

CHAPTER 2

TRADE IN GOODS

Article 2.1: Scope

Except as otherwise provided in this Agreement, this Chapter applies to trade in goods between the Parties.

Article 2.2: National Treatment

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its interpretative notes. To this end, Article III of GATT 1994 and its interpretative notes are incorporated into and made part of this Agreement, *mutatis mutandis*.

Article 2.3: Elimination of Customs Duties

1. Except as otherwise provided in this Agreement, each Party shall, upon entry into force of this Agreement, progressively eliminate its customs duties on originating goods of the other Party in accordance with its Schedule in Annex 2-A.
2. Except as otherwise provided in this Agreement, neither Party may increase any existing import customs duty, or adopt any new customs duty, on an originating good of the other Party.
3. If a Party reduces its applied most-favoured-nation customs duty rate after the entry into force of this Agreement, that duty rate shall apply as regards trade covered by this Agreement if and for as long as it is lower than the customs duty rate calculated in accordance with its Schedule to Annex 2-A.

Article 2.4: Acceleration of Tariff Commitments

1. At the request of either Party, the Parties shall consult to consider accelerating the elimination of customs duties on originating goods as set out in their Schedules in Annex 2-A.
2. Notwithstanding the provisions of Article 20.1 (FTA Joint Commission), an agreement by the Parties to accelerate the reduction and elimination of customs duties

on originating goods shall supersede any duty rate determined pursuant to their Schedules for such good and shall enter into force following approval by each Party in accordance with their respective applicable legal procedures.

3. A Party may at any time accelerate unilaterally the reduction and elimination of customs duties on originating goods of the other Party set out in its Schedule in Annex 2-A. A Party considering doing so shall inform the other Party as early as practicable before the new rate of customs duty takes effect.

4 For greater certainty, a Party may:

- (a) raise a customs duty to the level set out in its Schedule in Annex 2-A following a unilateral reduction for the respective year. A Party considering doing so shall inform the other Party as early as practicable before the new rate of customs duty takes effect; or
- (b) maintain or increase a customs duty as authorized by the Dispute Settlement Body of the WTO.

Article 2.5: Temporary Admission of Goods

1. Each Party shall grant duty-free temporary admission for the following goods, regardless of their origin:

- (a) professional equipment, such as equipment used for scientific research, pedagogical or medical activities, the press or television and cinematographic purposes, necessary of a person who qualifies for temporary entry, pursuant to the domestic laws of the importing Party;
- (b) goods intended for display or demonstration at exhibitions, fairs, meetings, or similar events;
- (c) commercial samples; and
- (d) goods admitted for sports purposes.

2. Each Party shall, at the request of the person concerned and for reasons its customs authority considers valid, extend the time limit for temporary admission beyond the period initially fixed in accordance with its domestic law.

3. Neither Party may condition the duty-free temporary admission of a good referred to in paragraph 1, other than to require that the good:

- (a) be used solely by or under the personal supervision of a national or resident of the other Party in the exercise of the business activity, trade, profession, or sport of that person;
- (b) not be sold or leased while in its territory;
- (c) be accompanied by a security in an amount no greater than the charges that would otherwise be owed on entry or final importation, releasable on exportation of the good;
- (d) be capable of identification when exported;
- (e) be exported on the departure of the person referenced in subparagraph (a), or within such other period related to the purpose of the temporary admission as the Party may establish, or within 6 months, unless extended;
- (f) be admitted in no greater quantity than is reasonable for its intended use; and
- (g) be otherwise admissible into the Party's territory under its domestic law.

4. If any condition that a Party imposes under paragraph 3 has not been fulfilled, the Party may apply the customs duty and any other charge that would normally be owed on the good plus any other charges or penalties provided for under its domestic law.

5. Each Party shall permit a good temporarily admitted under this Article to be exported through a customs port other than that through which it was admitted.

6. Each Party shall provide that its customs administration or other competent authority shall relieve the importer or another person responsible for a good admitted under this Article from any liability for failure to re-export the good on presentation of proof to the satisfaction of the customs administration of the importing Party that the good has been destroyed by reason of force majeure.

Article 2.6: Import and Export Restrictions

1. Unless otherwise provided in this Agreement, neither Party shall adopt or maintain any prohibition or restriction or measure having equivalent effect, including quantitative restrictions, on the importation of a good originating in the territory of the other Party, or on the exportation or sale for export of a good destined for the territory

of the other Party except in accordance with its rights and obligations under the GATT 1994. To this end, Article XI of GATT 1994, including its interpretive notes, is incorporated into and made part of this Agreement, *mutatis mutandis*.

2. The Parties understand that the GATT 1994 rights and obligations incorporated by paragraph 1 prohibit, in any circumstances in which any other form of restriction is prohibited, a Party from adopting or maintaining:

- (a) export and import price requirements, except as permitted in enforcement of countervailing and antidumping duty orders and undertakings;
- (b) import licensing conditioned on the fulfillment of a performance requirement;
or
- (c) voluntary export restraints inconsistent with Article VI of GATT 1994, as implemented under Article 18 of the SCM Agreement and Article 8.1 of the AD Anti-dumping Agreement.

3. Neither Party may, as a condition for engaging in importation or for the importation of a good, require a person of the other Party to establish or maintain a contractual or other relationship with a distributor in its territory.

4. For greater certainty, paragraph 3 does not prevent a Party from requiring a person referred to in that paragraph to designate an agent for the purposes of facilitating communications between its regulatory authorities and that person.

5. For the purposes of paragraph 3, **distributor** means a person of a Party who is responsible for the commercial distribution, agency, concession, or representation in the territory of that Party of goods of the other Party.

6. Paragraph 1 shall not apply to the measures set out in Annex 2-B of this Article.

Article 2.7: Tariff-Rate Quota

1. For products in respect of which China establishes a Tariff-Rate Quota (hereinafter referred to as “TRQ”) in its Schedule to Annex 2-A, China shall apply in-quota tariff rates at 15% to imports of such products of Nicaraguan origin up to the quantity for each year as specified in Annex 2-C after the entry into force of this Agreement.

2. Imports of such products of Nicaraguan origin in excess of the specified quantity in Annex 2-C in any given calendar year shall be subject to tariff rates at 50%.

Article 2.8: Tariff-Rate Quota Administration

1. A Party shall implement and administer TRQ set out in its Schedule to Annex 2-A in accordance with Article XIII of GATT 1994, including its interpretive notes, and the Agreement on Import Licensing Procedures (hereinafter referred to as the “Import Licensing Agreement”), contained in Annex 1 A to the WTO Agreement.

2. A Party shall ensure that:

(a) its procedures for administering its TRQ are transparent, timely, non-discriminatory, responsive to market conditions, minimally burdensome to trade, and reflect end-user preferences; and

(b) any person of a Party that fulfills the importing Party’s legal and administrative requirements shall be eligible to apply and to be considered for a TRQ allocation by the Party.

3. Each Party shall make every effort to administer its TRQ in a manner that allows importers to fully utilise the TRQ quantities.

4. On the written request of a Party, the other Party shall consult with the requesting Party regarding the administration of its TRQ.

Article 2.9: Import Licensing Procedures

A Party shall ensure that import licensing regimes applied to goods originating in the other Party are applied in accordance with the WTO Agreement, and in particular, with the provisions of the Import Licensing Agreement.

Article 2.10: Administrative Fees and Formalities

1. The Parties shall ensure, in accordance with Article VIII.1 of GATT 1994 and its interpretative notes, that all fees and charges of whatever character (other than customs duties, charges equivalent to an internal tax or other internal charge applied consistently with Article III.2 of GATT 1994, and anti-dumping and countervailing duties) imposed on or in connection with importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or a taxation on imports or exports for fiscal purposes.
2. Neither Party may require consular transactions, including related fees and charges, in connection with the importation of any good of the other Party.
3. The Parties shall make available through the Internet or a comparable computer-based telecommunications network a current list of the fees and charges they impose in connection with importation or exportation.

Article 2.11: Agricultural Export Subsidies

1. The Parties share the objective of the multilateral elimination of export subsidies for agricultural goods, and shall work together toward an agreement in the WTO to eliminate those subsidies and prevent their reintroduction in any form.
2. Neither Party shall maintain, introduce or reintroduce any export subsidy on any agricultural good destined to the territory of the other Party.

Article 2.12: Committee on Trade in Goods

1. The Parties hereby establish a Committee on Trade in Goods (hereinafter referred to as the “Committee”), comprising representatives of each Party.
2. The Committee shall meet at least once a year to consider matters arising under this Chapter, and may meet more frequently as the Parties may agree.
3. The Committee’s functions shall include, *inter alia*:
 - (a) promoting trade in goods between the Parties, including through consultations on accelerating elimination of customs duties under this Agreement and other issues as appropriate;

- (b) addressing barriers to trade in goods between the Parties, especially those related to the application of non-tariff measures and, if appropriate, referring such matters to the FTA Joint Commission for its consideration;
- (c) reviewing future amendments to the Harmonized System to ensure that each Party's obligations under this Agreement are not altered, and consulting in order to resolve any conflicts between:
 - (i) subsequent amendments to Harmonized System 2022 and Annex 2-A (Schedule of Tariff Commitments); or
 - (ii) Annex 2-A and national nomenclatures;
- (d) consulting on and endeavouring to resolve any dispute that may arise among the Parties on matters related to the classification of goods under the Harmonized System;
- (e) establishing working groups, if necessary, and monitoring the work of the working groups established under the auspices of the Committee; and
- (f) exchanging information on matters related to subparagraphs (a) through (c) which may, directly or indirectly, affect trade between the Parties with a view to minimizing their negative effects on trade and seeking mutually acceptable alternatives.

Article 2.13: Definition

For the purposes of this Chapter, except as otherwise specified:

base rate of customs duty means the most-favoured-nation (MFN) import customs duty rate applied on 1 January 2021 provided by each Party, on which the successive reductions set out in Annex 2-A shall be applied;

consular transactions means requirements that goods of a Party, intended for export to the territory of the other Party, must first be submitted to the supervision of the consul of the importing Party in the territory of the exporting Party for the purpose of obtaining consular invoices or consular visas for commercial invoices, certificates of origin, manifests, shippers' export declarations or any other customs documentation required on or in connection with importation;

duty-free means free of customs duty;

goods and products shall be understood to have the same meaning, unless the context otherwise requires;

import licensing means an administrative procedure requiring the submission of an application or other documentation (other than that generally required for customs clearance purposes) to the relevant administrative body as a prior condition for importation into the territory of the importing Party;

performance requirement means a requirement that:

- (a) a given level or percentage of goods or services be exported;
- (b) domestic goods or services of the Party granting a waiver of customs duties or an import license be substituted for imported goods;
- (c) a person benefiting from a waiver of customs duties or an import license purchase other goods or services in the territory of the Party granting the waiver of customs duties or the import license, or accord a preference to domestically produced goods;
- (d) a person benefiting from a waiver of customs duties or an import license produce goods or supply services, in the territory of the Party granting the waiver of customs duties or the import license, with a given level or percentage of domestic content; or
- (e) relates in any way the volume or value of imports to the volume or value of exports or to the amount of foreign exchange inflows;

but does not include a requirement that an imported good be:

- (f) subsequently exported;
- (g) used as a material in the production of another good that is subsequently exported;
- (h) substituted by an identical or similar good used as a material in the production of another good that is subsequently exported; or

- (i) substituted by an identical or similar good that is subsequently exported.

ANNEX 2-A

SCHEDULE OF TARIFF COMMITMENTS

Section A: Tariff Schedule of China

GENERAL NOTES

1. The provisions of this Schedule are generally expressed in terms of the Customs Tariff of Import and Export of the People's Republic of China. The interpretation of the provisions of this Schedule, including the description and coverage of headings and subheadings of this Schedule, shall be governed by the Customs Tariff of Import and Export of the People's Republic of China. To the extent that provisions of this Schedule are identical to the corresponding provisions of the Customs Tariff of Import and Export of the People's Republic of China, the provisions of this Schedule shall have the same meaning as the corresponding provisions of the Customs Tariff of Import and Export of the People's Republic of China.
2. For the purposes of this Schedule, the base rates of customs duty set out in this Schedule reflect the Most-Favoured-Nation (MFN) tariff rates of the Chinese customs duty in effect on January 1, 2021.
3. The following Categories shall apply to the elimination of the customs duties by China:
 - (a) customs duties on originating goods provided for in Category "A0" in the Schedule shall be eliminated entirely and such goods shall be free of customs duty on the date this Agreement enters into force;
 - (b) customs duties on originating goods provided for in Category "A5" in the Schedule shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year five;
 - (c) customs duties on originating goods provided for in Category "A10" in the Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year ten;

(d) customs duties on originating goods provided for in Category “A15” in the Schedule shall be removed in fifteen equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year fifteen;

(e) the Tariff-Rate Quota in Article 2.7 (Tariff-Rate Quota) of Chapter 2 (Trade in Goods) shall apply for originating goods provided for in Category “TRQ” in the Schedule, with the in-quota tariff rates at 15% and the out-quota tariff rates at 50%; and

(f) customs duties on originating goods provided for in Category “E” in the Schedule shall remain the same as the base rates.

4. The base rates of customs duty and Categories for determining the interim rate of customs duty at each stage of reduction are indicated for the goods in the Schedule.

5. Reduced rates shall be rounded at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest tenth of one Chinese Yuan.

6. For the purposes of this Section and the Schedule, year **one** means the year this Agreement enters into force, as provided in Article 22.2 (Entry into force).

7. For the purposes of this Section and the Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

Section B: Tariff Schedule of Nicaragua

GENERAL NOTES

1. The provisions of this Schedule are generally expressed in terms of the Central American Import Tariff (*Arancel Centroamericano de Importación*), which includes the Central American Tariff System (*Sistema Arancelario Centroamericano* - “SAC”), and the interpretation of the provisions of this Schedule, including the product coverage of tariff items of this Schedule, shall be governed by the General Notes, Section Notes, and Chapter Notes of the Central American Import Tariff (*Arancel Centroamericano de Importación*). To the extent that provisions of this Schedule are identical to the corresponding provisions of the Central American Import Tariff (*Arancel Centroamericano de Importación*), the provisions of this Schedule shall

have the same meaning as the corresponding provisions of the Central American Import Tariff (*Arancel Centroamericano de Importación*).

2. For the purposes of this Schedule, the base rates of customs duty set out in this Schedule reflect Most-Favoured-Nation (MFN) tariff rates of the Central American Import Tariff (*Arancel Centroamericano de Importación*) in effect on January 1, 2021.

3. The following Categories shall apply to the elimination of the customs duties by Nicaragua:

(a) customs duties on originating goods provided for in Category “A0” in the Schedule shall be eliminated entirely and such goods shall be free of customs duty on the date this Agreement enters into force;

(b) customs duties on originating goods provided for in Category “A5” in the Schedule shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year five;

(c) customs duties on originating goods provided for in Category “A10” in the Schedule shall be removed in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year ten;

(d) customs duties on originating goods provided for in Category “A15” in the Schedule shall be removed in fifteen equal annual stages beginning on the date this Agreement enters into force, and such goods shall be free of customs duty, effective January 1 of year fifteen;

(e) customs duties on originating goods provided for in Category “E” in the Schedule shall remain the same as the base rates.

4. The base rates of customs duty and Categories for determining the interim rate of customs duty at each stage of reduction are indicated for the goods in the Schedule.

5. Reduced rates shall be rounded at least to the nearest tenth of a percentage point or, if the rate of duty is expressed in monetary units, at least to the nearest tenth of one Cordoba.

6. For the purposes of this Section and the Schedule, year **one** means the year this Agreement enters into force, as provided in Article 22.2 (Entry into Force).

7. For the purposes of this Section and the Schedule, beginning in year two, each annual stage of tariff reduction shall take effect on January 1 of the relevant year.

ANNEX 2-B

Import and Export Restrictions

The provisions of Article 2.6 shall not apply to measures adopted by:

In the case of China

1. Measures related to the protection of the environment and natural resources pursuant to applicable domestic law and the provisions established in Article 19.2 (General Exceptions) of this Agreement; and
2. Actions authorized by the Dispute Settlement Body of the WTO.

In the case of Nicaragua

1. Controls on imports of motor vehicles older than seven years, in accordance with Law No. 891, Law on Amendments and Additions to Law No. 822, Tax Concertation Law (*Ley de Concertación Tributaria*), published in the Official Journal “*La Gaceta, Diario Oficial*”, No. 240 of December 18, 2014 and its Errata published in the Official Journal “*La Gaceta, Diario Oficial*”, No. 10 of January 16, 2015; and
2. Actions authorized by the Dispute Settlement Body of the WTO.

ANNEX 2-C

TARIFF-RATE QUOTA

1. Table 1 specifies the products in respect of which China establishes a TRQ in its Schedule to Annex 2-A.
2. For the products specified in Table 1, the quantity of the TRQ for year 1 to which China shall apply in-quota tariff rates at 15% is specified in Table 2. If this Agreement enters into force in a date after January 1, the quantity of the TRQ for year 1 will be prorated in a proportional manner for the rest of the calendar year. The quantities of the TRQ beyond the year 1 shall remain at the same level as the full quantities for year 1 specified in Table 2.

Table 1: Products

HS Code 2021	Description
1701.1300	See description in Tariff Schedule of China
1701.1400	
1701.9910	
1701.9920	
1701.9990	

Table 2: Quantity of the Tariff-Rate Quota

Year	Quantity of the Tariff-Rate Quota (metric tons)
1	50,000