

GENERAL AGREEMENT ON

TARIFFS AND TRADE

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LATIN AMERICAN INTEGRATION ASSOCIATION

The Secretariat of the Latin American Integration Association (LAIA) transmitted on 17 February 1991 the attached information concerning the measures taken by member countries of LAIA in 1991 under the 1980 Treaty of Montevideo.

ENABLING CLAUSE

Information on Measures Taken by Member Countries of the
Association in 1991 under the 1980 Treaty of Montevideo

In pursuance of paragraph 4 (a) of the Ministerial Decision of 28 November 1979 regarding "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries", known as the Enabling Clause, the delegations of countries which are members of LAIA and also GATT contracting parties have already reported on measures taken under the 1980 Treaty of Montevideo in the period 1989/1990.

Given the importance of the instruments concerned and their significance in the integration process in which the member countries of the Association are engaged, the contracting parties are hereby informed that in the course of 1991, under the 1980 Treaty of Montevideo and Resolution 2 of the Council of Ministers, some new partial-scope Agreements were signed, mainly in the form of Economic Complementarity Agreements, and certain amendments were made to other Agreements already existing and in force, including the following:

- (a) The Economic Complementarity Agreements registered in the Secretariat of the Association with Nos. 15, 16, 17 and 18, concluded respectively between Bolivia and Uruguay, Argentina and Chile, Chile and Mexico, and Argentina, Brazil, Paraguay and Uruguay.

In addition, a number of Additional Protocols were registered making various amendments to certain Agreements already in force (Complementarity Agreement No. 4 between Chile and Uruguay, Agreement No. 10 between Argentina and Venezuela and Agreement No. 14 between Argentina and Brazil).

- (b) In addition, amendments were made to some of the Trade Agreements concluded in various industrial sectors and already notified to the contracting parties. The Agreements concerned include the following: Trade Agreement No. 1 on Statistical Machines and the Like; Agreement No. 5 on the Chemical Industry; Agreement No. 12 on Electronics and Electrical Communications; Agreement No. 13 on the Phonographic Industry; Agreement No. 15 on the Chemical and Pharmaceutical Industry; Agreement No. 16 on the Petro-Chemicals Industry; Agreement No. 18 on the Photographic Industry; Agreement No. 21 on Surpluses and Deficiencies in the Chemical Industry; Agreement No. 22 on the Essential Oils, Aromatic Chemicals and Soaps Industry; Agreement No. 26 on Articles and Appliances for Hospital, Dental, Veterinary and Like Uses, etc.

The present communication - which is being made in advance of the information to be furnished to the contracting parties in due course on all measures taken last year by the member countries of the Association under the 1980 Treaty of Montevideo - refers in particular to the new Economic Complementarity Agreements, the most recent of which (No. 18) was concluded

on 29 November 1991 between the plenipotentiaries of the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay. Economic Complementarity Agreement No. 18 is designed to incorporate in the legal framework of the LAIA those provisions of the Treaty of Asunción that basically concern trade integration between those countries (ACE 18).

The main characteristics of Complementarity Agreement No. 18 can be summarized as follows:

1. Objective of the Agreement

In accordance with Article 1 thereof, the objective of the above-mentioned Economic Complementarity Agreement is to facilitate the creation of the necessary conditions for the establishment of the common market envisaged by the Treaty of Asunción of 26 March 1991. The principal instruments of Complementarity Agreement No. 18 are the following:

- (a) a trade liberalization programme which will consist of progressive, linear and automatic tariff reductions accompanied by the elimination of non-tariff restrictions or equivalent measures, and likewise other restrictions on trade between the member States, so as to arrive at a zero tariff and no non-tariff restrictions for the entire tariff area by 31 December 1994;
- (b) co-ordination of macro-economic policies, to be achieved gradually and convergently with the programmes for tariff reduction and elimination of non-tariff restrictions mentioned in the preceding paragraph;
- (c) a common external tariff to encourage the external competitiveness of the signatory countries;
- (d) the adoption of sectoral agreements, with a view to achieving optimum utilization and mobility of production factors and likewise efficient operational scales.

2. Liberalization programme

The Agreement has been incorporated in the domestic legislation of its signatories, which have begun a programme of progressive, linear and automatic tariff cutting applicable to all products in the tariff with the exception of those included in the lists of exceptions, in accordance with the following tariff cutting time-table:

Date/Percentage Tariff Reduction

30/VI/91	31/XII/91	30/VI/92	31/XII/92	30/VI/93	31/XII/93	30/VI/94	31/XII/94
47	54	61	68	75	82	89	100

As may be seen from the above time-table, on 31 December 1991 the first cut was made in the tariff preferences covering imports of products entering into trade (54 per cent); the second cut is to be made on 30 June 1992, and so on.

In addition, the Agreement provides for the deepening of preferences envisaged in other agreements signed within the framework of LAIA (Partial Scope Renegotiation Agreements Nos. 26, 34 and 35 respectively), through a specific time-table of progressive, linear and automatic tariff cutting on the tariff items negotiated in those instruments.

3. Exceptions to the tariff cutting programme

Products included in the lists of exceptions presented by each of the signatory countries are excluded from the tariff cutting time-table mentioned above and representing the following quantities of NALADI headings;

Argentine Republic:	394
Federative Republic of Brazil:	324
Republic of Paraguay:	439
Eastern Republic of Uruguay:	960

The Agreement provides that the lists of exceptions are to be reduced at the end of each calendar year in accordance with the following time-table:

- (a) For the Argentine Republic and the Federative Republic of Brazil, at the rate of 20 per cent each year of the tariff headings included in the lists, starting on 31 December 1990.
- (b) For the Republic of Paraguay and the Eastern Republic of Uruguay, the reduction will be as follows:

10 per cent on the date of entry into force of the Treaty
10 per cent on 31 December 1991
20 per cent on 31 December 1992
20 per cent on 31 December 1993
20 per cent on 31 December 1994
20 per cent on 31 December 1995

As provided in the Agreement, the first and second reductions in the lists of exceptions were made on 31 December 1991. The products thus withdrawn automatically benefit from the preferences resulting from the tariff cutting programme established in Article 4 of the Agreement, with at least the minimum tariff cutting percentage provided for at the date when such withdrawal from the lists takes place.

4. Non-tariff restrictions

With regard to non-tariff restrictions, the Agreement stipulates that in respect of products included in the tariff-cutting programme the signatory countries may only apply the non-tariff restrictions specifically mentioned in the Additional notes to the Agreement until 31 December 1994.

On 31 December 1994 all non-tariff restrictions will have been eliminated in the common market.

5. Co-ordination of macroeconomic policies

In order to ensure compliance with the tariff-cutting timetable, and ultimately the establishment of the common market, the signatory countries will co-ordinate their agreed macroeconomic and sectoral policies, starting with those relating to trade flows and to the structure of their producing sectors.

6. Existing commitments

The signatory countries have agreed not to apply the provisions of the new Agreement to Complementarity Agreements Nos. 1, 2, 13 and 14 which they had concluded on a bilateral basis, nor to the partial scope agreements and trade agreements concluded within the framework of the 1980 Treaty of Montevideo, which will be governed exclusively by their own provisions.

7. Safeguard clauses

The Agreement provides that until 31 December 1994 each country may apply safeguard clauses to imports of products covered by the trade liberalization programme established under the Agreement.

Under the régime established, safeguard clauses may be applied when imports of a specific product are causing or threatening serious injury to the market of a signatory country, as a consequence of a significant rise in imports of that product over a short period from other signatory countries, in which case the importing country must request consultations in order to put an end to that situation.

The determination of serious injury or threat thereof is made by the country directly affected.

8. Origin

The liberalization programme covers the import of products deemed as originating in the territory of signatory countries which fulfil the provisions set forth in the Rules of Origin that are annexed to the Agreement and form a part of it.

9. Mandatory provisions

Lastly, it should be underlined that the Agreement sets forth the provisions established mandatorily by Resolution 2 of the Council of Ministers of the Association and which define that mechanism, namely:

- (a) as regards convergence, it establishes the commitment to examine the possibility of progressive multilateralization, through negotiation, of the treatments envisaged in the Agreement;

- (b) as regards accession, it stipulates that the Agreement will be open to accession, subject to negotiation, by the other member countries of LAIA;
- (c) the Agreement stipulates that it will enter into force on the date of its signature and will be of unlimited duration; and
- (d) as regards withdrawal, it stipulates that any signatory country or acceding State wishing to withdraw from the Treaty must communicate its intention to the other signatory countries sixty days before the relevant instrument of withdrawal is deposited with the LAIA Secretariat.

Once the withdrawal has been formalized, all rights and obligations corresponding to the withdrawing country's status as a signatory of the Agreement and a member State of the Treaty of Asunción shall cease, while those referring to the liberalization programme under the Agreement and other aspects which the signatory countries agree on with the withdrawing country within sixty days following formalization of the withdrawal will remain in force. These rights and obligations of the withdrawing country will continue in force for a period of two years from the date of formalization.

The present report is communicated to the contracting parties in advance of information to be furnished in the near future on the other measures referred to above.