabling Clause - Changes to LAIA TM 80
Colombia - Mexico	01-Jan-95	Goods & Services	2010	GATT Art. XXIV & GATS Art. V; Enabling Clause - Changes to LAIA TM 80
Global System of Trade Preferences among Developing Countries (GSTP)	19-Apr-89	Goods	1989	Enabling Clause
LAIA - Cultural Goods [LAIA AAR.CEYC 7]	01-Jan-89	Goods	2020 / 1999	Enabling Clause - Changes to LAIA TM 80
Argentina - Mexico	01-Jan-87	Goods	2019	Enabling Clause
LAIA- Preferences in favour of Paraguay [LAIA, AAR.AM 3]	01-Jul-84	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
LAIA - Agreement on Regional Tariff Preference [LAIA, AAR.PAR 4]	01-Jul-84	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
Ecuador - Mexico	01-May-83	Goods	2019	Enabling Clause
LAIA - Preferences in favour of Ecuador [LAIA, AAR.AM 2]	01-May-83	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
LAIA	18-Mar-81	Goods	1982	Enabling Clause
Protocol on Trade Negotiations (PTN)	11-Feb-73	Goods	1971	Enabling Clause
LAIA - Accession of Panama	03-May-12	Goods	Not notified	
PARAGUAY				
MERCOSUR - Egypt	01-Sep-17	Goods	2018	Enabling Clause
MERCOSUR - Southern African Customs Union (SACU)	01-Apr-16	Goods	2017	Enabling Clause
MERCOSUR - Israel	23-Dec-09	Goods	2019	GATT Art. XXIV
MERCOSUR - India	01-Jun-09	Goods	2010	Enabling Clause
MERCOSUR - Cuba [LAIA, AAP.CE 62]	02-Jul-07	Goods	2020 / 2009	Enabling Clause - Changes to LAIA TM 80
MERCOSUR - Peru [LAIA, AAP.CE 58]	02-Jan-06	Goods	2020 / 2006	Enabling Clause - Changes to LAIA TM 80
MERCOSUR - Andean Community (except Plurinational State of Bolivia and Peru) [LAIA, AAP.CE 59]	05-Jan-05	Goods	2020 / 2006	Enabling Clause - Changes to LAIA TM 80
MERCOSUR - Mexico [LAIA, AAP.CE 55]	01-Jan-03	Goods	2020 / 2004	Enabling Clause - Changes to LAIA TM 80
LAIA - Accession of Cuba	26-Aug-99	Goods	1999	Enabling Clause

RTA Name	Date of entry into force ^a	Coverage	GATT/WTO Notification	
			Year ¹⁶	WTO Provisions
MERCOSUR – Plurinational State of Bolivia [LAIA, AAP.CE 36]	28-Feb-97	Goods	2020 / 1997	Enabling Clause - Changes to LAIA TM 80
MERCOSUR - Chile [LAIA, AAP.CE 35]	01-Oct-96	Goods	2020 / 1997	Enabling Clause - Changes to LAIA TM 80
LAIA - Seeds [LAIA, AAP.AG 2]	19-Jun-11	Services	Not notified	
MERCOSUR	18-Jun-93	Goods	2020 / 1992	Enabling Clause - Changes to LAIA TM 80
Argentina - Paraguay [LAIA, AAP.CE 13]	29-Nov-91	Goods	1991	Enabling Clause
LAIA - Cultural Goods [LAIA, AAR.CEYC 7]	07-Dec-05	Services	2006	GATS Art. V
LAIA – Agreement on Regional Tariff Preference [LAIA, AAR.PAR 4]	28-Nov-89	Goods	2020 / 1991	Enabling Clause - Changes to LAIA TM 80
LAIA- Preferences in favour of Paraguay [LAIA, AAR.AM 3]	01-Jan-89	Goods	2020 / 1999	Enabling Clause - Changes to LAIA TM 80
LAIA - Preferences in favour of Ecuador [LAIA, AAR.AM 2]	01-Jul-84	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
LAIA - Preferences in favour of the Plurinational State of Bolivia [LAIA, AAR.AM 1]	01-Jul-84	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
LAIA	01-May-83	Goods	2020 / 1984	Enabling Clause - Changes to LAIA TM 80
PTN	18-Mar-81	Goods	1982	Enabling Clause
Brazil - Paraguay [LAIA, AAP.CE 74]	11-Feb-73	Goods	1971	Enabling Clause
Paraguay - Chinese Taipei	28-Sep-20	Goods	Not notified	
MERCOSUR - Colombia [LAIA, AAP.CE 72]	27-Feb-19	Goods	Not notified	
MERCOSUR - Accession of Venezuela	20-Dec-17	Goods	Not notified	
LAIA - Accession of Panama	12-Aug-12	Goods & Services	Not notified	
	03-May-12	Goods	Not notified	

a Dates of the first entry into force for at least one of the Parties.

b Parties have notified that NAFTA has been superseded by the USMCA/CUSMA/T-MEC. As a result, the provisions of the NAFTA are no longer in force, except as expressly provided by the USMCA/CUSMA/T-MEC.

Note: The LAIA reference is indicated in brackets for some RTAs notified as a change to LAIA's TM 80. Further details can be found at: <http://www.aladi.org>.

Source: WTO Secretariat. Further information on these Agreements and on specific dates of entry into force/provisional applications may be found in the WTO Database on RTAs: <http://rtais.wto.org>.

4.8 Government procurement

4.10. There are no provisions on Government procurement in the Agreement.

4.9 Intellectual property rights

4.11. There are no provisions on intellectual property rights in the Agreement.

4.10 Competition

4.12. There are no provisions on competition in the Agreement.

4.11 Environment

4.13. There are no provisions on environment in the Agreement.

4.12 Labour

4.14. There are no provisions on labour in the Agreement.

4.13 Electronic Commerce

4.15. There are no provisions on electronic commerce in the Agreement.

4.14 Small and medium-sized enterprises

4.16. There are no provisions on small and medium-sized enterprises in the Agreement.

4.15 Other provisions

4.15.1 Special and differential treatment

4.17. LAIA's special and differential (S&D) treatment is an integral part of the Agreement. Article 22 contains an intra-LAIA MFN clause that aims to avoid the erosion of preferences on the basis of LAIA's S&D treatment. LAIA members are classified under three categories: countries at a relatively less advanced stage of development – the "PMDERs" countries; countries at an intermediate stage of development, and other member States. Mexico, together with Argentina and Brazil, are classified under the latter category; Paraguay, the Plurinational State of Bolivia and Ecuador are the PMDER countries; all other LAIA being classified as intermediate countries.

4.18. Accordingly, in cases where Mexico provides preferences to a LAIA member State that is classified as "intermediate" or "other" in terms of category of development,¹⁷ and such preferential treatment is equal to or better than that for Paraguay, the preference for Paraguay will be adjusted so as to maintain its effectiveness. In practice, negotiations shall start and conclude within respectively 30 and 60 days from the claim by the affected Party (Paraguay). S&D treatment can be re-established either by agreeing a different margin of preference or, in case of disagreement, under any other element of the Agreement.

4.19. In cases where any of the Parties grant preferences to a LAIA member State classified at the same development category as the beneficiary of the preference, negotiations will be carried out to extend this treatment to the beneficiary Party, taking into account LAIA's S&D provisions.

4.20. If no agreement is reached in the negotiations referred to under paragraphs 4.18. 4.19. above, the Parties shall proceed to review this Agreement in accordance with the terms of Article 24.

4.21. The provisions of Article 22 were applied in 1980 on the occasion of the multilateral assessment provided for in Resolution 1 of LAIA's Council of Ministers, which resulted in various Partial Scope Agreements including the Agreement between Mexico and Paraguay. Likewise, these provisions shall also apply with respect to the preferences granted after that multilateral assessment. After that date they have not been further invoked.

¹⁷ While the text of Article 22 is general and refers to "any Party", in practice that only applies as described since Mexico is classified in the category of the highest level of development. In summary, this clause would not apply only if such more favourable treatment was granted to the Plurinational State of Bolivia or Ecuador.

ANNEX 1

1. Table A1.1 shows 2018 tariff liberalization by Mexico and Paraguay under the Agreement by total, agricultural and industrial products.

2. In the case of Mexico, the share of duty-free tariff lines applied on all products from Paraguay in 2018 was 63.2%, compared to 57.2% for imports under MFN rates. In 2018, the overall average applied tariff was 5.7% on an MFN basis and 4.5% for preferential imports from Paraguay. For agricultural goods, exporters from Paraguay faced an average tariff of 10.4% instead of the MFN average rate of 14.5%, and 3.8% instead of 4.6% for industrial goods. Paraguay thus benefitted from a relative margin of preference of 21.1% overall, 28.3% for agricultural products and 17.4% for industrial products.

3. In the case of Paraguay, the share of duty-free tariff lines applied on all products from Mexico in 2018 was 16.7%, compared to 15.9% for imports carried under MFN rates. In 2018, the overall average applied tariff was 8.4% on an MFN basis and 7.9% for preferential imports from Mexico. For agricultural goods, exporters from Mexico faced an average tariff of 9.5% instead of the MFN average rate of 10.1%, and 7.6% instead of 8.1% for industrial goods. Mexico thus benefitted from a relative margin of preference of 6% overall, 5.9% for agricultural products and 6.2% for industrial products.

Table A1.1 Mexico and Paraguay: Indicators of MFN tariff rates and preferential rates for imports from Paraguay and Mexico

Origin of goods	Year	ALL PRODUCTS			HS Chapters 1-24			HS Chapters 25-97		
		Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)	Average applied tariff		Share of duty-free tariff lines (%)
		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)		Overall (%)	On dutiable (%)	
MEXICO										
MFN	2018	5.7	13.3	57.2	14.5	17.4	16.4	4.6	12.2	62.3
Paraguay	2018	4.5	12.2	63.2	10.4	16.1	35.0	3.8	11.3	66.8
PARAGUAY										
MFN	2018	8.4	10.0	15.9	10.1	11.0	8.2	8.1	9.8	17.1
Mexico	2018	7.9	9.5	16.7	9.5	10.6	10.4	7.6	9.3	17.7

Note: For the calculation of averages, specific rates and prohibited lines are excluded, and the *ad valorem* parts of alternate rates are included.
Tariff coverage is from HS chapters 1-97.
Based on the HS 2012 nomenclature for Mexico and HS2017 nomenclature for Paraguay.

Source: WTO estimates based on the data submitted by the Mexican and Paraguayan authorities and the WTO-IDB.

4. Table A1.2 shows market access opportunities in Mexico for Paraguay's top 25 exports, which accounted for 90.8% of its global exports in 2015-2017 and corresponded to 103 lines in Mexico's tariff at the HS six-digit level (HS 2012). In 2018, seven out of the 25 products (totalling 65 lines) were traded duty-free on an MFN basis; three of which - oilcake, full grains and oilseeds - were also covered by the Agreement. Six products were partially duty-free (totalling 73 tariff lines) and 12 were fully dutiable. Under the Agreement, none of these products are fully liberalized; however, some parts of lines are fully liberalized (for example some types of maize), while other lines benefit from MOPs varying from 40% to 80%. Crude soya-bean oil of HS 1507.10 is included in the Agreement but no margin of preference is provided for. All the other 17 products are not covered by the Agreement.

Table A1.2 Mexico: Market access opportunities under the agreement for Paraguay's top 25 exports to the world

Paraguay's top export products in 2015 -2017			Access Conditions to Mexico's import markets			
HS number and description of the product		Share in global exports (%)	MFN 2018			Agreement
			Average MFN applied rate (%)	No of duty-free lines	No of dutiable lines	Remain dutiable
Covered by the Agreement						
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting	9.8	0.0	1		
150710	Crude soya-bean oil, whether or not degummed	5.4	5.0		1	1
100590	Maize	4.0	4.0	4	1	1
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	1.3	20.0		2	2
410411	Full grains, unsplit and grain splits, in the wet state	1.2	0.0	4		
100620	Husked or brown rice	0.4	20.0		1	1
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic	0.4	1.8	36	14	14
120799	Oil seeds and oleaginous fruits, whether or not broken	0.4	0.0	3		
Not covered by the Agreement						
271600	Electrical energy	24.6	0.0	1		
120190	Soya beans, whether or not broken	21.7	7.5	1	1	1
020230	Frozen, boneless meat of bovine animals	7.1	25.0		1	1
020130	Fresh or chilled bovine meat, boneless	6.1	20.0		1	1
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	1.9	3.3	1	2	2
100199	Wheat and meslin	1.4	7.5	1	1	1
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	0.8	0.338 DIs EUA/Kg		2	2
050400	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh,	0.6	10.0		1	1
392330	Carboys, bottles, flasks and similar articles for the conveyance or packaging of goods, of	0.6	15.0		2	2
630140	Blankets and travelling rugs of synthetic fibres	0.5	25.0		1	1
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel,	0.4	0.3	10	1	1
710813	Gold, incl. gold plated with platinum, in semi-manufactured forms, for non-monetary	0.4	0.0	1		
020629	Frozen edible bovine offal	0.4	20.0		1	1
120740	Sesamum seeds, whether or not broken	0.4	0.0	1		
440290	Wood charcoal, incl. shell or nut charcoal, whether or not agglomerated	0.4	0.0	1		
890190	Vessels for the transport of goods and vessels for the transport of both persons and goods	0.3	11.3		4	4
890400	Tugs and pusher craft	0.3	5.0		1	1
Total of the above		90.8		65	38	38

Note: Based on the HS 2012 nomenclature.

Source: WTO estimates based on data submitted by the Mexican authorities, the WTO-IDB and the UNSD, Comtrade database.

5. Table A1.3 shows market access opportunities in Paraguay for Mexico's top 25 exports, which accounted for 43% of its global exports in 2015-2017 and corresponded to 141 lines in Paraguay's tariff at the HS six-digit level (HS 2017). In 2018, one product (petroleum, 2 lines, not covered by the Agreement) was fully liberalized on an MFN basis, while eight products were partially duty-free (totalling 90 tariff lines) and 16 were fully dutiable. Under the Agreement, road tractors for semi-trailers, the fourth largest export by Mexico, is duty-free (instead of an MFN rate of 2.5%). Another 10 out of these 25 products, accounting for 18.5% of Mexico's global exports in 2015-2017, benefit from reduced rates. In some cases, parts of these lines are fully liberalized, in other cases they benefit from a MOP that varies from 10% to 50%. All the other 13 products are excluded from the Agreement.

Table A1.3 Paraguay: Market access opportunities under the agreement for Mexico's top 25 exports to the world

Mexico's top export products in 2015 -2017			Access Conditions to Paraguay's import markets				
HS number and description of the product		Share in global exports (%)	MFN 2018			Agreement	
			Average MFN applied rate (%)	Number of duty-free lines	Number of dutiable lines	Number of duty-free lines	Remain dutiable
Covered by the Agreement							
870323	Motor cars and other motor vehicles principally designed for	5.8	7.5		2		2
851762	Machines for the reception, conversion and transmission	3.1	1.9	11	28		28
847150	Processing units for automatic data-processing machines	2.8	1.6	1	4		4
870120	Road tractors for semi-trailers	1.7	2.5		1	1	
847149	Data-processing machines, automatic, presented in the form	1.3	2.0		1		1
870322	Motor cars and other motor vehicles principally designed for	1.3	5.0		2		2
853710	Boards, cabinets and similar combinations of apparatus for	1.0	5.2		5		5
851770	Parts of telephone sets, telephones for cellular networks or for othe	0.9	2.7		6		6
901890	Instruments and appliances used in medical, surgical or veterinary	0.8	3.6	10	4		4
840991	Parts suitable for use solely or principally with spark-ignition	0.8	8.7		12		12
847170	Storage units for automatic data-processing machines	0.7	0.4	7	2		2
Not covered by the Agreement							
270900	Petroleum oils and oils obtained from bituminous minerals, crude	4.6	0.0	2			
870431	Motor vehicles for the transport of goods, with spark-ignition internal	3.8	10.0		4		4
852872	Reception apparatus for television, colour, whether or not	3.0	6.0		1		1
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft	1.9	22.0		1		1
940190	Parts of seats, n.e.s.	1.5	18.0		2		2
870829	Parts and accessories of bodies for tractors, motor vehicles for	1.3	4.7	5	6		6
870850	Drive-axles with differential, whether or not provided with	1.0	3.7	3	3		3
870899	Parts and accessories, for tractors, motor vehicles for the transport	0.9	5.0	1	1		1
870422	Motor vehicles for the transport of goods, with compression-ignition	0.9	6.9		4		4

Mexico's top export products in 2015 -2017			Access Conditions to Paraguay's import markets				
HS number and description of the product		Share in global exports (%)	MFN 2018			Agreement	
			Average MFN applied rate (%)	Number of duty-free lines	Number of duty-free lines	Number of duty-free lines	Remain duty-free
840734	Spark-ignition reciprocating piston engine, of a kind used for	0.9	10.0		2		2
841810	Combined refrigerator-freezers, with separate external doors	0.8	20.0		1		1
220300	Beer made from malt	0.8	20.0		1		1
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the	0.7	5.0	2	2		2
870895	Safety airbags with inflator system and parts thereof, for tractors	0.6	6.0		4		4
Total of the above		43.0		42	99	1	98

Note: Based on the HS 2017 nomenclature.

Source: WTO estimates based on data submitted by Paraguay, the WTO-IDB and UNSD, Comtrade database.

ANNEX 2

Table A2.1 Paraguay: Products under Licence

Pharmaceutical products (14 lines)					
30012010	30023100	30032000	30039029	30041090	30045010
30012020	30031010	30039021	30041010	30042000	30045090
30012090	30031090				
Glass bottles (2 lines)					
70109010	70109020				
Iron and steel (89 lines)					
72081100	72084300	72093400	72112900	72145000	72166000
72081200	72084400	72094100	72113000	72146000	72169000
72081300	72084500	72094200	72114100	72151000	72171100
72081400	72089000	72094300	72114900	72152000	72171200
72082100	72091100	72094400	72119000	72153000	72171300
72082200	72091200	72099000	72122100	72154000	72171900
72082300	72091300	72103100	72122900	72159000	72172100
72082400	72091400	72103900	72123000	72161000	72172200
72083100	72092100	72104100	72133900	72162100	72172300
72083200	72092200	72104900	72134900	72162200	72172900
72083300	72092300	72111100	72135000	72163100	72173100
72083400	72092400	72111200	72141000	72163200	72173200
72083500	72093100	72111900	72142000	72163300	72173300
72084100	72093200	72112100	72143000	72164000	72173900
72084200	72093300	72112200	72144000	72165000	
Articles of iron or steel (12 lines)					
73012000	73082000	73084000	73089090	73110000	73130010
73081000	73083000	73089010	73090000	73121000	73170000
Copper and articles thereof (4 lines)					
74081900	74082100	74082200	74082900		
Saw blades (3 lines)					
82022000	82029100	82029900			
Electrodes of base metal (1 line)					
83111010					
Fire extinguishers and works trucks (2 lines)					
84241000	84279000				
Cells and batteries (5 lines)					
85061100	85061200	85061300	85061900	85062000	
Trailers, semi-trailers and other vehicles (6 lines)					
87161000	87162000	87163100	87163900	87164000	87168000