
1. The Working Party was appointed by the Council of Representatives on 29 November 1974 "to examine the application of the Government of Paraguay to accede to the General Agreement under Article XXXIII, and to submit to the Council recommendations which may include a draft protocol of accession".

2. The Working Party met on 19 and 20 November 1975 under the Chairmanship of Mr. F. Lacey (United Kingdom).  

3. The Working Party had before it a Memorandum on the Foreign Trade Régime of Paraguay (L/4159) and the replies submitted by Paraguay with respect to the questions put forward by contracting parties (L/4227). The representative of Paraguay made available to the Working Party, the tariff schedule of Paraguay.

4. In an introductory statement, the representative of Paraguay informed the Working Party of the main objectives and trade policies of the Paraguayan Government and supplied information concerning the limitations on exports and imports applied by Paraguay. He stated that these measures were necessary to safeguard Paraguay's balance-of-payments. He also informed the Working Party that actions had been taken recently to reduce foreign exchange surcharges and prior deposit requirements applied by Paraguay. In order to simplify administrative matters related to foreign trade, Paraguay had adopted the CCC Tariff Nomenclature. Paraguay was ready to enter into bilateral tariff negotiations and hoped that interested contracting parties would

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1 The membership of the Working Party is set out in L/4125/Rev.1.
notify by mid-December 1975 their wish to enter into negotiations with Paraguay.

The statement made by the Paraguayan representative is reproduced in Annex I.

5. The Working Party welcomed the application of Paraguay for accession to the General Agreement and carried out an examination of the various points raised in the written questions and replies and asked for additional information on certain aspects. The main points brought up in the discussion in the Working Party are set out hereunder in paragraphs 6-15.

6. In reply to a question concerning the existence of mandatory national legislation which might run counter to or be inconsistent with the provisions of the General Agreement, the representative of Paraguay stated that in accordance with Paraguay's constitutional and legal system, after ratification by the Parliament, international agreements took precedence over internal legislation thus neutralizing, as far as necessary, provisions which might be contrary to such agreements. However, it may be assumed that Paraguay would be interpreting its Protocol of Accession to GATT in the same manner as other contracting parties.

7. In response to questions by members of the Working Party concerning bilateral trade agreements, the representative of Paraguay indicated that these agreements which were not discriminatory, and whose trade provisions would be phased out if CONTRACTING PARTIES accepted Paraguay's application for accession, also covered payments arrangements of continuing interest to Paraguay. In this connexion, the IMF representative informed the Working Party that the agreements referred to had been signed with countries having convertible currencies and could not be considered closed bilateral payments arrangements. Paraguay also participated in the LAFTA multilateral clearing system.
8. With reference to the system of prior import deposits applied by Paraguay, the representative of Paraguay stated that the recent tendency had been not to hold the deposit for the full 180-day period contemplated in the regulations but to return the deposit as soon as the import of the goods had been cleared through customs. This system could virtually be construed as equivalent to the opening of a letter of credit and applied, inter alia, to motor vehicles. The foreign exchange surcharges had also been drastically reduced and for some essential goods such as wheat there was no surcharge. In this respect, the representative of IMF said that, in a recent decision, the Fund had noted that despite Paraguay's strengthened external position a number of multiple currency practices and restrictions on current payments remained in effect. The Fund had welcomed the recent elimination of discriminatory multiple currency practices and hoped that the remaining multiple currency practices and restrictions on current payments would be removed as soon as possible. Meanwhile, in view of the situation of Paraguay at the time of the consultation in June the Fund had granted approval until 30 September 1976 of the multiple currency practices and restrictions on the making of payments and transfers for current international transactions maintained by Paraguay as described in the Fund's report on recent economic developments. The Fund would review these measures on the occasion of the next Article XIV consultation with Paraguay.

9. In response to a question concerning the level of protection provided by the Paraguayan tariff, the representative of Paraguay indicated that for the broad sections of the BTN, the level of duties applied (including additional and complementary duties) as a percentage of the FOB value of the goods were as follows:
He noted that for motor vehicles which came under section 17 there was also a fixed duty equivalent to approximately US$300. Due to its weak economy and to fiscal needs, Paraguay would find it most difficult to eliminate the existing additional and complementary ad valorem duties. The full list of additional and complementary duties appeared in the Paraguayan tariff.

10. In response to a question relating to import licensing, the representative of Paraguay said that at present this requirement was in practical terms not generally being applied because the effects of the prior import deposit system were considered sufficient for Paraguay's import regulation needs. Import licences, when required, had been granted without payment. Paraguay would consider the possible adoption of the licensing principles being discussed in the context of MTN at the appropriate time.

11. The representative of Paraguay indicated that, up to now, Paraguay had never applied safeguard measures. However, the temporary application of such measures could not be excluded as these were permitted under Chapter VI of the Treaty of Montevideo which had established LAFTA.
12. In response to a question concerning fiscal incentives established to promote exports, the representative of Paraguay noted that developing countries such as Paraguay had not accepted the "Declaration Giving Effect to the Provisions of Article XVI:(4)" of the General Agreement. Thus in his view, the fiscal incentives referred to in the reply to question 3 of L/4227 were not contrary to Article XVI of the General Agreement.

13. In response to the suggestions by some members of the Working Party that Paraguay might examine the possible abolition of consular formalities in the light of the recommendations adopted by the CONTRACTING PARTIES, the representative of Paraguay indicated that these recommendations would be conveyed to the Paraguayan authorities for examination.

14. Some members of the Working Party noted that Paraguay applied certain export prohibitions and restrictions. In this connexion, the representative of Paraguay stated that export prohibitions or restrictions applied only to a very limited number of products which were considered essential to the Paraguayan economy. In his view, this was permitted by Article XI:2(a) of the General Agreement. Without prejudice to the fact that, like other countries, Paraguay will in terms of its Protocol of Accession apply Part II of the General Agreement to the fullest extent not inconsistent with existing legislation, the Government of Paraguay would examine the possibility of replacing some of the present export prohibitions and restrictions by other measures in full conformity with the General Agreement. In noting the views of the representative of Paraguay with regard to this matter, some members expressed the hope that the Paraguayan authorities would phase out, as soon as possible, export restrictions inconsistent with the General Agreement.
Conclusion

15. Having carried out the examination of the foreign trade régime of Paraguay and in the light of the explanations provided by the delegation of Paraguay, the Working Party reached the conclusion that Paraguay should be invited to accede to the General Agreement on Tariffs and Trade under the provisions of Article XXXIII. For this purpose, the Working Party has prepared a draft Protocol of Accession to which the schedule of tariff concessions is annexed and a draft Decision for the accession of Paraguay. It is proposed that these texts be approved by the Council when it adopts this Report. The draft Decision for Accession will be submitted to a vote by contracting parties in accordance with Article XXXIII.

16. When the Decision is adopted, the Protocol will be open for acceptance and Paraguay will become a contracting party thirty days after it accepts the Protocol.
It is not my intention to examine at length here the basic principles under­
lying my country's economic policy. The principles, objectives and measures were 
expounded in the study distributed to contracting parties by the GATT secretariat 
and entitled "Memorandum on Foreign Trade Régime".

I know that this study, like the replies to the questions put by contracting 
parties concerning Paraguay's foreign trade policy, contains certain gaps and 
imprecisions that I shall not try to remedy, because I am not an expert on the 
matter. What I shall try to do is to answer any requests for clarification that 
are made here, in a full spirit of co-operation and with absolute sincerity.

I should like to underline in this Working Party that not only is Paraguay a 
developing country but also that, having regard to considerations of per capita 
income, unfavourable geographical circumstances (being a land-locked country) or 
historical circumstances (two bloody international wars that greatly delayed the 
establishment of appropriate infrastructures and prior conditions for promoting 
progress, Paraguay must in fact be considered as a relatively less-developed 
country, and is indeed recognized as such within LAFTA.

I make this statement here because I consider this factor of decisive 
importance for a proper understanding of our economic policy. The continuing 
efforts of the people and the Government of Paraguay to promote economic develop­
ment, overcoming all adversities, deserve the support and encouragement of 
friendly nations. Long before the principle of world economic interdependence 
was universally recognized - and GATT has made a very important contribution to 
this - in Paraguay we were already experiencing the causes and effects of that 
fact.

In basing our economic policy on this principle, our Government is promoting 
the improvement of real terms of trade and balance-of-payments equilibrium. 
Within a system of free trade, our Government has found itself obliged to establish 
selective control on foreign trade in order, without resorting to imperative 
requirements, to channel imports towards the most necessary products and to 
encourage exports of those products representing the most added value.
In order to increase imports, the Paraguayan consumer must have greater purchasing power. This greater purchasing power can only be achieved through increased and better use of our country's natural resources. Paraguay is essentially an agricultural country and cannot continue to depend on the impossible equilibrium of prices of raw materials. Our country, therefore, attaches fundamental importance to its industrial policy: support for existing domestic industries, incentives to the creation of new industries, while ensuring adequate supplies of basic industrial inputs.

The few limitations imposed on exports and imports were established in the light of these objectives. Article 8a, b, c, d, e and f of our customs tariff specifies goods the import of which is prohibited permanently. In the light of the above-mentioned objectives, certain temporary restrictions or prohibitions are established; it is difficult to specify these for the very reason that they are of a temporary character, but in general they concern products manufactured from raw materials not available in Paraguay, staple consumer items or products competing with exports. I can mention a few examples: wheat flour, bread-making flour products, barbed wire and plain wire, some petroleum products are included in the list of temporary prohibitions. Products restricted through import licensing include certain pharmaceutical specialties that must be controlled, such as drugs for medical use, and certain luxury articles. These prohibitions or restrictions constitute irreplaceable measures to ensure equilibrium in the trade balance and the balance of payments. To illustrate the difficulty of maintaining this equilibrium, I need only mention that Paraguay as a developing country that is not a petroleum producer, has to pay the crude petroleum surcharge on 1,500 additional kilometres of transport in river tankers; in 1973, our imports of crude petroleum cost us $6,812,000 while in 1974, with consumption at more or less the same level, petroleum imports cost our country $141,904,000 — an increase by 415 per cent in our foreign exchange expenditure for this item. Accordingly, and in order to preserve our monetary and price stability by slowing down the inflationary process, certain measures have been established that should not be regarded as restrictions but rather as selective measures on imports; I refer to differentiated exchange rates and to the prior deposit. In the past few years our foreign trade has been developing favourably and the percentage rate of such charges has been reduced. At present, an exchange surcharge not exceeding 36 per cent is in force while for prior deposits the maximum rate is 100 per cent on the f.o.b. value of goods, for a term coinciding with embarkation thereof. Additions are constantly being made to the list of products not subject to either exchange surcharges or prior deposits.
In order to simplify the administrative formalities for imports, Paraguay has adopted the Brussels Tariff Nomenclature as the basis for our national customs tariff, thus meeting the need to have a nomenclature that is technically highly developed and whose application can keep up with the technological advances of international trade. The various charges established by the customs tariff - duties, additional and supplementary charges - range from 10 per cent (Section I, Chapter 8) to 70 per cent (Sections XVII and XX). The average incidence is about 40 per cent.

Paraguay has signed international instruments regulating its trade with many countries. The essential feature of these treaties or agreements is that they provide for reciprocal most-favoured-nation treatment. Following accession to GATT, such agreements would appear to be no longer necessary. But these instruments are closely linked with payments agreements, annexed to the treaties or conventions, that regulate payment modalities needed to ensure optimum utilization of our foreign exchange availabilities. For this reason Paraguay would not wish to denounce the existing trade agreements. In addition, many of them contain clauses concerning navigation and transport in general.

On this occasion, I should like to state on behalf of my Government that Paraguay intends to enter into bilateral negotiations as soon as possible, and to that end my Government invites all countries interested in initiating such negotiations with Paraguay to so indicate, by mid-December at the latest.
The CONTRACTING PARTIES,

Having regard to the results of the negotiations directed towards the accession of the Government of Paraguay to the General Agreement on Tariffs and Trade and having prepared a Protocol for the accession of Paraguay,

Decide, in accordance with Article XXXIII of the General Agreement, that the Government of Paraguay may accede to the General Agreement on the terms set out in the said Protocol.
DRAFT PROTOCOL FOR THE ACCESSION
OF PARAGUAY TO THE
GENERAL AGREEMENT ON TARIFFS AND TRADE

The governments which are contracting parties to the General Agreement on Tariffs and Trade (hereinafter referred to as "contracting parties" and "the General Agreement", respectively), the European Economic Community and the Government of Paraguay (hereinafter referred to as "Paraguay"),

Having regard to the results of the negotiations directed towards the accession of Paraguay to the General Agreement,

Have through their representatives agreed as follows:

Part I - General

1. Paraguay shall, upon entry into force of this Protocol pursuant to paragraph 6, become a contracting party to the General Agreement, as defined in Article XXXII thereof, and shall apply provisionally and subject to this Protocol:

   (a) Parts I, III and IV of the General Agreement, and
   (b) Part II of the General Agreement to the fullest extent not inconsistent with its legislation existing on the date of this Protocol.

The obligations incorporated in paragraph 1 of Article I by reference to Article III and those incorporated in paragraph 2(b) of Article II by reference to Article VI of the General Agreement shall be considered as falling within Part II for the purpose of this paragraph.
2. (a) The provisions of the General Agreement to be applied by Paraguay shall, except as otherwise provided in this Protocol, be the provisions contained in the text annexed to the Final Act of the second session of the Preparatory Committee of the United Nations Conference on Trade and Employment, as rectified, amended or otherwise modified by such instruments as may have become effective on the day on which Paraguay becomes a contracting party.

   (b) In each case in which paragraph 6 of Article V, sub-paragraph 4(d) of Article VII, and sub-paragraph 3(c) of Article X of the General Agreement refer to the date of that Agreement, the applicable date in respect of Paraguay shall be the date of this Protocol.

Part II - Schedule

3. The schedule in the Annex shall, upon the entry into force of this Protocol, become a Schedule of the General Agreement relating to Paraguay.

4. (a) In each case in which paragraph 1 of Article II of the General Agreement refers to the date of that Agreement, the applicable date in respect of each product which is the subject of a concession provided for in the schedule annexed to this Protocol shall be the date of this Protocol.

   (b) For the purpose of the reference in paragraph 6(a) of Article II of the General Agreement to the date of that Agreement, the applicable date in respect of the schedule annexed to this Protocol shall be the date of this Protocol.

Part III - Final Provisions

5. This Protocol shall be deposited with the Director-General to the CONTRACTING PARTIES. It shall be open for signature by Paraguay until 1976. It shall also be open for signature by contracting parties and by the European Economic Community.
6. This Protocol shall enter into force on the thirtieth day following the day upon which it shall have been signed by Paraguay.

7. Paraguay, having become a contracting party to the General Agreement pursuant to paragraph 1 of this Protocol, may accede to the General Agreement upon the applicable terms of this Protocol by deposit of an instrument of accession with the Director-General. Such accession shall take effect on the day on which the General Agreement enters into force pursuant to Article XXVI or on the thirtieth day following the day of the deposit of the instrument of accession, whichever is the later. Accession to the General Agreement pursuant to this paragraph shall, for the purposes of paragraph 2 of Article XXXII of that Agreement, be regarded as acceptance of the Agreement pursuant to paragraph 4 of Article XXVI thereof.

8. Paraguay may withdraw its provisional application of the General Agreement prior to its accession thereto pursuant to paragraph 7 and such withdrawal shall take effect on the sixtieth day following the day on which written notice thereof is received by the Director-General.

9. The Director-General shall promptly furnish a certified copy of this Protocol and a notification of each signature thereto, pursuant to paragraph 5, to each contracting party, to the European Economic Community and to Paraguay.

10. This Protocol shall be registered in accordance with the provisions of Article 102 of the Charter of the United Nations.

Done at Geneva this day of one thousand nine hundred and seventy-six, in a single copy, in the English, French and Spanish languages, except as otherwise specified with respect to the schedule annexed hereto, each text being authentic.