Grain Trade Policy

July 26, 2004

Nicaragua

Summary

Nicaragua is a net importer of grains, most of which is imported from the United States. According to official U.S. export data, Nicaraguan grain imports from the United States were valued at more than $50 million in 2003, a 27 percent increase from the previous year. U.S. grains with the highest growth are rice, wheat and yellow corn.

Market Access

Tariffs

For grains, Nicaragua agreed to a 60-percent ceiling binding starting January 1, 1995 that falls to 40-percent in 2004. Nicaragua may issue special safeguards at higher ceilings for some sensitive grains, such as rice, corn, dried beans, and sorghum.

Nicaragua generally applies tariffs that are below the bound levels. Effective November 18, 2003, the following tariffs are applied to products exported to Nicaragua by members of the World Trade Organization:

HTS Code	Description	DAI %[1]	IVA[2]
1006.10.10.00	Rice, seed	0	E[3]
1006.10.90.00	Rice, rough	45	E
1006.20.00.00	Rice, milled	61	E
1005.90.20.00	Corn, yellow	15	E
1005.90.10.00	Popcorn	10	15
0713.33.10.00	Dried Black Beans	30	E
2304.00.10.10	Soybean Meal	5	E

[1]DAI: Import Tax; [2]IVA: Value Added Tax; [3]Exempt

Tariff Rate Quotas (TRQs)

Nicaragua has a rice import quota of 24,000 MT for rough rice with a 20 percent in-quota import duty and a 45 percent out-of -quota duty. Similarly, there are import quotas for yellow corn (78,410 MT) and soybean meal (50,000 MT) with zero percent in-quota duty.

Nicaragua generally applies tariffs that are less than the in-quota tariffs negotiated for tariff rate quota commitments.

Domestic Purchasing Requirements

Prior to 2002, the GON used WTO-inconsistent “absorption agreements” for sorghum, which provided access to lower tariffs for yellow corn importers for domestic poultry producers, in return for purchasing local sorghum at above-market prices. This practice stopped when the current administration took office in January of 2002.

Bilateral Agreements with the United States

In December 2003, Nicaragua, Guatemala, Honduras, and El Salvador completed negotiations on a U.S.-Central American Free Trade Agreement (CAFTA). Negotiations with Costa Rica and the Dominican Republic were completed in January and March 2004 respectively. Ratification by the national legislation is sought in 2004 for implementation of the agreement in 2005.
(Go to http://www.fas.usda.gov/grain/policy/southAmerica/lamerica.html for more information, including the draft text of the agreement.)

Nicaragua is a beneficiary of the Caribbean Basin Initiative (CBI) and of the Generalized System of Preferences.

Nicaragua implemented the WTO Customs Valuation Agreement in September of 2002. The Nicaraguan Custom Valuation Law eliminates “reference prices” and establishes values based on commercial invoices.

U.S. Non-Party Agreements

Nicaragua is a member of the Central American Common Market (CACM). This agreement includes free, preferential, and tariff rate quotas on approved products traded between Nicaragua, Costa Rica, El Salvador, Guatemala and Honduras.

On-going negotiations among the CACM countries seek to provide complete harmonization of a common external tariff, to liberalize border procedures, and to enable companies registered in one country to conduct business in any of the above-mentioned countries.

Nicaragua has a bilateral trade agreement with Mexico. The Central American group has trade agreements with Chile, Panama, Colombia, Venezuela and the Dominican Republic. Nicaragua, El Salvador, Guatemala and Honduras are in the process of negotiating a free trade agreement with Canada.

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