

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

COM.TD/W/496  
10 August 1992

Limited Distribution

Committee on Trade and Development  
Seventy-Second Session  
13 July 1992

Original: Spanish

### SOUTHERN COMMON MARKET (MERCOSUR)

#### Statement by Ambassador R. Barbosa, Representative of Brazil

First of all, I should like to outline how we intend to proceed. I shall present some economic aspects concerning the Treaty of Asunción establishing MERCOSUR, and my colleague Ambassador Felix Peña will then address himself to institutional and legal matters and the internal logic of the sub-regional negotiation process (COM.TD/W/497). This presentation supplements the notification made in March last and the special communication that was distributed today, and I believe it is important in order to ensure full transparency regarding our integration process for all concerned. I shall begin by referring to the objectives and instruments of the Treaty of Asunción.

During the transitional period from 1991 to 1994 our countries are pursuing five basic objectives: the first is the trade liberalization programme; the second aspect, definition of the common external tariff; the third, co-ordination of macro-economic policies; the fourth, co-ordination of sectoral policies; and the last, institutional aspects concerning definitive implementation of the Treaty.

The trade liberalization programme, provided for in Article V of the Treaty, consists of progressive, linear and automatic tariff reductions in accordance with the provisions of the Treaty and the economic complementarity agreement negotiated and signed within the legal framework of the Latin American Integration Association (LAIA). Progressive tariff reduction implies a reduction of preferences by several percentage points every six months. In addition, non-tariff restrictions and measures with equivalent effect are to be eliminated. This trade liberalization programme is to be completed by 31 December 1994. In the case of Paraguay and Uruguay, the time-limit for elimination of the list of exceptions is December 1995.

The second aspect of the basic objectives is establishment of a common external tariff. Under Article V(c) of the Treaty, a common external tariff is to be adopted by the end of 1994 and only recently, at a meeting of the Council of MERCOSUR, in the presence of the Ministers for the Economy and for External Relations and of the Presidents, a programme was established for the studies relating to definition of the common external tariff.

The third aspect concerns the co-ordination of macro-economic policies between the member countries, as foreseen in Article V(b). This covers fiscal, monetary, exchange, foreign trade, agricultural and industrial policies.

The fourth aspect is the co-ordination of sectoral policies, and I shall revert to this later.

Lastly, the fifth aspect concerns institutional matters relating to establishment of definitive institutions as from 1995, definition of their responsibilities and the decision-making system.

Those are the five basic objectives established in the Treaty of Asunción for this transitional period. A brief reference to domestic economic policies and MERCOSUR: the integration process now proceeding in the framework of MERCOSUR forms part of the effort that the four countries are making to achieve and deepen trade liberalization among them; there is a clear tendency toward trade liberalization, market opening and tariff reduction in the four countries and MERCOSUR should be seen within that tendency and framework, and it is perfectly consistent with that tendency. As part of the liberalization process, the MERCOSUR member countries are adopting policies concerning treatment of foreign investment, in other words liberalization of such treatment with a view to non-discrimination in respect of foreign capital vis-à-vis domestic capital. The four countries are also making significant progress in the privatization programme in the context of reforming their State organizational structure and industrial structure. Similar procedures for privatization, promotion and guarantee of foreign investment, trade liberalization and modernization of the State production structure are in course of implementation in the four MERCOSUR member countries. The liberalization programme and the sub-regional integration programme are part of this process.

The changes made in the domestic economic policies of all the MERCOSUR member countries are entirely consistent with the spirit and objectives of the Treaty of Asunción instruments. In general, the integration process acts as a catalyst for the transformations that are necessary for economic modernization of our countries. In order to ensure full transparency and give an important signal to domestic economic operators and third country operators as to how we are implementing measures for achieving the objectives mentioned, at the meeting of the Council of Ministers two or three weeks ago a list of measures was drawn up within a time-frame - in reality, a plan of action - for implementation between now (the second half of 1992) and the end of 1994, with special emphasis on liberalization and the formation of a free-trade area and a customs union.

I should like now to mention some particular aspects that may be of interest to the Committee. First of all, the common external tariff provided for in Article V(c) of the Treaty. The Treaty stipulates that a common external tariff is to be drawn up to promote the competitiveness of products of the member countries in third markets. The common external tariff is currently under study in the context of this time-frame of

measures with the aim of completing it by mid-1994. The Ministers for the Economy of the four countries have set certain guidelines for this common external tariff, one of which is that there should be only very limited dispersal of the various tariff levels. It is perhaps relevant to mention in connection with tariffs in MERCOSUR that the average tariff levels in MERCOSUR after 1994, once we have the definite version, will be lower than those applied by our countries before the MERCOSUR negotiation process was set in motion.

A second aspect I would mention in addition to the common external tariff concerns the non-tariff measures referred to in the context of Article V(a) under the trade liberalization programme. This question of non-tariff measures is included in the economic complementarity agreement negotiated within the legal framework of LAIA (in supplementary notes): the four countries have drawn up a list of non-tariff measures that are to be progressively eliminated. The non-tariff measures applied between the MERCOSUR countries are no different from those applied by them to third countries. In this first year of implementation of the Treaty, some measures have already been eliminated - some restrictions have been withdrawn and not only in respect of MERCOSUR member countries, but in respect of all countries in line with a policy of market opening and external liberalization.

Another aspect I would mention is the common trade policy foreseen in Article IV of the Treaty: during the transitional period domestic policies are being applied and gradually co-ordinated as between the four countries. This co-ordination and harmonization of trade policies is being carried out consistently with the GATT disciplines which are relevant to the formation of MERCOSUR. I would mention in particular the common regulations designed to prevent dumped and subsidized imports, the common policy on safeguards, the system and instruments of procedure, import incentives, the common tariff nomenclature, harmonization of import and export standards to mention only some. It may be appropriate to underline that all these measures, all these policies which are currently being negotiated were included in the time-frame of measures I have already mentioned.

The fourth aspect I would mention concerns the sectoral agreements provided for in the Treaty of Asunción, which may be concluded between any of the industrial or agricultural sectors of the member States. In December 1991 guidelines were approved for the conclusion of sectoral agreements within the framework of MERCOSUR. It is important to underline that sectoral agreements are basically negotiated by the private sectors and then submitted to the four governments for consideration, but the initiative is taken by the private sectors and it is important to mention in this context that under Decision No. 3 of MERCOSUR, which approved this regulatory framework for sectoral agreements, Article IV states that sectoral agreements must be drawn up in such a way that they do not constitute an obstacle to the free marketing of goods and services among the MERCOSUR member countries and do not encourage unfair trade practices such as the formation of cartels, trusts and the like, nor may they include quantitative limitations, quotas or other non-tariff barriers.

Another point that should be clarified in regard to sectoral agreements is that they do not provide for preferential access through purchase guarantees. In connection with this concern which is also mentioned in Article IV in order to avoid unfair trade practices, I would add that just recently we examined the question of protecting competitiveness in a special committee. Other aspects that I would mention are the régime of origin and the safeguard clauses. Annexes II and IV to the Treaty of Asunción contain specific provisions on origin and safeguards. In general, the rules of origin established by the Treaty of Asunción are not different from those established by the 1980 Treaty of Montevideo establishing LAIA. Although the requirements of origin are regulated by resolutions of the LAIA Council of Representatives, the MERCOSUR member countries can establish, by mutual consent, rules of origin that are different from those of LAIA; these are specific rules of origin, approved by a special resolution as allowed by the LAIA Council of Ministers.

Provision is made in Annex IV to the Treaty of Asunción for safeguard clauses for the transitional period, applicable exclusively in trade between the MERCOSUR member countries. They do not affect trade with third countries and are applicable exclusively during the transitional period.

Another point I would mention is the matter of national treatment. The economic complementarity agreement concluded under the Treaty of Asunción does not include any specific provisions on national treatment. As we have already seen, the principle set forth in Article XLVI of the Treaty of Montevideo establishing LAIA is implicit in the free movement of goods provided for in Article I of the Treaty of Asunción which set up MERCOSUR.

Lastly, I would mention the interest of the four MERCOSUR governments in having clear and transparent rules to define the operational basis for economic agents of the four countries and foreign economic agents - but I think Ambassador Felix Peña will comment on this in greater detail. Nevertheless I would mention as a benefit for third countries, on the basis of clear definitions for operators in the four MERCOSUR member countries, definitions on dispute settlement, rules of origin, definitions concerning sectoral agreements in the area of protection of competitiveness, and the study of common rules to prevent unfair trade practices and the formation of monopolies.

I think that in the twenty minutes allowed me I have given you most of the information I could offer, and I remain at your disposal to furnish any additional information you may wish to have.