

# GENERAL AGREEMENT ON

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## TARIFFS AND TRADE

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### LATIN AMERICAN INTEGRATION ASSOCIATION (LAIA)

#### Statement by the Representative of Brazil

The report submitted by the member States of the 1980 Montevideo Treaty which are also contracting parties to the General Agreement still remains to be approved by this Committee. What has created difficulties in the approval of the report is the Brazil-Argentina integration process, which has apparently given rise to some doubt as to its nature and implementation.

We believe that, in fact, there are no grounds for this problem. Our integration is transparent and is being undertaken with the authority either of the Enabling Clause of the General Agreement or under the 1980 Montevideo Treaty.

My delegation has no difficulty in attempting to provide the fullest information possible on this question in order to try to clear up any doubts that may exist. It would therefore like to make some comments to reply to queries and dispel interpretations that we consider mistaken.

On 29 July 1986, in Buenos Aires, Argentina, the Presidents of the Federative Republic of Brazil and the Argentine Republic signed an Act for Brazilian/Argentine integration. That Act now contains twenty-two Protocols which were gradually annexed to it as they were signed by the Presidents of our two nations on the occasion of subsequent meetings. These documents deal with the following areas for priority attention in the integration process:

- Protocol 1 - capital goods;
- Protocol 2 - wheat;
- Protocol 3 - food supply complementarity;
- Protocol 4 - trade expansion;
- Protocol 5 - binational enterprises;
- Protocol 6 - financial matters;
- Protocol 7 - investment fund;
- Protocol 8 - energy;
- Protocol 9 - Argentine-Brazilian Centre for Bio-technology;
- Protocol 10 - economic studies;
- Protocol 11 - immediate information and mutual assistance in case of nuclear accidents and radiological emergencies;
- Protocol 12 - aeronautical co-operation;
- Protocol 13 - iron and steel industry;
- Protocol 14 - land transport;

Protocol 15 - maritime transport;  
Protocol 16 - communications;  
Protocol 17 - nuclear co-operation;  
Protocol 18 - cultural co-operation;  
Protocol 19 - public administration;  
Protocol 20 - common currency;  
Protocol 21 - motor-vehicle industry; and  
Protocol 22 - food industry.

Of all these instruments, only four have trade implications of a tariff or a non-tariff nature and fall within GATT's sphere of competence. They are therefore being notified to GATT in accordance with the usual procedure, in other words in the biennial reports which the contracting parties also, parties to the 1980 Montevideo Treaty submit, to GATT through the LAIA Secretariat. These Protocols are Nos. 1 (capital goods), 4 (trade expansion), 21 (motor-vehicle industry), and 22 (food industry). These have already given rise to legal instruments under the 1980 Montevideo Treaty, or are in the process of doing so. In the first case, i.e. the Protocol on capital goods, the corresponding instrument is Economic Complementarity Agreement No. 7 (ECA-7) described in document L/6158/Add.1.

In the case of Protocol No. 4, concerning expansion of trade, the products and tariffs involved are included in Partial-Scope Agreement No. 1 (PSA-1) of the Montevideo Treaty, described to in L/6158. The recent expansions of PSA-1 will be dealt with in the next LAIA report, since they concern the period 1987-1988.

Protocol No. 21 (motor-vehicle industry) is in the process of being negotiated, and is expected to produce an Economic Complementarity Agreement (ECA) which will be notified in due course to GATT in accordance with the usual procedures.

The negotiations concerning Protocol No. 22 on the food industry were completed on 9 September last, with Economic Complementarity Agreement No. 12 (ECA-12) on manufactured food products. The contents of ECA-12 will be notified to GATT in the report for the period 1987-1988.

As may be seen, notification of instruments with GATT implications has followed the normal procedures. Nevertheless, there appears to have been some misunderstanding about the Brazil-Argentina integration process. In this respect, I would like to state that there does not exist what was described here earlier as a "trilateral pact" with eighteen or more trade agreements between Brazil, Argentina and Uruguay. What does exist is the Act of Integration, a bilateral instrument, and a tripartite decision signed in Brasilia on 6 April 1988, in which the Presidents of Brazil and Argentina expressed their satisfaction at the accession of Uruguay to the integration process and, together with the President of Uruguay, established that the basis for the inclusion of Uruguay in the ongoing process would be negotiated, beginning with the area of transport.

So far, the Eastern Republic of Uruguay is not a party to any of the constituent instruments of the Brazil-Argentina programme of economic

integration and co-operation, nor to the agreements signed by Brazil and Argentina under the 1980 Montevideo Treaty as a result of the Buenos Aires Act, in other words, PSA-1, ECA-7 or ECA-12.

All the instruments forming the Brazil-Argentina integration programme are public. They were all published in the Diario Oficial da União in Brazil and the Boletín Oficial of Argentina. Those concluded under the 1980 Montevideo Treaty have also been published by the LAIA Secretariat. All the documents I have mentioned are available for consultation by interested delegations in the Mission of Brazil.

The Protocols of the integration programme are political instruments. Among them, as I said earlier, those having implications for trade through tariff or non-tariff measures are implemented through bilateral instruments in the framework of the 1980 Montevideo Treaty, in other words through legal instruments already provided for in the Treaty. Hence, there is nothing in the trade preferences granted that differs from the Treaty mechanisms. The concessions are the same as those which any member of the 1980 Montevideo Treaty may negotiate with any other member State. In other words, Brazil and Argentina did not innovate in any way with regard to the trade promotion machinery that already existed, but rather made full, dynamic use of the Treaty's mechanisms.

Furthermore, there is no reason to interpret the integration instruments as mechanisms which guarantee exclusive access to the Brazilian market for Argentine products. In fact, the bilateral agreements signed under the 1980 Montevideo Treaty established certain preferential conditions of access for products originating in Argentina, through tariff and non-tariff measures for the promotion of trade that are entirely provided for in the 1980 Montevideo Treaty. When concluded and signed, Protocol No. 21, (motor-vehicle industry), an Economic Complementarity Agreement of the kind provided for in the 1980 Montevideo Treaty, will probably include the motor-vehicle sector among those covered by the process of bilateral integration. But this will not imply exclusivity of market access. In this connection, I would venture to point out that Brazil has just completed a thorough liberalizing tariff reform which cut tariffs applicable to motor-vehicles.

I should also like to make it clear that the mechanisms in force under ECA-7 (capital goods) do not prevent importation of goods from third countries. Obviously, however, through tariff reductions they stimulate bilateral trade between Brazil and Argentina, as provided for in the 1980 Montevideo Treaty. Neither PSA-1, ECA-12 nor ECA-7 (the three bilateral legal instruments stemming from the integration programme that deal with trade) imply any different interpretation of the Brazilian similarity legislation from that which has guided its application in Brazil so far.

The provisions of ECA-7, signed on the basis of the 1980 Montevideo Treaty and pursuant to Protocol No. 1 (capital goods) of the integration programme, are only restrictive as regards rules of origin for the negotiated goods (80 per cent of domestic value added). In fact, this

criterion is an essential condition for such goods to be able to enjoy the large tariff incentives provided for trade in them, i.e. the reduction of import duties to zero. Once again I must stress that this special criterion of origin is also legitimate under the 1980 Montevideo Treaty and the LAIA Regional Agreement on Rules of Origin. It is incorrect to state that ECA-7 establishes planned trade flows according to the figures given in Protocol No. 1 of the programme. Those figures are nothing more than targets, objectives for annual trade. Neither of the countries has a formal commitment to achieve them. They are therefore an indication of expectations regarding the growth of bilateral trade. The description of the mechanisms for the promotion of dynamic equilibrium for trade, in so far as it exists, is to be found in the text of the agreements signed under the 1980 Montevideo Treaty which, I repeat, are available in the Mission of Brazil for anyone wishing to consult them.

Nor are there any implications for the Uruguay Round different from those which might exist in relation to the case of products negotiated under the 1980 Montevideo Treaty.

I hope that the information I have just provided has covered all the issues raised in other meetings of this Committee. Our intention is precisely to leave no query without a proper answer. We do not want anyone to think that we have any difficulty in informing contracting parties about our agreements.

On 2 November 1982 the Committee on Trade and Development decided to take note "of the communication concerning the Latin American Integration Association in document L/5342 and requested parties to LAIA that are contracting parties of GATT, to report on developments under LAIA in accordance with the procedure for the examination of biennial reports on regional agreements". At their thirty-eighth session, the CONTRACTING PARTIES took note of this decision in document L/5401, paragraph 20.

Since then, every two years the LAIA Secretariat has prepared a report on developments under the 1980 Montevideo Treaty. The latest of these, in document L/6158, is the one under consideration at this moment. The agreements between Brazil and Argentina are developments under the LAIA and as such should be communicated to GATT in accordance with the decision of 2 November 1982, which reiterates the procedures for the examination of biennial reports on regional agreements.

Our attitude is a positive and open one, in keeping with the transparency that is a feature of the programme of integration between Brazil and Argentina, an initiative which Presidents José Sarney and Raul Alfonsín approach not as a restriction on anyone but rather as a decisive step towards the integration of Latin America and its growing participation in the world economy.