

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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LATIN AMERICAN INTEGRATION ASSOCIATION (LAIA)

Communication from LAIA

The following communication, dated 2 December 1987, has been received from the Secretary General a.i. of LAIA.

I have the pleasure to forward herewith, at the request of the representatives of the Argentine Republic and the Federative Republic of Brazil, a report on Economic Complementarity Agreement No. 7, concluded between the Governments of those two countries within the legal framework of the 1980 Treaty of Montevideo.

We have the honour to request you kindly to make the necessary arrangements to send the attached report to the secretariat of the General Agreement on Tariffs and Trade (GATT). The report concerns Economic Complementarity Agreement No. 7, signed between the Argentine Republic and the Federative Republic of Brazil, and is intended to supplement information on this subject contained in the report on the implementation of the GATT Enabling Clause provisions in the period 1984/86.

REPORT ON ECONOMIC COMPLEMENTARITY AGREEMENT NO. 7 SIGNED BETWEEN
THE ARGENTINE REPUBLIC AND THE FEDERATIVE REPUBLIC OF BRAZIL

"Having regard to the strategic importance of the capital goods sector for the growth of their economies, and to the economic, technological and financial characteristics of the capital goods industries existing in their countries, the Governments of the Argentine Republic and the Federative Republic of Brazil on 10 December 1986 signed a partial-scope agreement along the lines of the economic complementarity agreements provided for by the 1980 Treaty of Montevideo. Its main features are as follows:

A. Scope

The Agreement covers the category of capital goods included in various chapters of sections XV, XVI, XVII and XVIII of the Customs Co-operation Council Nomenclature (CCCN).

The products have been selected at the level of nomenclature headings, as broken down in the tariff nomenclature used by the Latin American Integration Association (LAIAN).

As provided for by Article 1 of the above-mentioned Agreement, the category of capital goods has been expanded by common consent between the signatory countries, taking into account the terms of the Protocol signed on 24 September of this year (Second Additional Protocol).

B. Liberalization programme

A specific feature of the Agreement is that it comprises a liberalization programme common to the two countries. In other words, unlike other agreements of this kind, in this case the two Governments grant identical treatment to the same products.

Their reciprocal imports enjoy the same treatment as national products in the territory of both countries (national product equals zero tariff and exclusion of any restriction or obstacle of a non-tariff nature).

The Agreement sets quantitative targets to be attained both with respect to products included in the liberalization programme, through the so-called common list, and also with respect to the value of their reciprocal trade.

C. Preservation of preferential treatment

With a view to preserving the treatment granted under the liberalization programme of the Agreement, the countries have undertaken to harmonize and maintain the margin of total protection with regard to third countries, in such a way that the level of protection will be equivalent in the Argentine Republic and the Federative Republic of Brazil.

In this connection, the Agreement provides for a system of consultations between the two countries prior to the granting of tariff exemptions for imports of capital goods included in the common list.

With a view to preserving and maintaining the treatment granted, the Agreement also provides that no additional rebates or incentives may be granted for exports of the products included in the common list without prior agreement between the parties (Article 7).

D. Rules of origin

In accordance with Article 8, the national product treatment granted to products included in the common list applies exclusively to capital goods considered to be originating in the territory of the signatory countries.

The rules of origin included in the Agreement by a Protocol signed on 30 December 1986 (First Additional Protocol), establishes that the following will be considered as originating in the signatory countries:

1. Products manufactured entirely within the territory of one of the countries, when exclusively materials originating in the two countries are used in their manufacture.
2. Products in the manufacture of which materials not originating in the signatory countries are used, provided the value of the materials imported from third countries does not exceed 20 per cent of the price of the product.

The Agreement stipulates that the signatory countries may establish specific origin requirements for products included in the common list, and these requirements will have priority over the general criteria mentioned above. No such specific requirements have been established so far for any of the products included in the common list.

The Agreement also provides for cumulative treatment of origin: materials originating in the territory of one of the signatory countries and used by the other party in the manufacture of a specific product will be considered as originating in the territory of the latter. The chapter concerning the declaration, certification and verification of origin does not require any comments, since it does not introduce any changes in the identical provisions contained in other partial-scope agreements.

E. Balanced growth of trade

The Agreement on capital goods is the first of its kind. As stipulated in Resolution 2 of the Council of Ministers, it contains specific provisions which are designed to ensure a balanced and harmonious enjoyment of benefits by both countries.

To this end, in addition to stipulating that the signatory countries shall see to it that their policies in this sector are symmetrical and harmonized (Article 9), it establishes a concept of dynamic equilibrium for trade in the products included in the liberalization programme, as well as a mechanism to ensure that such balance is restored in the event that the conditions thus provided for are not fulfilled (Article 10)."