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SOUTHERN COMMON MARKET (MERCOSUR AGREEMENT)

Corrigendum

The following communication, dated 27 September 1995, has been received from the Permanent Mission of Uruguay.

The Permanent Mission of Uruguay presents its compliments to the Secretariat of the World Trade Organization and in its capacity as Pro-Tempore Coordinator of the MERCOSUR Member countries (Argentina, Brazil, Paraguay and Uruguay) has the honour to submit herewith additional information concerning the replies in document WT/COMTD/1.¹

In this connection, it requests that these replies be circulated as a document of the Working Party on MERCOSUR established by the Committee on Trade and Development.

The adjusted version of the MERCOSUR Common External Tariff as well as the schedules of exceptions and the adaptation regime are also annexed.²

¹The texts reproduced in this Corrigendum entirely replace the corresponding replies contained in document WT/COMTD/1.

²Interested delegations may collect copies of the documentation involved, available on diskettes, from Office No. 3006.

2.2 What is the progress in relation to the coordination and harmonization of macroeconomic policies being implemented? Can MERCOSUR members provide a brief outline of economic integration achievements to date, together with an outline of what plans have been made for further progress? Can a timetable for future integration plans be provided?

One objective of the economic policy of the MERCOSUR countries is to maintain the key macroeconomic balances - fiscal, monetary and exchange-rate. These not only form the basis of the reforms implemented by each country independently but are also perceived as significant for the regional integration process.

In June 1992, the Council of the Common Market established the timetable of measures for the coordination of macroeconomic, sectoral and institutional policies. The improved coordination and harmonization of macroeconomic policies is reflected in the progress made, which enabled the transitional phase of MERCOSUR to be brought to a satisfactory conclusion on 31 December 1994 as planned (Article 3 of the Treaty of Asunción) and the MERCOSUR Customs Union to be established, as envisaged in the Treaty.

At the meeting of the Council of the Common Market and the Common Market Group, held at Ouro Preto, Brazil, on 16 and 17 December 1994, the States Parties to MERCOSUR adopted a series of decisions and resolutions which brought the MERCOSUR customs union into operation on the basis of the Common External Tariff (CET), introduced on 1 January 1995, and the common trade policy measures necessary for its implementation. The latter include a common system of rules of origin, regulations concerning unfair practices directed against third countries (in process of being updated on the basis of the results of the Uruguay Round), a common MERCOSUR regime for free zones, export processing zones and special customs areas, a MERCOSUR customs code and a series of operational customs regulations which have been harmonized and applied jointly by the States Parties.

With regard to taxation, comparative studies of the systems operated by the States Parties have been made with a view to determining differences and thus identifying the areas in which convergence will have to be pursued. In connection with the coordination of macroeconomic policies, studies have been made to identify the key macroeconomic indicators for evaluating the performance of the economies of the States Parties.

The following list of the principal decisions concerning the harmonization of trade and sectoral policies adopted at the meeting in Ouro Preto gives some idea of the progress made to date in this field (the corresponding texts are reproduced in Annex III):

- (a) Decision No. 12/94. Adoption of the principles of consolidated global banking supervision.
- (b) Decision No. 15/94. Agreement on multimodal transport in MERCOSUR.
- (c) Decision No. 16/94. Implementing regulations concerning the customs clearance of goods.
- (d) Decision No. 17/94. Implementing regulations concerning the customs valuation of goods.
- (e) Decision No. 19/94. Regime for the sugar sector.
- (f) Decision No. 22/94. Adoption of the MERCOSUR Common Nomenclature (MCN) and the Common External Tariff (CET).

- (g) Decision No. 23/94. Rules of Origin.
- (h) Decision No. 24/94. Final adaptation regime of the customs union.
- (i) Decision No. 25/94. Adoption of the MERCOSUR customs code.
- (j) Decision No. 29/94. Regime for the automotive sector.

For its part, at its XVIth meeting on 14 and 15 December 1994, the Common Market Group adopted a series of resolutions, most of which related to the harmonization and approval of technical standards for the automotive, food and pharmaceutical industries, including public health matters.

The next steps in the MERCOSUR integration process will involve improving the operation of the customs union both with respect to the consideration and adoption of trade policy instruments and in relation to such aspects as operational harmonization, technical standards, taxation and public sector policies.

With regard to the future work in this direction, mention should be made of Resolution No. 20/95 of the Common Market Group of August 1995 establishing the new institutional structure of the Common Market Group and Decision No. 6/95 of the Common Market Council of the same date requesting the Group to submit to the Council at its next meeting a draft programme of action for MERCOSUR to the year 2000 with a view to moving towards the formation of the Common Market.³

3.2 Paragraph 2 of Article 1 and Article 5(c) relate to the establishment of a common external tariff. We would like to know in detail the coverage of items, the items excluded, the schedule for establishing a common external tariff, the common external tariff rate of each item, and finally, the comparison of the overall level of tariff rates between the common external tariff rates and each State Party's applied tariff rates (on the basis of the trade-weighted average or the applied rates).

The CET tariff levels extend from 0 per cent to 20 per cent in steps of 2 percentage points. Argentina, Brazil and Uruguay may identify up to 300 national exceptions to the CET and Paraguay up to 399 national exceptions. These exceptions will converge linearly and automatically on the CET within a maximum of six years for Argentina, Brazil and Uruguay (by 1 January 2001) and by 1 January 2006 for Paraguay. Ascending exceptions, i.e. converging on the CET from a lower national tariff level, are also possible.

In addition, some products included in the adaptation regime are also exceptions to the Common External Tariff (not included in the 300 and 399 general exceptions to the CET).

Besides these general exceptions to the CET, the four States Parties have decided that exceptions to the agreed CET in the areas of capital goods, telecommunications and information technology, calculated independently of the other type of exceptions, may be maintained.

In the case of capital goods, the CET is fixed at 14 per cent, and Argentina and Brazil may converge linearly and automatically on that level by 1 January 2001, while Uruguay and Paraguay may converge on it linearly and automatically by 1 January 2006.

³Interested delegations may obtain copies of the instruments cited, in Spanish, from Office No. 3006.

As regards information technology and telecommunications equipment, the CET is fixed at 16 per cent, and the four States Parties may converge on that level linearly and automatically by 1 January 2006.

In addition to the above-mentioned exceptions, applicable for the four States Parties, by Resolution GMC No. 7/95 of April 1995 Brazil was authorized to establish up to 150 additional exceptions to the CET for a maximum period of one year as an exceptional measure to cope with existing supply and price circumstances stemming from the present need to consolidate Brazil's economic stabilization plan.⁴

Finally, under Resolution No. 22/95 of August 1995 the Common Market Group created a system for the adoption of specific tariff measure aimed at ensuring a normal and smooth supply of raw materials and inputs.⁵ The products covered by this system cannot total more than 50 for each State Party. The validity of this Resolution and measures issued under it will last until 28 April 1996.

The available information concerning the tariff headings covered by the CET, the levels agreed in each case and the headings which are to be provisionally excluded is set out in Annex I.

3.8 Will there be any exceptions to the CET? If yes, would a list be provided indicating the duty that would be charged by each party? What timetable will be employed in integrating any exceptions into the CET?

See reply to question 3.2.

In August 1995 the States Parties exchanged their respective final schedules of exceptions.

The exceptions to the CET and the timetable of convergence submitted by each country are given in Annex I hereto.

5.3 Could the Parties advise whether there has been any progress in the drafting of the common rules of trade competition referred to in Article 4 of the Agreement?

In this connection, MERCOSUR has approved three documents:

- (a) Regulations on preventing dumped or subsidized imports by countries not members of MERCOSUR;
- (b) Procedure for complaints and consultation on unfair trade practices;
- (c) Procedure for the exchange of information in connection with investigations on dumped imports from one of the States Parties to MERCOSUR.

The procedures mentioned in subparagraphs (b) and (c) were applied during the transition period, while the regulations mentioned in subparagraph (a) are being revised to adapt them to the WTO rules.

Under the Regime for protection against third country unfair trading practices and a common safeguards policy (Resolution 108/94), as general guidelines, the States Parties are to apply their domestic legislation until the common regulations are adopted, keeping the MERCOSUR Trade Commission

⁴See footnote 2.

⁵See footnote 2.

(MTC) informed (see the reply to question 14).⁶ The Trade Commission will submit to the Common Market Group the Common Regulations on Unfair Practices, adapted to the WTO Agreements and safeguards regime, on the basis of the work carried out so far by the former Working Subgroup No. 1 and Technical Committee No. 6 of the above-mentioned Commission.

12.1 What is the view of the States Parties to MERCOSUR of this Agreement in relation to other regional integration efforts? The Treaty forms part of the geographically more comprehensive LAIA. MERCOSUR also has an agreement with the United States concerning a Council on Trade and Investment under the auspices of President Bush's 'Enterprise for the Americas Initiative'. What is the attitude towards NAFTA? Should MERCOSUR be understood as a move towards even wider Latin American integration?

From the outset, the primary objective of the States Parties to the Treaty of Asunción has been to incorporate MERCOSUR in global trade patterns. MERCOSUR is a flexible and open process, the opposite of the idea of a "fortress" reformulating, at quadripartite level, old isolationist concepts.

In this connection, in the preamble to the Treaty of Asunción, the four States Parties declare that they are "aware that this Treaty must be viewed as a further step in efforts gradually to bring about Latin American integration, in keeping with the objectives of the Montevideo Treaty in 1980" (see also the reply to question 12.3).

As far as the American hemisphere is concerned, at the recent Hemisphere Summit meeting it was decided to make an immediate start on negotiations aimed at establishing a "Free-Trade Area of the Americas" in which barriers to trade and investment will be gradually eliminated. It is anticipated that these negotiations will be completed by the year 2005 at the latest.

In this context, an Immediate Action Plan for the achievement of the above-mentioned objective, with specific terms of reference for the area's Ministers of Trade, has been adopted. It is planned to arrange meetings between regional groupings, the various trade and investment councils being the appropriate framework for identifying areas and establishing lines of action.

In pursuance of this Plan of Action, a meeting of Trade Ministers of the Americas was held last June, at which seven Working Groups were established, which will begin preparatory work on a range of trade disciplines.

Accordingly, although the rules and criteria which will allow MERCOSUR to become interrelated with the markets of North America are still in the process of being defined, the objective of setting up a free-trade area within the above-mentioned time-limits has already been established.

14.1 What time horizon is there for the other areas of the Agreement? Could the Working Party be given an exposé of the issues the 11 working groups are working on? We would, for example, want to be assured that the Sub-Group on Maritime Transport is not planning to impose new restrictions, e.g. new cargo preference schemes between the "States Parties".

Since 1 January 1995 MERCOSUR has had a new institutional structure adopted under the Protocol of Ouro Preto, which is subject to ratification by the parliaments of the States Parties.⁷

⁶Interested delegations may obtain copies of the instrument cited, in Portuguese, from Office No. 3006.

⁷See document WT/COMTD/1/Add.1.

The Council of the Common Market established the MERCOSUR Trade Commission to supervise the application of the CET and the common trade policy instruments. In its turn, this Commission set up various technical committees responsible for carrying forward the various tasks assigned by the Council of the Common Market and the Common Market Group.

The 11 working groups that functioned during the transitional period dealt with the following areas:

- Subgroup 1: Trade Issues
- Subgroup 2: Customs Issues
- Subgroup 3: Technical Standards
- Subgroup 4: Fiscal and Monetary Policies Relating to Trade
- Subgroup 5: Inland Transport
- Subgroup 6: Maritime Transport
- Subgroup 7: Industrial and Technological Policy
- Subgroup 8: Agricultural Policy
- Subgroup 9: Energy
- Subgroup 10: Co-ordination of Macroeconomic Policies
- Subgroup 11: Labour Policy

By Resolution No. 20/95 of August 95, the Common Market Group adopted its new subordinate institutional structure consisting of the following bodies:

- Working Subgroups:

- Subgroup 1: Communications
- Subgroup 2: Mining
- Subgroup 3: Technical Regulations
- Subgroup 4: Financial Issues
- Subgroup 5: Transport and Infrastructure
- Subgroup 6: Environment
- Subgroup 7: Industry
- Subgroup 8: Agriculture
- Subgroup 9: Energy
- Subgroup 10: Labour Issues, Employment and Social Security

- Specialized Meetings:

Science and Technology
Tourism

- Ad Hoc Groups:

Services
Institutional Aspects
MERCOSUR-LAIA
MERCOSUR-WTO
Sugar

- MERCOSUR Technical Cooperation Committee

MERCOSUR is not planning to impose new restrictions on maritime cargoes by the States Parties.