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EXAMINATION OF THE SOUTHERN COMMON MARKET AGREEMENT

Note on the Meeting of 20 September 1996¹

Chairman: Mr. Stuart Harbinson (Hong Kong)

1. The Committee on Regional Trade Agreements continued the examination of the Agreement establishing the Southern Common Market (MERCOSUR) at its Fourth Session. The meeting took up the following topics:

- General Remarks
- Elimination of Duties, Charges and Other Restrictions Applied in the Parties' Trade
- The Coordination of Macroeconomic Policies
- The Establishment of a Common External Tariff and the Adoption of a Common Trade Policy in Relation to Third States or Groups of States
- Rules of Origin
- Measures Related to Imports From Third Countries
- National Treatment
- MERCOSUR's External Relations
- Settlement of Disputes
- Trade Creation/Trade Diversion
- Services
- Transparency in Implementing the Agreement

General Remarks

2. The Chairman drew the attention of delegates to the new documentation that had been received from the Parties, and said that document WT/COMTD/1/Add.4, which contained new questions and replies on the MERCOSUR Agreement, would serve as the background document for the day's discussion.

3. The representative of Brazil, speaking on behalf of MERCOSUR, provided a historical account of the events leading to the establishment of MERCOSUR. He said MERCOSUR was born out of economic as well as political considerations. It was important to recall MERCOSUR's background in order to understand its goals. Its objective was full participation of its Parties in an open international environment. MERCOSUR was therefore set up as an open integration agreement. It constituted a platform for competitive insertion into a world economy characterized simultaneously by globalization and regionalization. It was also a forum for coordination of macroeconomic policies. Between 1990 and 1995, total imports by the Parties from within the MERCOSUR region increased by 176.4 per

¹The meeting was convened in WTO/AIR/404.

cent in US dollars, while imports from third parties increased by 163.4 per cent. This was remarkable considering that world imports increased by a mere 38.9 per cent.

4. Another representative of Brazil said that the signing of the Treaty of Asunción in March 1991 set underway the process of MERCOSUR integration. During the period 1991-1994, the Parties agreed on and implemented a Trade Liberalization Programme with the view to eventually establishing a customs union. To that end, they adopted a common external tariff (CET) and a series of rules designed to give impetus to the objective of achieving a common trade policy. With the establishment of the customs union on 1 January 1995, the instruments of common trade policy agreed upon during the transitional period 1991-1994 were put into practice. The entry into force of the Protocol of Ouro Preto was of particular importance, as it conferred legal personality on MERCOSUR, thus affording MERCOSUR the ability to negotiate and conclude agreements in its own name with third countries and international organizations. An example of this was the signing of the Framework Agreement for Inter-Regional Cooperation between MERCOSUR and the European Union in December 1995.

5. The representative of Brazil continued, saying that significant progress had been made in terms of the share of intra-MERCOSUR trade that was conducted free of duties, which presently amounted to 95 per cent of trade among the Parties. Between 1991 and 1995, intra-MERCOSUR trade increased from \$4 billion to \$15 billion, an increase of about 300 per cent. The commitment of the Parties to the principle of open regionalism was borne out not only by the trends in trade, but also by the relationships MERCOSUR was forging with third parties and international organizations. In the period between October 1995 and September 1996, MERCOSUR had concluded agreements with Chile, Bolivia and the European Union. In addition, there were plans to conclude free-trade areas (FTAs) with Venezuela, Colombia, Ecuador, Peru and Mexico. MERCOSUR participated in a coordinated way in the negotiations of the Free Trade Area of the Americas, an initiative which would link all the countries of the Americas and the Caribbean. Informal contacts were maintained with ANZCERTA, CARICOM and Canada, and the Parties intended to extend those contacts to Japan, India and Russia.

Elimination of Duties, Charges and Other Restrictions Applied in the Parties' Trade

6. The representative of the United States stressed the importance of transparency. His delegation was disappointed by the lack of specific information in the responses provided by the MERCOSUR Parties to questions submitted. The Parties had not as yet provided the WTO Secretariat with the information and trade data necessary to carry out the analysis required under Article XXIV:5 of GATT 1994. The lack of data had made it difficult to determine whether there had been a breaking of tariff bindings. He sought clarification on the status of the lists of tariff exemptions. Contrary to earlier statements to the effect that these were final, the lists seemed to be changing frequently. He asked the Parties to explain how they would harmonize their non-tariff measures and to indicate whether barriers would remain at the end of the transition period. He also wondered when MERCOSUR's CET would take effect.

7. The representative of Brazil said that the Parties had recently submitted to the Secretariat the trade data required for analysis under Article XXIV:5. This trade data confirmed that the creation of MERCOSUR had benefitted third parties. The United States, in particular, had seen its exports to the sub-region surge. There had only been a minor amendment to the CET to allow a member country to import raw materials at a reduced rate if those particular products were in short supply in the region. This seemed to be a standard provision in most customs unions agreements. Concerning the transition period, the Parties had entered into a consolidation phase on 1 January 1995, and it was expected that all Parties would bring their tariffs into full conformity with the CET by the year 2001. The tariff measures mentioned by the delegate of the United States were in full conformity with GATT Articles XX and XXI.

8. The representative of Canada said that his delegation was not entirely satisfied with the responses that had thus far been provided by the MERCOSUR Parties to the technical questions it had submitted. It was not clear how the Parties would harmonize their technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) measures and other regulations of commerce. He wondered whether the representative of MERCOSUR would be able to explain the nature of the harmonization process - in particular, the modalities being followed, the time-schedules, the products covered and the ultimate objective of the Parties. How would the harmonization of measures affect intra-regional trade? What would be the fate of bilateral agreements on SPS concluded between a member state and a third party? Would there be import controls on products originating in the Parties, or would there be completely free circulation of the goods after harmonization? Would the Parties take decisions on a consensus basis, and would the adoption of new measures be based on risk assessment? There was the possibility that harmonization would lead to the adoption of import restrictions, which might vary in their intensity from one Party to another. As the questions were rather technical, he did not expect answers to be provided at the day's meeting. The Parties could provide answers in writing at a later date.

9. The representative of Brazil said that all MERCOSUR Parties were signatories to the WTO SPS and TBT Agreements, and as such all measures instituted by them were consistent with the terms of these two Agreements. Measures instituted by MERCOSUR in the past had facilitated trade to the benefit of the Parties and third parties. For products not covered by the harmonized measures, a Party's domestic regulation would prevail, unless there was an internationally recognised standard. MERCOSUR Parties, especially Brazil, imported substantial amounts of food products, and as such had an interest in ensuring the compatibility of their technical regulations with the relevant multilateral rules. The primary motive of the Parties was to remove all bottlenecks preventing the free flow of products, especially agricultural products, within the territory. Some progress had been made in this respect.

10. The representative of the European Communities stressed the need for all regional trade agreements (RTAs) to comply with the relevant multilateral rules. It was imperative for Members to adhere to the key principle of transparency, and provide the Committee with all relevant information to enable it to undertake the examination required under the WTO Agreement. She asked if the Parties could provide information on which products fell within the ambit of the Trade Liberalization Programme, and on the current volume of trade in these products among the Parties. What did it mean in concrete terms that Annex 1 to Article 12 of the Agreement provided that the Trade Liberalization Programme would not apply to agreements on agricultural products previously concluded within the framework of the Treaty of Montevideo? She asked if the national labelling requirements of a member state would apply with equal force in the territory of the other Parties.

11. The representative of Brazil said that rules on labelling applied equally to MERCOSUR Parties and to third parties. He requested the EC delegation to submit its two questions on labelling in writing.

12. The representative of Switzerland thanked the Parties for the information provided through the Secretariat, but said it did not shed light on a number of important things, including the setting-up of the CET. His delegation was awaiting the answers to the questions they had posed. He wondered whether the Parties drew a distinction between non-tariff restrictions that had to be eliminated, and non-tariff measures that had to be harmonized. If such a distinction existed, it would be helpful to know the criteria. Had MERCOSUR abolished all non-tariff measures? If not, which measures were still in force? Finally, he requested further information on how far the harmonization process had gone.

13. The representative of Brazil said that a list of tariff restrictions could be found in the Annex of the Asunción Treaty. These measures were, however, eliminated by the Parties in December 1994. Some non-tariff measures were in force, and the technical committee of the Trade Commission was

in the process of finalizing a list of non-tariff measures currently in force within the customs territory. The list was mentioned in document WT/COMTD/1/Add.4 on page 23.

14. The representative of Switzerland said that he wished to have further details on the criterion for the distinction between restrictions and measures.

15. The representative of Brazil explained that non-tariff restrictions were those that had to go through a process of elimination, which included the recognition by the MERCOSUR Parties that there was no justification for keeping them, while the measures to be harmonized would be the ones retained for reasons such as public health and safety.

16. The representative of Japan stressed the importance of RTAs' complying with the relevant multilateral rules. Could the Parties provide his delegation with trade statistics covering the period 1993-1995? His delegation was also interested in receiving more information about the CET, particularly the tariff elimination list. It would facilitate the examination process if the Parties would make available the internal tariff exemption list and provide information on when the remaining barriers, including safeguard measures, were to be eliminated.

17. The representative of Brazil said that the Parties had already submitted the trade statistics to the Secretariat, as well as the exemptions list requested by the Japanese delegation. Brazil and Argentina had two years within which to phase out the restrictive measures, while Uruguay and Paraguay had three years to comply with that obligation. The Parties were currently in the process of drafting their safeguard laws, which would be WTO-consistent.

18. The representative of the Secretariat said that the Secretariat had received import statistics covering the period 1992-1994 from the Parties. They had been verified, and there were a few outstanding problems which needed to be solved. He confirmed that the Secretariat had received the list of exemptions and had made some technical adjustments to it. Since then, the list had been sent back to the Parties for verification. The Secretariat expected the list to be available for consultation in the near future.

19. The representative of Japan said that the purpose of requesting the trade statistics was to establish whether the concession rate was below the CET. If so, then the Parties should have started compensation negotiations with interested parties within the framework of Article XXIV:6 and Article XXVIII.

20. The Chairman referred the representative of Japan to WT/COMTD/1/Add.5, which seemed to contain the information that his delegation needed.

21. The representative of Australia welcomed the efforts of the Parties to establish a customs union and said that Australia recognized the potential of MERCOSUR to be a positive force for reform and liberalization. He stressed the importance of transparency, and said that the answers provided by the Parties to his delegation's questions were somewhat short. He hoped that the Parties would in due course provide detailed and comprehensive answers. Notwithstanding the fact that the Parties had notified their Agreement under the Enabling Clause, they were obliged to conduct negotiations with interested parties within the framework of Article XXIV:6 and Article XXVIII of GATT 1994. The Parties should endeavour to make available all relevant information required under Article XXVIII so as to enable negotiations to commence as soon as possible. He said that Australia's trade in products such as aluminium, malted barley, wine and various manufactured products had been adversely affected by the creation of MERCOSUR.

22. The representative of Brazil said that the Parties recognized their responsibilities under Article XXIV:6 and would be addressing the concerns of interested Members as soon as practicable.

The information on supplying countries would be provided shortly. He reiterated that the Parties were committed to the principles of open regionalism and that MERCOSUR would remain outward-looking. Evidence of this commitment could be seen from the trade figures the Parties had submitted to the Secretariat. Third parties should benefit from the Parties' reduction of customs duties. The average level of the CET was lower than the average customs duties prior to the formation of the customs union for at least three of the MERCOSUR Parties.

23. The representative of Australia said that, prior to the creation of the MERCOSUR customs union, Australia had been the principal supplier of aluminium to one of the Parties of MERCOSUR. No customs duties had then been levied on this product. With the creation of MERCOSUR, however, the product was subject to a 5-6 per cent tariff. This seemed inconsistent with the terms of Article XXIV:5(a), which required members of a customs union not to introduce duties which were higher or more restrictive than they had been prior to the formation of the customs union.

24. The representative of Hungary stressed the importance of transparency and said that her delegation would be interested in receiving detailed and precise information in response to the questions it had raised. There was the prospect that the creation of the customs union would affect Hungarian trade in certain textiles, clothing and footwear products, as Argentina was currently applying tariffs in excess of the bound rates. The matter had been raised in bilateral negotiations with Argentina, but no solution had been proposed by Argentina.

25. The representative of Brazil replied that the appropriate forum for handling this issue was in the Market Access Committee.

The Coordination of Macroeconomic Policies

26. The representative of Peru referred to the Action Programme of MERCOSUR for the next four years (Programme 2000), and asked whether the Parties had established a blueprint that they would follow. Had any plans been made with regard to the coordination of macroeconomic policies in the fiscal, monetary, and exchange fields? The representative of Brazil answered in the negative. He explained that, while the Parties had agreed on some objectives in the Action Programme, no specific calendar or schedule had been set because the preoccupation in 1995 and early 1996 had been to establish the customs union and to assure that it functioned properly. There was, however, a natural convergence of macroeconomic policies adopted by the four Parties. The Parties had had frequent informal meetings, especially in the aftermath of the Mexican crisis, so there was a high level of coordination even if no specific resolution or decision had been adopted. Turning to address question 17, concerning the various tax structures and the tax burden in the different Parties, he said that this was a matter which was being studied further in connection with the Programme 2000.

The Establishment of a Common External Tariff and the Adoption of a Common Trade Policy in Relation to Third States or Groups of States

27. The representative of Canada referred to his earlier statement and said that the Understanding on the Interpretation of Article XXIV of GATT 1994 required parties to supply information relevant to Article XXIV:6 negotiations before modifying concessions. The first set of documents allowing WTO Members to begin their analysis of the potential trade impairment stemming from the CET had only recently been distributed, 18 months after the entry into force of the CET. It appeared that the information provided by the Parties failed to state which countries had principal supplying rights in the concessions which were being modified. It would be appreciated if the Parties could make available that information as soon as possible. It would also be helpful if the Parties could provide information

on any recent or proposed changes to the CET Schedule, as well as information on the list of exceptions of individual MERCOSUR Parties. Was it still possible for a Party to seek an exception from the application of the CET? Mention had been made of a shortage of raw materials being one of the grounds for exemption. What were the modalities and procedures for an individual Party to seek an exception? Finally, was it the intention of the MERCOSUR Parties to submit a consolidated schedule in the WTO as a substitute for the current country schedules?

28. The representative of Brazil responded that the Parties had stated previously that they planned to submit a consolidated schedule in due course. He confirmed that a derogation could be sought from the application of the CET if a particular product was in short supply in the region. It was his understanding that the EC had a similar provision. Any derogation had to be approved by the Trade Commission, which might impose conditions to be observed by the Party, including the phase out of the measure by a fixed date. This type of exemption was limited to specific market conditions. It was not of the same nature as the tariff exemptions to the CET, which would remain in force until 2000, and which were designated for convergence. He assured Members that the Parties would provide statistics on which countries were the main suppliers.

29. The representative of the United States said that his delegation was not satisfied with the responses given to questions 19 through 36. It would have been preferable if the questions had been answered individually. Perhaps the Parties would respond to the questions in writing. It appeared that some MERCOSUR Parties had broken their tariff bindings, yet they had failed to commence Article XXIV:6 negotiations. Two years was a long period, and as such the Parties should take immediate steps to start negotiations with third parties having legitimate interests. It was also time the Parties replaced the tariff schedules of individual countries with a schedule for the customs union as a whole. The Parties were required to supply the Secretariat with their individual applied tariff rates in effect before the formation of the customs union. The all the information necessary for the Secretariat to carry out the Article XXIV:5(a) analysis had been provided by the Parties.

30. The representative of Switzerland said that it would be helpful if the Parties would make available an updated version of their tariff Schedule to reflect all the exemptions which were still in force. This could be done on a country-by-country basis stating the date on which the exemptions had to be phased out. When would the national tariffs be replaced by the MERCOSUR one?

31. The representative of Brazil said that the scope of MERCOSUR's CET had been defined at the Council of Ouro Preto in December 1994. The list of exemptions, which had been sent to the WTO, was the same as had been defined there. Between November 1995 and April 1996, some exceptional changes were made. A majority of exemptions to the CET would be phased out by the year 2001. Those applicable in the informatics and the telecommunications sector would be phased out by 2006.

32. The representative of the European Communities associated her delegation with the comments made by the representatives of the United States and Canada regarding the lack of information and the delay in providing answers to the questions posed by Members. She welcomed the promise to update the list of exceptions and circulate it to Members. She wondered whether there would be convergence of applied or bound rates under the CET. What was the tariff treatment for third-country goods transferred from one Party to another during the transition period? Would it change after full convergence of the CET in 2006? Could the Parties confirm when the CET would enter into force for textiles, clothing and footwear products, and could they give an indication as to what the levels might be? Would the duties be specific or ad valorem? Could the Parties confirm that the CET would not exceed those in their individual WTO commitments?

33. The representative of Brazil said that the final list for textiles was defined in the CET. MERCOSUR Parties were currently applying specific duties on a provisional basis, but these would be changed to ad valorem duties in the future.

34. The representative of Hungary said that the erection of new trade barriers by a party to an RTA raised questions as to the RTA's compatibility with the provisions of Article XXIV. Her delegation would therefore be interested in receiving precise and complete information regarding all questions appearing in sections I and III of the background document.

35. The representative of Japan said that his delegation would be interested in knowing the views of MERCOSUR, and particularly Brazil's, on the automobile policy. Was the policy unique to Brazil, or was it linked to the MERCOSUR Agreement. It appeared that the reason behind the automobile policy was the standardization of the competition conditions within MERCOSUR. How did the Brazilian authorities view the tariff quota regime under the bilateral agreement on automobiles between Brazil and Argentina?

36. The representative of Brazil said that, as the automobile policy was the subject of bilateral consultations between Japan and Brazil, he preferred not to respond to the question at this time, especially considering that the matter was not germane to question of MERCOSUR consistency the relevant WTO rules. The Ouro Preto Council Meeting of December 1994 had made it clear that MERCOSUR's regime would be free-trade oriented and consistent with the rules of the WTO. The current policy in the automobile sector should be seen as a temporary measure which was still to be defined by the Parties. The bilateral agreement between Brazil and Argentina had been negotiated under Montevideo Treaty, although it was preserved under MERCOSUR. It would, however, be phased out once the common regime was put in effect. Internal trade would thus be subject to the new rules that would take effect. In other words, there would be free trade in automobiles within the customs territory, and the Parties would apply a CET.

37. The representative of the European Communities said that it was her understanding that a transitional automobile regime would be put in place for three years (1996-1999) while a final regime was being decided upon. Had any such arrangement been agreed to by the Parties, and if so, was it in operation among all of them?

38. The representative of Brazil said that each Party was applying its own national regime, which incorporated previous agreements. This would continue until the CET fully took effect.

Rules of Origin

39. The representative of Japan wished to know whether MERCOSUR's rules of origin imposed any extra burdens on third parties.

40. The representative of Brazil said that MERCOSUR's rules were practically the same as the rules that had existed in the countries prior to the formation of the customs union. For products which could not meet the general MERCOSUR rules, 60 per cent regional content was required. The rules of origin were of direct relevance to countries which had preferential arrangements with MERCOSUR. In the absence of such an arrangement, the CET would apply, and the rules of origin might cease to be of relevance in that context.

41. The representative of the European Communities wondered whether Argentina's new requirement for origin declaration, which required a visa from the Argentine Mission in the exporting country, reflected a general change in MERCOSUR's practices or a unilateral measure by Argentina only.

42. The representative of Argentina said that the measure in question had been notified to the Committee on Rules of Origin and the Committee on Import Licensing. It was transparent and non-discriminatory, as it was applied to MERCOSUR Parties and third parties alike. As there were no multilateral rules on preferential rules of origin, it was difficult to undertake a comparison exercise.

43. The representative of the European Communities wondered what the provisions on origin certificates would be within the framework of the Agreement on Common Rules of Origin. Would the rules of origin determine which products benefitted from zero duties in trade amongst the Parties. Would an imported product have free circulation in the customs territory, if customs duties had been paid in one of the countries?

44. The representative of Brazil said in order for a product from one of the MERCOSUR to have free circulation within MERCOSUR, a certificate of origin was needed if the product incorporated components from third countries up to the permitted level of 40 per cent. Certificates of origin also had to be produced with respect to products which were exempted from the CET.

45. The Chairman said that it was his understanding that upon the payment of the CET, a product would normally be entitled to circulate freely within the customs territory, unless it was on the list of exceptions in the country to which it was being re-exported. In such a case, the difference between the CET and the tariff applicable in the other Party would have to be paid.

46. The representative of Canada wondered whether reimbursement could be sought with respect to extra duty paid on a product which had entered a Party where it was on the exemption list and which later was trans-shipped to the territory of another Party.

47. The representative of Brazil replied that it was not possible to seek reimbursement in the scenario mentioned.

Measures Related to Imports from Third Countries

48. The representative of the United States said that his delegation was not fully satisfied with the rather general responses which were given to questions 49 to 56. What was the current status of the common regulations being drafted on safeguards, anti-dumping and countervailing duties?

49. The representative of Brazil said that the common rules on the subjects would closely follow the rules of the WTO. Negotiations were fairly advanced with respect to the negotiations on anti-dumping and safeguards. The texts were almost ready and could be adopted shortly. They would be WTO-consistent.

50. The representative of the European Communities wondered whether, for purposes of the Agreement on Safeguards and the Agreement on Subsidies and Countervailing Measures (SCMs), MERCOSUR would constitute one or several domestic markets?

51. The representative of Brazil said that in respect of dumping and subsidies, the rules would be applied to the MERCOSUR Parties as a group, as required under the WTO rules. With regard to safeguards, the Parties would follow the established WTO rules, which permitted them to act independently or as a group in MERCOSUR. The representative of Argentina called attention to Article 16:2 of the SCM Agreement.

National Treatment

52. The representative of Brazil said that Article 7 of the Treaty of Asunción confirmed the national treatment principle. Article 8 mandated that Parties respect bilateral agreements concluded prior to the formation of the customs union. Nothing in those Articles implied any kind of new treatment.

MERCOSUR's External Relations

53. The representative of Canada wondered whether the Parties were going to notify the FTAs that they had concluded with Chile and Bolivia.

54. The representative of Brazil said that the MERCOSUR agreements with Chile and Bolivia were negotiated in the framework of the Montevideo Treaty. It was his understanding that the agreements would be notified under the Enabling Clause by the Latin American Free Trade Association Secretariat. The agreement with Chile would take effect on 1 October 1996, while the one with Bolivia would come into force on 1 January 1997. In the case of the agreement with Chile, tariff elimination would be phased in. Every product that had not been touched in earlier negotiations would be considered a new product for which tariffs would be eliminated in an eight year period. For tariffs on products that had been negotiated between Mercosur and Chile in the framework of bilateral agreements, the period was ten years, and for products which were on the exception list at the beginning of the bilateral negotiations, the period would be 15 years. For some specific products such as wheat and flour, an 18 year period would apply.

Settlement of Disputes

55. The representative of the United States requested the Parties to provide a summary of the salient features of the Brasilia Protocol. He urged Committee Members whose agreements were to be examined by the Committee to provide summaries of all important documents necessary for the examination process.

56. The representative of Brazil offered to give a detailed response in writing. He stated that MERCOSUR had three mechanisms. Two of these were under the responsibility of the Trade Commission of MERCOSUR and involved mainly consultations, the legal consequences of which were different from WTO consultations. At the second stage, claims could be submitted to the Trade Commission. The claiming mechanism was detailed in the Annex to the Protocol of Ouro Preto. If an adverse decision were made by the Commission, the aggrieved Party could invoke the final stage of the process, which was set out in the Protocol of Brasilia. That process involved going before an *ad hoc* court to ask for review of the decision of the Trade Commission. The decisions of the *ad hoc* court were final and binding on the parties to the dispute. So far, all disputes had been resolved at the consultations stage.

Trade Creation and Trade Diversion

57. The representative of Japan wondered whether the Parties could provide statistics on their trade patterns for the past five years (1990-1995). Available information indicated that, whereas trade had increased between the Parties, trade with Japan actually decreased.

58. The representative of Brazil said that the Parties would provide the relevant information for an analysis to be undertaken as soon as possible. It was doubtful that the customs union would have

a negative impact on Japan's trade, as products produced in the sub-region were very different from products produced by Japan. This issue could be the subject of further study by the Committee. Trade figures circulated to Members by the Parties revealed that MERCOSUR Parties had imported more products from third parties than in previous years.

59. The representative of the United States requested the MERCOSUR Parties to follow the Standard Format when providing information, as it was user-friendly and permitted an easy comparison of essential facts and trade data.

Services

60. The representative of Brazil said that, as a matter of transparency, the Parties were prepared to answer questions related to services, even though this went beyond the terms of reference for the examination, as the MERCOSUR Agreement did not deal with services.

61. The representative of Japan said that, notwithstanding the claim by the Parties, references were made in Annex V of their Agreement to the macroeconomic policy area, commercial issues, and interior and maritime transport. Could the Parties confirm that in the future any measures taken with respect to services would be within the framework of Article V of the GATS?

62. The representative of Brazil said that the Treaty of Asunción did foresee integration in the area of services. To that end, the Parties had started deliberating on a framework agreement on services. The Parties were still formulating their ideas, and as such were not in a position to present information to the Committee.

63. The representative of Argentina recalled that the terms of reference of the Working Party, which had been taken over by the Committee, were adopted before the coming into force of the WTO. At the time MERCOSUR had been notified, the GATT had no rules covering TRIPS or services. Should the Parties ever reach an agreement on services, they would notify it to the Council on Trade in Services. It was important for the Committee to stay within the confines of its terms of reference.

Transparency

64. The representative of Brazil thanked Members for their cooperation. He hoped that his answers had shed light on the mechanics and objectives of the MERCOSUR Agreement. There had been a fruitful exchange of ideas, and that was very much appreciated. The Parties would endeavour to provide the Committee with all information that had been requested and that had not yet been provided to the Secretariat. He suggested that the representatives of MERCOSUR who were based in Geneva meet with the Secretariat to review the documents that had been submitted by the Parties, so as to have a clear idea as to what documents needed to be provided or updated.

65. The Chairman thanked the representatives of the MERCOSUR Parties for shedding light on the mechanics and objectives of their Agreement. It had been a productive and informative exercise. He endorsed the suggestion made by the representative of Brazil and reminded delegations who had indicated that they would submit questions in writing to do so as soon as practicable. He indicated that another round of examination would be needed to consider further questions and answers and statistical information which would be provided by the Parties.

66. The Committee took note of the comments made.