LATIN AMERICAN INTEGRATION ASSOCIATION

Addendum

The Secretariat of the Latin American Integration Association (LAIA) transmitted on 4 March 1992 the attached information concerning the agreements concluded under the 1980 Treaty of Montevideo during 1991. It supplements the information submitted on 17 February 1992 (L/6985). The Secretariat of LAIA also communicated that, regardless of the information submitted herewith, member States of LAIA which are contracting parties to the GATT intend to submit a report on activities concerning the period 1991-1992 for consideration by the Committee on Trade and Development.
Further to the information submitted on 17 February 1992, the member countries of the Association which are also GATT contracting parties submit herewith to the Council of Representatives information on measures taken in 1991 by pairs or groups of countries under the 1980 Treaty of Montevideo.

As stated in the above-mentioned report, of particular importance during this period were the new Economic Complementarity Agreements concluded between countries members of the Association: information has already been submitted on the main features of the Agreement concluded between Argentina, Brazil, Paraguay and Uruguay (ALADI/AAP.CE/18).

The Agreements thus concluded include: Agreement No. 15 between Bolivia and Uruguay, Agreement No. 16 between Argentina and Chile and Agreement No. 17 between Chile and Mexico. The main features of these Agreements are described below.

A. Economic Complementarity Agreement No. 15

Based on, among other considerations, the interest of both Governments in establishing an institutional framework between their countries for the purpose of stimulating their mutual trade and economic complementarity as a means of encouraging the integration of their economies, the plenipotentiaries of Bolivia and Uruguay signed Economic Complementarity Agreement No. 15 on 12 April 1991 at La Paz, Bolivia.

Objective of the Agreement

According to Article 1, the purpose of the Agreement is not only to expand and diversify trade between the two countries, for which a liberalization programme described below is established, but also:

(a) To encourage economic complementarity between their respective production activities;

(b) to co-ordinate industrial activities in areas of mutual interest, promoting greater efficiency of national production systems and deriving the best possible advantage from economies of scale;

(c) to stimulate investment so as to derive the greatest possible advantage from both markets and from third country markets;

(d) to promote the formation of bi-national enterprises;

(e) to promote the tapping of external financial resources in order to ensure full implementation of the objectives of the Agreement; and so forth.
Liberalization programme

Bolivia and Uruguay propose to bring about progressively the total elimination of tariffs and other restrictions affecting imports of products originating in and coming from each other's territories.

This programme will be carried out inter alia through the following instruments:

(a) Percentage preferences negotiated between the signatory countries; and

(b) preferences negotiated through industrial complementarity agreements signed between their Governments.

The Agreement includes two Annexes setting out the preferences and other conditions agreed by the signatory countries for imports of negotiated products originating in and coming from each other's territories, classified in accordance with the LAIA Tariff Nomenclature.

The preferences consist in the elimination or percentage reduction of current duties applied to imports from third countries as listed in the National Tariffs of the signatory countries.

At the same time, the Agreement provides that its signatories will grant a 100-per-cent percentage preference applied to the import tariffs in force for third countries for final goods, inputs and parts and components, to be traded in the course of the implementation of Industrial Complementarity Agreements approved in accordance with the Chapter relating to Complementarity and Trade by Production Sectors.

Thus, the Complementarity Agreements may contain provisions whereby goods imported from the other signatory country may be considered as national products for the purposes of calculation of local content of products.

Non-tariff restrictions

The signatory countries have undertaken not to apply non-tariff restrictions to imports of negotiated products.

Non-tariff restrictions refer to any administrative, financial, exchange or other measure whereby a signatory country unilaterally hinders or prevents imports. These do not include:

(a) Measures adopted in connection with the situations provided for in Article 50 of the 1980 Treaty of Montevideo; and

(b) measures adopted in connection with government manufacturing, selling and marketing monopolies or stemming from domestic practices relating to government procurement and State-regulated supply.
Complementarity and trade by production sectors

Considering that it is necessary to go beyond the purely commercial sphere of their mutual relations and at the same time encourage multi-disciplinary trade so as to foster the economic and social development of the two countries, the signatories established specific provisions for the purpose of promoting industrial, commercial and services complementarity and integration with a view to making the fullest use of available resources, increasing bilateral trade and allowing exports to third markets of goods produced in their territories.

To this end, the signatory countries propose to create the conditions for stimulating joint investment with a view to the production of goods and services in both countries, through the constitution of bi-national enterprises, "joint ventures" or other modalities.

With regard to industrial complementarity, the Agreement provides that its signatories will jointly determine the production sectors of greatest interest for industrial complementarity, attaching priority to those which entail the greatest use of their productive and technological resources.

With regard to action to promote economic complementarity, the Agreement provides that this will be undertaken through complementarity or integration agreements between enterprises, both public and private, for the production of goods and provision of services of both countries.

"Industrial Service" régime

The signatory countries also agreed to establish a bilateral framework for the partial or final processing of raw materials and semi-manufactures under the "Industrial Service" régime.

The Agreement defines the concept of "Industrial Service" as "the processing of raw materials or unfinished products, such as assembly, transformation or industrial processing of goods and industrial sub-contracting in the territory of one of the parties, originating in and coming from the other party, in accordance with the following rules:

(a) Goods will enter and leave the territory of either party as temporary exports/imports or temporary imports/exports, as the case may be;

(b) the signatory countries will facilitate as far as possible the movement of the products involved in the service. The delivery of foreign exchange or other exchange operations will be required only for the value added in the country where the industrial processing takes place;

(c) industrial service projects will be submitted simultaneously by those concerned to the authorities; once adopted, they will be submitted to the Administrative Commission referred to in Article 42, for immediate implementation."
Co-ordination in the field of transport

In order to create better conditions in their mutual trade, the signatory countries consider that the co-ordination of measures to facilitate the transport of goods is particularly important.

To this end, and without prejudice to the measures under the Convention on International Transport by Land agreed among countries of the Southern Cone, endorsed by LAIA, the signatory countries will co-ordinate action and take whatever action they consider necessary to facilitate transport of products traded between them and of products to or from Bolivia in transit through the territory of Uruguay.

The signatory countries also undertake to facilitate river transport and navigation through the Paraguay-Paraná Waterway, co-ordinating their actions with the governments of the riparian States.

Exchange of technology

The signatory countries see the need to encourage the exploitation of technology between the two countries through horizontal co-operation, to which end they will promote exchange of technology in agriculture, agro-industry, industry, mining and other areas considered to be of mutual interest.

For this purpose, the signatory countries will promote mutual technical assistance programmes aimed at raising levels of productivity in the above-mentioned sectors, making the greatest possible use of available resources and promoting greater competitiveness in both regional and international markets.

Rules of origin

The signatory countries adopt the General Régime of Origin established by Resolution 78 of the Committee of Representatives.

Safeguards and withdrawal of preferences

The signatory countries seek to enhance the stability of the Agreement by ruling out the possibility of applying safeguard clauses to imports of products covered by the liberalization programme and also by undertaking not to withdraw preferences that have been granted.

Other mandatory provisions

Finally, the Agreement includes the mandatory provisions established by Resolution 2 of the Council of Ministers as standard features of agreements of this type, namely:

(a) With regard to differential treatment and reciprocity, the Agreement recognizes the application of differential treatment provided for in Article ...(d) of the 1980 Treaty of Montevideo
and establishes that the liberalization programme must be based on an acceptable reciprocity of results, taking into account the differential treatment enjoyed by Bolivia as an economically less-developed country, in conformity with the 1980 Treaty of Montevideo and Council of Ministers Resolution No. 6.

If the preferences agreed under this Agreement should lead to a sharp imbalance in trade in the negotiated products, the signatory countries will review the situation in order to take whatever action they consider necessary to correct the situation.

A sharp imbalance in trade in the negotiated products will be considered to arise when the estimated f.o.b. value of the imports of the deficit country covered by the tariff preferences granted is more than 20 per cent greater than its exports under the tariff preferences received. If the deficit country is Bolivia, this percentage will be 40 per cent.

Once an imbalance as described in the previous paragraph has been found to exist, the signatory countries will begin negotiations that must be concluded within ninety days.

(b) With respect to convergence, the signatory countries will promote negotiations with the other member countries of the Association for the purpose of achieving progressive multilateralization of the preferences included in this Agreement.

(c) With respect to accession, the Agreement establishes that it is open to accession, subject to negotiation, by the other member countries of LAIA. Such accession will be formalized once the terms and conditions of accession have been negotiated between the signatory countries and the country seeking accession, by the signing of an additional protocol that will enter into force thirty days after its deposit with the Secretary-General of the Association.

(d) As regards entry into force, the Agreement establishes that it will come into force on the date of its signature and will be of unlimited duration.

Nevertheless, the preferences included in Annexes I and II will have a duration of six years from the date of entry into force of the Agreement, except where a fixed duration is established.

Preferences agreed without a fixed duration will be considered extended for a further six years, subject to explicit notification to that effect by the signatory countries to the Secretary-General of LAIA at least sixty days prior to their expiry.
The Ministers for Foreign Affairs of the two countries, taking into account the wish expressed in the Letter of Intent signed on 1 July 1991 by the Minister of Mining and Metallurgy of Bolivia, Walter Soriano Lea Plaza and the Minister for Industry, Energy and Mining of Uruguay, Dr. Augusto Montesdeoca, agreed to promote industrial complementarity and integration in the iron and steel industry, under the provisions of Articles 1, 9 and 10 of Economic Complementarity Agreement No. 15, signed in the legal framework of the 1980 Treaty of Montevideo, in accordance with the following Articles:

ARTICLE I

Object

With the purpose of integrating the iron and steel industries of the countries of the region, the signatory governments will establish a market in the regions of Cuenca del Plata and Ultramar for the production and marketing of sponge iron as specified in this Protocol.

ARTICLE II

The signatory governments will promote the installation of a sponge iron mill in Nueva Palmira, Uruguay, or an adjacent area having easy access to river transport and port structures that already exist or are to be built, with the possibility of entitlement to the benefits granted by existing Uruguayan legislation regarding free zones.

They will also promote the construction of a port of shipment for iron ore in Bolivian territory.

ARTICLE III

Raw Materials

In the production of iron ore and sponge iron use will be made of:

(a) Iron ore from Mutún - Bolivia or other countries of the River Plate Basin, to achieve roughly two million tonnes of high quality iron ore concentrate annually;

(b) limestone, sand and other components and inputs from Uruguay;

(c) natural gas for the industrial process from Bolivia or the region;

(d) electricity from Uruguay;

(e) Uruguayan labour, without prejudice to the recruitment of technicians and experts from other countries, preferably of the region.
ARTICLE IV

Transport

Bearing in mind the interest of establishing viable navigation in the River Plate Basin and the fully functional river operations on the Paraguay-Paraná Waterway (Puerto Câceres -Nueva Palmira) between the two countries of the region, the signatory governments will encourage the use of the appropriate fleets of the riparian countries.

ARTICLE V

Feasibility Study

The signatory governments will agree on the necessary arrangements for the financing of the project feasibility study, with the possibility of having recourse to multinational technical and financial co-operation institutions and private consortia with an interest in the project.

ARTICLE VI

Award of Contracts

The signatory governments may award contracts to entities governed by private law for the administration and execution of this project by means of concessions or by any other means that is in keeping with such mechanisms in the region and with practical rules that ensure dynamism and efficiency, in the view of the supervisory body established by the two countries.

B. Economic Complementarity Agreement No. 16

The Ministers for Foreign Affairs of Argentina and Chile signed Economic Complementarity Agreement No. 16 on 2 August 1991.

As stated in its preamble, the Agreement is based on the "common desire to carry into practice the mandate of intensifying economic co-operation between the two countries in accordance with the Treaty of Peace and Friendship of 29 November 1984, and to develop the general foundations for the signing of an Economic Complementarity Agreement as agreed by the President of Argentina and the President of Chile on 29 August 1990" (first preambular paragraph of the Economic Complementarity Agreement).
Object and scope

In accordance with Article 1, the goals of the Agreement are:

(a) To facilitate, expand and diversify trade between the signatory countries;
(b) to promote mutual investment and business enterprise;
(c) to encourage physical integration between the two countries through the facilitation of transport, the streamlining of border traffic arrangements and access to ports;
(d) to facilitate the development of projects of common interest in industry, infrastructure, energy, mining, tourism and other sectors, particularly with the active participation of the private sector.

As far as scope is concerned, by a gradual and balanced process the Agreement will lead to the facilitation of mutual trade and tariff preferences and the regulation of access to their respective markets, including rules governing reciprocal payments and credits, economic complementarity, physical integration and so forth.

Some of the main provisions established by the signatories in this respect are listed below.

Facilitation of reciprocal trade and tariff preferences

The Agreement incorporates the products and preferences negotiated under other liberalization schemes agreed by its signatories up to 31 December 1991, which will be exclusively governed by the provisions of the Agreement after 1 January 1992.

This incorporation, which includes Partial Scope Renegotiation Agreement No. 26 and Trade Agreements Nos. 5, 16 and 21 - was effected by an Additional Protocol of 13 December 1991, with effect until 31 December 1992.

The signatories intend to negotiate, by the end of the first half of 1992, an expansion of the lists of products included in the Agreement and of the preferences granted to their trade, with an overall assessment of the ensuing content to ensure a balanced Agreement.

The signatory countries also undertake to establish within one hundred and eighty days (180) the mechanisms and procedures, as well as the necessary requirements, in order to simplify and agree on stable and transparent regulations and, where possible, harmonize the provisions relating to the facilitation of trade in products covered by:

(a) Animal, plant and human health standards;
(b) standards relating to metrology and other technical aspects.
Thus, the Agreement includes as Protocol No. 1 the "Bilateral Regulations for the Transit of Products of Vegetable Origin in Hermetically Sealed Containers between Argentina and Chile", which represents an advance in the regulations governing the transit of such products through the territory of the two countries.

Rules governing market access and fair competitive practices

The signatory countries have undertaken to dismantle gradually the existing restrictions on foreign trade and to adopt régime aimed at eliminating any legal or administrative measure which prevents or hinders access to markets through prohibitions, licensing, import permits and any other obstacle to free trade incompatible with the rules of the General Agreement on Tariffs and Trade and the Subsidies and Countervailing Duties Code.

In supplementary notes that were incorporated at the same time as the lists of products and preferences covered by the liberalization programme of the Agreement, the existing restrictions were identified; they will remain in force until the Economic Complementarity Council set up to administer the Agreement proposes the necessary measures for their gradual removal.

The signatory countries also undertake not to introduce new restrictions in their reciprocal trade.

With regard to dumping and unfair business practices, the signatories undertake to investigate complaints brought to their attention and adopt the necessary corrective measures in response to them. Without prejudice to this commitment, the Agreement provides that in cases such as the grant of export subsidies and other domestic subsidies having an equivalent effect, the affected country may apply the measures provided for in its domestic law. In this regard the signatory countries undertake to follow the criterion procedures laid down by the General Agreement and its Codes.

Payment and credit rules

In this respect the Agreement provides that signatories will seek to channel the settlement of bilateral transactions through the LAIA Convention on Reciprocal Payments and Credits.

It should be pointed out that Argentina has already made this undertaking, and while Chile has not committed itself to doing so it does actually channel virtually all its commercial transactions with Argentina in this way, given the advantages of the system.

Likewise, they have agreed to co-ordinate their efforts to adapt and improve the existing system in order to strengthen the growth of reciprocal trade.
Economic complementarity

The Agreement establishes the obligation for signatories to sign agreements, protocols and other complementary decisions to facilitate the development of the following activities, among others:

(a) Promotion of reciprocal investment, joint ventures and the constitution of binational enterprises;
(b) promotion and facilitation of the provision of services;
(c) facilitation of the movement of factors of production;
(d) promotion of the sectoral complementarity and co-ordination;
(e) strengthening of communications and smooth transit;
(f) promotion of co-operation in technical research and development;
(g) promotion of tourism and the development of related services;
(h) promotion of complementarity and co-ordination for the development of the mining industry; and
(i) encouragement of co-ordination and complementarity in agriculture and in particular in the fruit and vegetable sector.

The Agreement reflects the interest of the two governments by the inclusion of two very important Protocols relating to economic complementarity: one concerns the "gas pipeline interconnection and supply of natural gas between Argentina (Cuenca Neuquina) and Chile"; and the other relates to "co-operation and integration in the mining industry" between the two countries.

Physical integration

In this field, the signatories recognize that the process of physical integration should seek to facilitate the movement of persons and trade, both bilaterally and to third markets, through the development and use of the port capacity of the two countries, the improvement and expansion of land, sea and air routes, the improvement of all national infrastructure and any other joint initiative of interest to the two countries.

The importance which both countries attach to this subject is shown by a Protocol on "Land, Sea and Air Transport" which is also part of the Economic Complementarity Agreement. Thus, the signatories agree that their air, sea and land transport systems should respond as efficiently as possible to the goal of integration and movement of goods and persons between the two countries. This implies the removal of obstacles and restrictions both as regards inefficiency in the various stages of transportation and in the mechanisms that regulate transport.
Dispute settlement

The Agreement establishes that disputes arising in the implementation of its provisions will be resolved by means of direct negotiations between the signatories. If a mutually satisfactory solution cannot be achieved within thirty days of the notification of the matter under dispute - extendable by mutual agreement - the dispute will be referred to the Economic Complementarity Council to be set up under the Agreement, which will examine the matter and within sixty days make the necessary recommendations to resolve the dispute. To this end the Council may establish or convene panels of experts in order to receive technical advice.

Rules of origin

The signatories adopt the Association’s General Régime of Origin for the classification, declaration and certification of origin of goods covered by the liberalization programme of the Agreement.

Safeguard clauses

The Agreement also provides for the application of the regional safeguards régime, except in the case of the Protocol relating to the regulations governing the “gas pipeline interconnection and supply of natural gas between Argentina (Cuenca Neuquina) and Chile”.

Other mandatory provisions

Finally, the Agreement includes the mandatory provisions established by Council of Ministers Resolution 2 for such agreements, namely:

(a) With respect to convergence, the signatory countries will examine the possibility of progressive multilateralization 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 members of LAIA.

Once the terms and conditions of accession have been negotiated, accession will be formalized between the signatories and the acceding country through the signing of an additional Protocol which will enter into force thirty days after being deposited with the Secretary-General of LAIA.

For the purposes of the Agreement and any protocols signed, the acceding country will also be understood to be a signatory country.

(c) The Agreement will enter into force on the date of its signature, together with the Protocols and Annexes that form part of it, and will be of unlimited duration.
Following its entry into force, the signatory countries will regularly evaluate, at the request of any party, the provisions and preferences granted under the Agreement in order to achieve harmonious and balanced progress in the integration process and to generate equitable benefits for both countries.

Administration of the Agreement

Finally, for the administration and development of the Agreement the signatory countries agreed to set up an Economic Complementarity Council (the "Council") in the framework of the Binational Commission provided for in Article 12 of the Treaty of Peace and Friendship of 29 November 1984. It will consist of officials of each country, co-ordinated by the respective Ministries of Foreign Affairs. The Council may establish working groups as it sees fit to carry out its functions.

The Council is to be set up within sixty days of the entry into force of the Agreement. It will establish its own rules of procedure.

In view of the importance both countries attach to active participation by the private sector, the Council is recommended to establish operational means of achieving this objective.

C. Economic Complementarity Agreement No. 17

This Agreement was signed by Chile and Mexico on 22 September 1991 in Santiago, Chile, by the Ministers for Foreign Affairs of the two countries. The central features of the Agreement are:

(a) The size of its liberalization programme, which covers the entire Customs Tariff, including the motor-vehicle sector, with a few exceptions;

(b) the establishment of a dispute-settlement procedure with the participation of an Arbitration Tribunal - the "Arbitration Panel" - with the possibility of inclusion of the LAIA Secretary-General;

(c) adherence to the provisions of the General Agreement on Tariffs and Trade in important areas such as dumping and other unfair business practices and government procurement;

(d) the provisions on such matters as investment and double taxation; land and sea transport; technical standardization; harmonization of other standards; industrial property; intellectual property; access to major international markets; services and economic co-operation.

The main provisions of the Agreement in this and other matters are listed below.
Object of the Agreement

According to Article 1, the goals of the Agreement are as follows:

(a) To intensify economic and trade relations between the signatories in the context of the integration process established by the 1980 Treaty of Montevideo, by means of the total liberalization of tariffs and other restrictions on imports from the parties;

(b) to increase as far as possible and diversify reciprocal trade between the signatory countries;

(c) to co-ordinate and complement economic activities, in particular in the production of goods and services;

(d) to stimulate investment aimed at making full use of markets and of the competitiveness of the signatory countries in world trade flows; and

(e) to facilitate the creation and operation of bilateral and multilateral enterprises of a regional nature.

Liberalization programme

The tariff reduction provided for in the Agreement takes different forms according to whether it concerns the entire Tariff, with a few explicit exceptions; selectively negotiated products with their own tariff-cutting programme over a longer period than in the previous case; products negotiated by the two parties under other liberalization mechanisms in which they participate bilaterally or multilaterally; or products of the motor-vehicle industry.

Under any of these tariff-cutting mechanisms, the starting point is a maximum common tariff of 10 per cent ad valorem applicable to imports of products originating in the territory of either country.

This maximum common tariff is not applicable to products covered by safeguard clauses, in which case obviously the general level of duties in force in each of the National Tariffs for imports of the product in question is applied.

(a) General régime

Under what may be defined as the general régime, the maximum common tariff referred to in the previous paragraph will be reduced gradually in accordance with the following time-table:

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<tr>
<th>Date</th>
<th>Tariff</th>
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<tbody>
<tr>
<td>1.1.1992</td>
<td>10%</td>
</tr>
<tr>
<td>1.1.1993</td>
<td>7.5%</td>
</tr>
<tr>
<td>1.1.1994</td>
<td>5%</td>
</tr>
<tr>
<td>1.1.1995</td>
<td>2.5%</td>
</tr>
<tr>
<td>1.1.1996</td>
<td>0%</td>
</tr>
</tbody>
</table>
This programme is not applicable to a few products specifically identified in the Agreement, for which no form of tariff-cutting is established. Trade in such products will therefore be subject to the bound maximum common tariff on imports of products originating in either country with the sole exception of those subject to safeguard clauses.

(b) Exceptions to the general tariff-cutting régime that have their own tariff-cutting programme

(i) A wide range of selectively negotiated products is subject to a tariff-cutting programme that is two years longer than the general régime, as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Rate</th>
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<tbody>
<tr>
<td>1.1.1992</td>
<td>10%</td>
</tr>
<tr>
<td>1.1.1993</td>
<td>10%</td>
</tr>
<tr>
<td>1.1.1994</td>
<td>8%</td>
</tr>
<tr>
<td>1.1.1995</td>
<td>6%</td>
</tr>
<tr>
<td>1.1.1996</td>
<td>4%</td>
</tr>
<tr>
<td>1.1.1997</td>
<td>2%</td>
</tr>
<tr>
<td>1.1.1998</td>
<td>0%</td>
</tr>
</tbody>
</table>

As may be seen, the programme retains the maximum common tariff of 10 per cent for 1992 and 1993, and reaches 0 per cent on 1 January 1998. The tariff-cutting pace is slower than under the general régime.

(ii) For another wide range of products, the percentage preferences agreed under the partial-scope or regional-scope agreements in which the two countries participate bilaterally or multilaterally will be maintained until such time as, by the application of the general régime of the tariff-cutting programme, these preferences are eliminated.

These are products negotiated under the following Partial-Scope Agreements: Renegotiation Agreement No. 37; Trade Agreements Nos. 1, 5, 16 and 21 and Regional Agreement No. 4.

(iii) The Agreement provides a specific tariff-cutting régime for imports of motor-vehicle industry products applicable as from 1 January 1996, at which date duties and other non-tariff restrictions will be removed under the specified conditions.

Under the Agreement, the signatories may agree on special programmes for the inclusion of products not covered by the general régime but without their own tariff-cutting programme, in the liberalization programme under any of its forms. They may also accelerate the programme for agreed products or groups of products.
In addition, a signatory country that wishes to do so may at any moment transfer a product from one programme to another.

**Non-tariff restrictions**

Here the Agreement establishes that the products included in the tariff-cutting programme will benefit from the total elimination of non-tariff restrictions as from 1 January 1992, with the exception of those mentioned in Article 50 of the 1980 Treaty of Montevideo.

The signatory countries also undertake not to introduce new restrictions on imports originating in the other country.

**Dispute settlement**

Mention should be made of the system adopted by Chile and Mexico for the settlement of dispute that may arise in the interpretation of the provisions of the Agreement, in its implementation or non-application, or as a result of any other situation other than dumping and unfair business practices.

In the case of a conflict arising as described above, the affected party will have recourse to the competent national body (National Secretariat of the Agreement) which will immediately initiate consultations with the responsible body of the other party.

If within fifteen days of submission of the complaint a solution has not been found, the competent national body which began the consultations will request the Administrative Commission of the Agreement to intervene.

The Administrative Commission will review the evidence on both sides, and may request appropriate technical reports, in order to achieve a mutually satisfactory solution, either through the action of the Commission itself or with the participation of a mediator whom it appoints from a list of experts prepared annually by the Commission for the purpose.

This procedure cannot exceed a period of thirty days from the date when the Commission is asked to intervene.

If the dispute cannot be resolved in this way, the Administrative Commission will immediately appoint an Arbitration Panel consisting of two countries from each signatory country, chosen from the list mentioned in the previous paragraph and a fifth arbitrator who will chair the Panel and cannot be a national of either signatory country.

In the absence of agreement on the appointment of the fifth arbitrator, the Secretary-General of LAIA or a person nominated by him will be appointed.

The arbitration procedure will comply with the regulations established for the purpose by the Administration Commission.
Without prejudice to the fact that the Arbitration Panel rules on the controversy referred to it by its own lights, it must take into account primarily the rules laid down in the Agreement and the rules and principles of the international conventions applicable to the case.

The Arbitration Panel's decision will contain, as appropriate, specific measures that may be applied by the country injured through non-compliance, mistaken interpretation or any other action or omission that impairs the rights stemming from the Agreement.

The specific measures mentioned in the previous paragraph may refer to a suspension of equivalent concessions to the damage caused, partial or total withdrawal of concessions, or any other measure falling within the application of the provisions of the Agreement.

The Arbitration Panel has a period of thirty days from the date when it is established, extendable for a similar period, in order to deliver its decision.

No appeal may lie against this decision, and failure to comply with it will lead to suspension of the Agreement until the causes that lead to the suspension have ceased. Should the situation continue, the affected party may invoke non-compliance as a cause for withdrawal from the Agreement.

Unfair business practices

The Agreement condemns dumping and all unfair business practices, as well as the grant of export subsidies and other domestic subsidies having an equivalent effect.

If such situations arise, the affected country may apply the measures provided in its domestic legislation, and at the same time information will be exchanged with a view to finding a prompt and definitive solution to the matter. In this field, both countries are to follow the criteria and procedures laid down by the General Agreement.

Government procurement

Here the Agreement proposes to establish, within the first year that it is in effect, the scope and terms and conditions that will govern government procurement between the two signatories.

"To this end account will be taken of the criteria laid down in the General Agreement on Tariffs and Trade for signatory countries to enjoy open and competitive access in the case of government procurement."

Maritime and air transport

The Agreement also contains provisions relating to maritime and air transport of passengers, cargo or mail.
Thus, the signatory countries undertake to grant free access to public and private cargoes in their foreign trade to vessels of the flags of the two countries, on a reciprocal basis, as well as to vessels assimilated to the national flag vessels under each country's legislation. This will apply to bilateral maritime trade and trade with third countries.

The Agreement also provides that the airline companies of the two countries may run regular and non-regular air services for passengers, cargo and mail between points in both territories via intermediate points and beyond, with third, fourth and fifth freedom traffic rights, with the sole exception of points beyond Santiago, Chile and Mexico City for regular passenger, cargo and mail flights, and non-regular passenger flights, with the frequency and aircraft they consider desirable.

Motor-vehicle sector

In addition to the liberalization of duties and import restrictions on products of this sector (see above, page 17, section (b) (iii)) the Agreement establishes that the marketing of such products in the territory of the importing country will be effected without other restrictions than those explicitly established in the Agreement, with the taxes, safety standards and environmental standards applied domestically by each country.

In this field the Agreement establishes a specific requirement of origin for products of the sector, which consists in accepting a percentage of materials used in their assembly originating from countries not signatories of the Agreement, which cannot exceed 68 per cent of the f.o.b. export value of the finished product.

Nevertheless, motor vehicles classified in sub-heading 87.0? which do not satisfy the rule of origin established in the previous paragraph may also be imported and marketed, in the established conditions, provided:

(a) The percentage to which this specific requirement refers does not exceed 84 per cent;

(b) the annual number of units classified within the said sub-heading exported by Mexico to Chile does not exceed 50 per cent of the units exported from Mexico to Chile in the previous calendar year;

(c) the annual number of units classified in the said sub-heading exported from Chile to Mexico does not exceed 5,000 units.

The date of commencement of the trade liberalization provided for in the Agreement may be brought forward or delayed if the pace of the elimination of the engine-capacity tax established in Articles 18 and 19 of Law No. 18, 483 of Chile is accelerated or reduced.

A further demonstration of the intention of avoiding unfair business practices in their reciprocal trade is the provision establishing that trade in products of this sector between signatory countries shall not enjoy any direct export subsidy.
Rules of origin

The agreed preferences will benefit exclusively imports of products considered as originating in the territory of the signatory countries in accordance with the provisions of the LAIA General Régime of Origin established in Resolution 78 of the Committee of Representatives, without prejudice to any requirements of origin that may be established by common agreement between the parties.

Goods transported in transit through a third country, from one signatory to the territory of the other signatory, with or without transshipment or temporary storage, under the supervision of the competent customs authority of such countries, shall be considered a direct shipment provided:

(a) They are not destined for trade, use or employment in the country of transit; and

(b) during the transport and storage they do not undergo any operation other than loading and unloading or handling to keep them in good conditions or ensure their conservation.

In addition to the documentation required under Resolution 78, the certificates of origin issued for the purposes of entitlement to the tariff reduction under the Agreement must be accompanied by a sworn declaration of the final producer or exporter of the goods stating that the rules of origin of the Agreement have been entirely observed.

Safeguard clauses

The signatory countries may apply safeguard clauses to imports affected under the liberalization programme, subject to timely advance notice, in accordance with the régime established by Resolution 70 of the Committee of Representatives and the following limitations:

(a) In cases where one of the signatories invokes balance-of-payments difficulties, the measures adopted may have a duration of up to one year and may be neither discriminatory nor selective, with the application of across-the-board tariff surcharges affecting all imports;

(b) in cases where imports of one or more products covered by the liberalization programme of the Agreement cause significant injury to the domestic industries of like or directly competitive goods, the signatory countries may apply temporary, non-discriminatory safeguards for a period of one year.

The extension of safeguards for a further period will require joint review by the signatories of the background and reasons for their application; the safeguards will necessarily have to be reduced in intensity and size until lapsing completely at the end of the new period, which cannot exceed one year.
Other mandatory provisions

The Agreement is open to accession by other LAIA member countries, through the appropriate negotiations.

The Agreement establishes that it will come into effect from the date of signing, for an unlimited period.

2. Changes introduced in current Economic Complementarity Agreements

Through various additional Protocols to current Economic Complementarity Agreements, member countries have made various adjustments during the last year, which are briefly listed below:

**Economic Complementarity Agreement No. 4**
(signed between Chile and Uruguay)

The signatories adopted the Second Additional Protocol whereby the agreed preferences were extended for a period of six years from 1 February 1991.

**Economic Complementarity Agreement No. 10**
(signed between Argentina and Venezuela)

The signatory countries adopted the First Additional Protocol whereby they agreed to extend the Agreement until 20 March 1992.

**Economic Complementarity Agreement No. 14**
(signed between Argentina and Brazil)

The signatories adopted Six Additional Protocols incorporating the following changes in the Agreement:

**First Additional Protocol:**

This modifies the preferences granted by Brazil for imports of "durum wheat" products classified under NALADI item 10.01.1.01 and "husked wheat", NALADI item 10.01.1.99 on the terms and conditions set out in that Protocol.

**Second Additional Protocol:**

Brazil exempts imports from Argentina from payment of the Additional Levy on Freight Rates for the Renewal of the Merchant Navy established by Decree Law No. 2404 of 23 December 1987 and related provisions.

**Third Additional Protocol:**

Argentina exempts imports from and exports to Brazil from the payment of the levy on International Export and Import Freight Rates established by Law 23.102 and related provisions.
Fourth Additional Protocol:

This expands the scope of the régime established for economic complementarity in the motor-vehicle sector (Annex VIII of Economic Complementarity Agreement No. 14), by including "buses" (NALADI/NCCA item 87.02.2.99) among the vehicles intended for collective passenger transport falling within Article 2(a) of that régime, and raises to 18,000 units the joint quota established by Article 5 of the Motor-Vehicle Industry Régime (Annex VIII) for reciprocal trade in passenger vehicles of any weight and engine capacity and of combined-use vehicles weighing up to 1,500 kg. (NALADI/NCCA item 87.02.1.99).

It also establishes for 1992 a total reciprocal quota of 25,000 units for passenger vehicles of any weight and engine size and combined-use vehicles weighing up to 1,500 kg. (NALADI/NCCA item 87.02.1.99).

Fifth Additional Protocol:

This gives permanent status to the preferences agreed by Brazil in the fisheries sector.

Sixth Additional Protocol:

This sets a quota of 700 units for reciprocal trade in buses and trucks for the year 1992.

3. Changes introduced in current Trade Agreements

The round of governmental negotiations held between late October and early November last year had two main objectives: firstly, the revision of the liberalization programme under the various current Trade Agreements, taking into account the recommendations made, and the extension of various Agreements which were due to expire at the end of 1991.

While the latter Agreements (thirteen in all) contained provisions for automatic extension for a period similar to that of the originally agreed duration - nine years - the opposition of one signatory meant that an understanding had to be reached among all signatories in order to establish the new period of duration and conditions.

The new conditions agreed consisted in the extension of these Agreements for one more year, with an automatic extension for further one-year periods, again subject to express opposition by any signatory country, in which case the obligations contracted and the rights acquired by that country under the Agreement will lapse, without such party having to carry out any of the formalities provided for in the case of withdrawal.

Exceptions to the above-mentioned conditions are Trade Agreement No. 1, for which the extension is until 29 October 1991 without the option of automatic renewal, and Trade Agreements Nos. 2, 14, 23 and 25, which the signatories agreed to allow to lapse. In this connection it should be pointed out that two of them (Nos. 23 and 25) were not in effect because the tariff preferences granted by their signatories had expired.
With regard to the revision of the liberalization programme of the current Trade Agreements, it should be mentioned that on this occasion the signatory countries of fourteen such Agreements agreed to extend their preferences - in most cases under the same conditions as originally granted or with the negotiation of new products.

The attached table lists the trade agreements revised during this period, with an indication of the nature of the changes made.
<table>
<thead>
<tr>
<th>No.</th>
<th>Sector:</th>
<th>COUNTRIES</th>
<th>AGREED TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Statistical machines and the like</td>
<td>Brazil, Chile, Mexico</td>
<td>(a) Extension of Agreement until 29 October 1992; (b) Termination of Chile’s participation in the Agreement.</td>
</tr>
<tr>
<td>2</td>
<td>Electronic valves</td>
<td>Argentina, Brazil, Mexico</td>
<td>Termination of Agreement, agreed preferences lapsed.</td>
</tr>
<tr>
<td>5</td>
<td>Chemical industry</td>
<td>Argentina, Brazil, Chile, Mexico, Uruguay, Venezuela</td>
<td>(a) Extension of Agreement until 20 December 1992, with option of automatic extensions for successive one-year periods; (b) Extension of preferences agreed among certain signatories; (c) For Argentina and Chile, the bilaterally agreed preferences between the two countries lapse as from 1 January 1992, and they will not apply in their reciprocal trade the preferences listed in the multilateralization liberalization programme of the Agreement.</td>
</tr>
<tr>
<td>9</td>
<td>Generation, transmission and distribution of electricity</td>
<td>Brazil, Mexico</td>
<td>Extension of Agreement until 29 November 1992, with option of automatic extensions for successive one-year periods.</td>
</tr>
<tr>
<td>10</td>
<td>Office machines</td>
<td>Argentina, Brazil, Mexico</td>
<td>(a) Extension of Agreement until 29 November 1992, with option of automatic extensions for further one-year periods; (b) Inclusion of new preferences and modification of some existing ones.</td>
</tr>
<tr>
<td>12</td>
<td>Electronics and electrical communications industry</td>
<td>Brazil, Mexico</td>
<td>Extension of Agreement until 29 November 1992, with option of automatic extensions for further one-year periods.</td>
</tr>
<tr>
<td>13</td>
<td>Phonography</td>
<td>Argentina, Brazil, Mexico, Uruguay, Venezuela</td>
<td>(a) Extension of Agreement until 2 December 1992 with the option of automatic extensions for further one-year periods; (b) Extension of preferences granted by some signatories for imports of compact discs; (c) Start of negotiations for accession of Colombia.</td>
</tr>
<tr>
<td>14</td>
<td>Household electrical, mechanical and heating appliances</td>
<td>Brazil, Mexico</td>
<td>Agreement terminated, agreed preferences lapsed.</td>
</tr>
<tr>
<td>15</td>
<td>Chemicals and pharmaceuticals</td>
<td>Argentina, Brazil, Mexico</td>
<td>Annual revision of the liberalization programme of the Agreement.</td>
</tr>
<tr>
<td>No.</td>
<td>Sector:</td>
<td>Countries</td>
<td>Agreed Terms</td>
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<tr>
<td>16</td>
<td>Petrochemicals</td>
<td>Argentina Brazil Chile Mexico</td>
<td>(a) Extension of Agreement until 6 December 1992 with option of automatic</td>
</tr>
<tr>
<td></td>
<td>(Twenty-eighth Additional Protocol, signed on 5 December 1991)</td>
<td>Uruguay Venezuela</td>
<td>extensions for further one-year periods;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(b) Annual revision of liberalization programme.</td>
</tr>
<tr>
<td>17A</td>
<td>Refrigeration and air-conditioning</td>
<td>Argentina Brazil</td>
<td>Withdrawal of preferences for two components of refrigeration compressors</td>
</tr>
<tr>
<td></td>
<td>(Fifth Additional Protocol, signed on 28 December 1991)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17B</td>
<td>Household electrical, chemical</td>
<td>Argentina Brazil</td>
<td>Replacement of preferences agreed by the two signatories</td>
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<td></td>
<td>and heating appliances</td>
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<td></td>
<td>(Fifth Additional Protocol, signed on 28 December 1991)</td>
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<tr>
<td>18</td>
<td>Photography</td>
<td>Argentina Brazil Mexico Uruguay</td>
<td>(a) Extension of Agreement until 24 December 1992, with option of automatic</td>
</tr>
<tr>
<td></td>
<td>(Fourteenth Additional Protocol, signed on 29 November 1991)</td>
<td>Venezuela</td>
<td>extensions for further one-year periods;</td>
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<td></td>
<td></td>
<td></td>
<td>(b) Revision of liberalization programme.</td>
</tr>
<tr>
<td>19</td>
<td>Electronics and electrical</td>
<td>Argentina Brazil Mexico Uruguay</td>
<td>(a) Extension of Agreement until 29 November 1992, with option of automatic</td>
</tr>
<tr>
<td></td>
<td>communications</td>
<td></td>
<td>extensions for further one year periods;</td>
</tr>
<tr>
<td></td>
<td>(Seventh Additional Protocol, signed on 28 December 1991)</td>
<td>Zambia</td>
<td>(b) Revision of liberalization programme agreed between Argentina and Brazil;</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>(c) Modification of legal régime of certain preferences granted by Brazil</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td>to Argentina, Mexico and Uruguay.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Argentina Brazil Mexico Uruguay</td>
<td>Annual revision of liberalization programme.</td>
</tr>
<tr>
<td>20</td>
<td>Dyes and pigments</td>
<td>Brazil Mexico</td>
<td>(a) Extension of Agreement until 29 November 1992, with option of automatic</td>
</tr>
<tr>
<td></td>
<td>(Eleventh Additional Protocol, signed on 28 December 1991)</td>
<td></td>
<td>extensions for further one year periods;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(b) Annual revision of liberalization programme agreed between Argentina and</td>
</tr>
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<td></td>
<td>Mexico and between Brazil and Mexico.</td>
</tr>
<tr>
<td>21</td>
<td>Chemicals</td>
<td>Argentina Brazil Mexico Uruguay</td>
<td>Annual revision of liberalization programme.</td>
</tr>
<tr>
<td></td>
<td>(Twenty-first Additional Protocol, signed on 28 December 1991)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Essential oils, aromatic</td>
<td>Argentina Brazil Mexico Uruguay</td>
<td>Annual revision of liberalization programme agreed between the two countries.</td>
</tr>
<tr>
<td></td>
<td>chemicals, perfumes and</td>
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<td></td>
<td>flavourings</td>
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<tr>
<td></td>
<td>(Ninth Additional Protocol, signed on 28 December 1991)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(Tenth additional Protocol, signed on 28 December 1991)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Sector</td>
<td>COUNTRIES</td>
<td>AGREED TERMS</td>
</tr>
<tr>
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</tr>
<tr>
<td>23</td>
<td>Generation, transmission and distribution of electricity</td>
<td>Argentina, Mexico</td>
<td>Agreement terminated (the agreed preferences between signatories had lapsed on 30 June 1984).</td>
</tr>
<tr>
<td>24</td>
<td>Electronics and electrical communications</td>
<td>Argentina, Mexico</td>
<td>(a) Extension of Agreement until 29 November 1992 with option of automatic extensions for further one-year periods; (b) Revision of liberalization programme.</td>
</tr>
<tr>
<td>25</td>
<td>Lamps and lighting units</td>
<td>Argentina, Mexico</td>
<td>Agreement terminated (the agreed preferences between signatories had lapsed on 31 December 1988).</td>
</tr>
<tr>
<td>26</td>
<td>Articles and appliances for hospital, dental, veterinary and like uses</td>
<td>Argentina, Brazil, Mexico</td>
<td>Annual revision of liberalization programme.</td>
</tr>
</tbody>
</table>
4. Changes made in other current Partial-Scope Agreements

During the last year the member countries of the Association that are signatories to Partial-Scope Agreements other than those mentioned above also agreed to make some changes in those Agreements.

The following list contains the Agreements concerned by such modifications, their signatories and the terms agreed in the Additional Protocols. These are Partial-Scope Agreements for the renegotiation of preferences that were described in earlier reports submitted in due course to the Committee on Trade and Development in connection with the Enabling Clause.
<table>
<thead>
<tr>
<th>No.</th>
<th>Agreement Description</th>
<th>Countries</th>
<th>Agreed Terms</th>
</tr>
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<tr>
<td>3</td>
<td>Tenth Additional Protocol, signed on 20 March 1991</td>
<td>Brazil, Chile</td>
<td>Expansion of liberalization programme through the inclusion of new products, and extension or deepening of various preferences. This expansion includes products and preferences negotiated bilaterally by the two countries under Trade Agreements Nos. 16 and 21.</td>
</tr>
<tr>
<td></td>
<td>Eleventh Additional Protocol, signed on 30 June 1991</td>
<td></td>
<td>Provides for distribution of various quotas granted by the Tenth additional Protocol.</td>
</tr>
<tr>
<td>8</td>
<td>Seventh Additional Protocol, signed on 3 October 1991</td>
<td>Bolivia, Brazil</td>
<td>Increase in quotas granted by Brazil for imports of products subject to quota listed in the Protocol.</td>
</tr>
<tr>
<td>9</td>
<td>Seventh Additional Protocol, signed on 28 November 1991</td>
<td>Brazil, Mexico</td>
<td>Termination of preference granted by Mexico for imports of cameras.</td>
</tr>
<tr>
<td>10</td>
<td>Revised</td>
<td>Brazil, Colombia</td>
<td>Inclusion of preferences granted by Brazil.</td>
</tr>
<tr>
<td></td>
<td>First Additional Protocol, signed on 3 April 1991</td>
<td></td>
<td>Modification of preferences and inclusion of new products by Brazil and Colombia.</td>
</tr>
<tr>
<td></td>
<td>Second Additional Protocol, signed on 14 October 1991</td>
<td>Brazil, Colombia</td>
<td>Enlargement of annual quota granted by Brazil for imports of tuna preparations and preserves.</td>
</tr>
<tr>
<td>11</td>
<td>Fifth Additional Protocol, signed on 17 January 1991</td>
<td>Brazil, Ecuador</td>
<td>Extension of preferences granted by Brazil and Venezuela for imports of various products.</td>
</tr>
<tr>
<td>13</td>
<td>Fifteenth Additional Protocol, signed on 30 May 1991</td>
<td>Brazil, Venezuela</td>
<td>Expansion of liberalization programme through inclusion of new products and deepening of various preferences.</td>
</tr>
<tr>
<td></td>
<td>Sixteenth Additional Protocol, signed on 30 September 1991</td>
<td>Paraguay, Venezuela</td>
<td>Expansion of liberalization programme through inclusion of new products and deepening of various preferences.</td>
</tr>
<tr>
<td>21</td>
<td>Second Additional Protocol, signed on 24 April 1991</td>
<td>Paraguay, Venezuela</td>
<td>Extension of Agreement until 31 December 1991 with option of automatic extension for further one-year periods in the absence of explicit opposition. The country expressing such opposition shall cease to be party to the Agreement without having to comply with the withdrawal clause.</td>
</tr>
<tr>
<td>29</td>
<td>Sixth Additional Protocol, signed on 10 December 1991</td>
<td>Ecuador, Mexico</td>
<td>The preferences negotiated without a specified period of validity will run until 5 April 1992.</td>
</tr>
<tr>
<td>35</td>
<td>Twelfth Additional Protocol, signed on 16 April 1991</td>
<td>Brazil, Uruguay</td>
<td></td>
</tr>
</tbody>
</table>