Questions and Replies

Contracting parties were invited (GATT/AIR/3545) to communicate to the Secretariat any questions they might wish to put concerning the Southern Common Market Agreement (MERCOSUR). In response to this request, a number of questions were received and were transmitted to the Parties to the Agreement. The questions and replies which have been received are set out below.

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1. ELIMINATION OF DUTIES, CHARGES AND OTHER RESTRICTIONS APPLIED IN THE STATES PARTIES' RECIPROCAL TRADE

1.1 We understand that the elimination of duties, charges and other restrictions applied in the States Parties' reciprocal trade is proceeding as scheduled in Annex I on the trade liberalization programme of the MERCOSUR Agreement. We would like Parties to confirm whether there is any plan to change the schedule and, if any, we would like to know about the proposed change.

The States Parties to MERCOSUR confirm to the GATT contracting parties that there is no plan to amend the trade liberalization programme in Annex I to the Treaty of Asunción nor the timetable for tariff reduction.

1.2 Have the decisions on tariff reductions and the elimination of non-tariff restrictions as described in Annex I been accomplished as planned? What kind of structural changes are envisaged for each country in connection with these eliminations?

The planned tariff reductions in the trade liberalization programme in Annex I have been implemented according to the timetable fixed therein, with effect every six months on 1 January and 1 July of each year until the total elimination of tariff barriers on 31 December 1994.

With regard to non-tariff barriers or restrictions, Article 10 of Annex I, the restrictions mentioned in the Complementary Notes to Complementarity Agreement No. 18 approved within the framework of LAIA, which reflects the relevant part of the Treaty of Asunción (November 1991), continue to be maintained.

The Treaty of Asunción does not set a programme for the elimination of non-tariff restrictions affecting trade among States Parties to MERCOSUR. Nevertheless, since 1991, work has been going on for this purpose and several restrictions concerning technical standards, as well as animal and plant health standards, have already been eliminated or harmonized. The remainder will be eliminated or harmonized by 31 December 1994.

The structural modifications resulting from implementation of the programme on gradual reduction of customs tariffs applicable in trade among States Parties to MERCOSUR have been taken into account in the Treaty, which provides for the possibility of using a safeguard clause once only during the transitional period up to 31 December 1994 with effect for one year, which may be extended by a further year in each case.

The procedure laid down in Annex IV to the Treaty of Asunción for applying safeguard clauses follows the guidelines laid down in Article XIX of the General Agreement on Tariffs and Trade, adapting them to the institutional functioning of MERCOSUR and the need to protect the situation of certain sectors of domestic industry in some of the States Parties to MERCOSUR.

The safeguard clause provides that in cases of emergency the country concerned may adopt measures to limit imports from one or more of the other States Parties provided that it immediately notifies and consults the executive body of MERCOSUR, the Common Market Group.

The safeguard clause specifies that the State Party concerned shall inform the Common Market Group of increases in imports of certain products and the damage or threat of damage which it considers such an increase might cause for domestic production of similar or directly competitive products. The Common Market Group has to take a decision within a period not exceeding 20 days from the start
of consultations among the countries involved, after the country which considers that it has suffered prejudice has presented its case.

Annex IV states that in no event may the quantitative restrictions decided upon be less than the level of the average quantities imported in the preceding three calendar years.

1.3 Article 5 of the Agreement specifies the main economic and trade policy instruments to be used in establishing MERCOSUR. In relation to the trade liberalization programme, could the Parties please advise:

(a) whether there have been exceptions to the automatic and linear tariff cuts being implemented according to the timetable in Annex I to the Agreement?

(b) what stage the removal of non-tariff barriers is at? and

(c) whether the annual 20 per cent reduction in the exemptions list for tariff reductions as submitted by each Party is occurring at the rate specified in the Agreement?

In connection with the trade liberalization programme mentioned in Article 5 of the Treaty of Asunción and in Annex I, the following should be noted:

(a) No exceptions have been noted to the automatic and linear tariff reductions foreseen in the timetable for tariff reduction; it should be noted that these reductions do not apply to products included in the schedules of exceptions;

(b) non-tariff restrictions included in the Complementary Notes to Economic Complementarity Agreement No. 18, (ratified within the LAIA framework in November 1991 on the basis of the Treaty of Asunción), as well as those identified by the relevant subgroups, will be subject to a timetable for elimination or harmonization, whichever is appropriate, by 31 December 1994;

(c) the annual 20 per cent reduction in items included in the schedules of exceptions to tariff reduction has in fact occurred exactly on 31 December in each of the last three years.

1.4 Has the tariff reduction timetable in Annex I, Article 3, been respected so far by all the States Parties to MERCOSUR?

The tariff reduction timetable has been respected by all the States Parties to MERCOSUR.

1.5 On 31 December 1994, will all customs duties between MERCOSUR countries be eliminated for all reciprocal trade?

As from 1 January 1995, customs duties for trade in goods among MERCOSUR countries will have been eliminated as the trade liberalization programme in Annex I will have been completed. The only exceptions will be 198 tariff headings for Uruguay and 87 for Paraguay, which these States Parties will retain in their relevant schedules of exceptions until 31 December 1995, in accordance with the Treaty of Asunción.
1.6 Has the timetable for the reduction of schedules of exceptions described in Annex I, Articles 6 and 7, been respected so far by all States Parties to MERCOSUR?

The timetable for the reduction of schedules of exceptions described in Articles 6 and 7 of Annex I to the Treaty of Asunción has been respected by all States Parties to MERCOSUR.

1.7 Article 10 of Annex I provides that all non-tariff restrictions shall be eliminated from the common market area as of 31 December 1994. Is there an agreed plan and schedule for the abolition of such non-tariff restrictions? If so, could a summary be provided?

See the replies to Questions 1.2 and 1.3(b).

1.8 Could the States Parties to MERCOSUR indicate what are the measures taken in the situations envisaged in Article 50 of the 1980 Treaty of Montevideo? (Annex I, Article 2(b)).

Some of the measures adopted in accordance with Article 50 of the 1980 Treaty of Montevideo and enforced in each country, as well as Articles XX and XXI of the General Agreement, are mentioned in the Complementary Notes to Economic Complementarity Agreement No. 18, which are attached to this document as Annex I. For further clarification, Article 50 of the Treaty of Montevideo reads as follows:

"No provision under the present Treaty shall be interpreted as precluding the adoption and observance of measures regarding:

(a) Protection of public morality;

(b) implementation of security laws and regulations;

(c) regulation of imports and exports of arms, munitions, and other war materials and, under exceptional circumstances, all other military equipments;

(d) protection of human, animal and plant life and health;

(e) imports and exports of gold and silver in bullion form;

(f) protection of national treasures of artistic, historical or archaeological value; and

(g) exportation, use and consumption of nuclear materials, radioactive products or any other material used for the development and exploitation of nuclear energy."

1.9 Does Argentina currently apply a statistical tax on imports? If so, what is the level of the tax?

Argentina applies a statistical tax on imports bound in its national list at GATT at 3 per cent.

1.10 Will trade between the Parties be exempt from any fees connected with importation and exportation which are covered by Article VIII of the GATT? If so, how will the cost burden be assessed for third country trading partners?

Trade among States Parties will be exempt from duties connected with importation and exportation covered by Article VIII of the General Agreement. The amount of duties covered by Article VIII of the General Agreement for other contracting parties will be fixed as a whole in accordance
with the provisions of this Article and the obligations undertaken by MERCOSUR countries in the Uruguay Round.

2. **THE COORDINATION OF MACROECONOMIC POLICIES**

2.1 **Have the Parties come to any agreement on coordination of macroeconomic and sectoral policies as decided in the Treaty?**

The States Parties are negotiating on the coordination and harmonization of their macroeconomic and sectoral policies.

The coordination of macroeconomic policies within MERCOSUR is seen as a process to be carried out gradually and not as an objective to be reached by a particular date. Until now, the process has not taken the form of specific agreements, although frequent contacts at different levels among the economic authorities of the States Parties have allowed the initial outline of macroeconomic coordination to be defined. The underlying idea is to give priority in coordination efforts to those macroeconomic policy mechanisms most directly related to trade.

The coordination of sectoral policies has also been the subject of intensive efforts at the technical level and covers several areas: industry, agriculture, energy, transport and labour. The results of these activities are being incorporated in Decisions or Resolutions adopted by the high-level bodies of MERCOSUR, leading to greater harmonization of domestic sectoral policies as part of the momentum of the integration process.

2.2 **What is the progress in relation to the coordination and harmonization of macroeconomic policies being implemented? Can MERCOSUR members provide a brief outline of economic integration achievements to date, together with an outline of what plans have been made for further progress? Can a timetable for future integration plans be provided?**

Improved coordination and harmonization of macroeconomic policies is reflected in the progress made in implementing the timetable of measures for the coordination of macroeconomic, sectoral and institutional policies, approved in January 1994 (this is attached to this document as Annex II).

In addition to the information provided in reply to question 2.1 above, it should be noted that careful consideration of the revision by the Common Market Group at its meeting held in Buenos Aires on 5 and 6 May 1994 shows the progress that has been made in this area. Among the plans elaborated in order to achieve greater progress are those referring to the implementation of the common external tariff (CET) from 1 January 1995 and the entry into force of the "minimum requirements" to bring into effect the customs union from 1 January 1995.

The plans for continuing this process are described in Decisions No. 9/93 and No. 13/93 of the Council of the Common Market, and are complemented by a timetable set out in Resolution No. 5/94 of the Common Market Group, concerning the CET and the "minimum requirements" for the functioning of the customs union.

2.3 **Could differences in macroeconomic policies lead to delays in the liberalization programme or the introduction of a customs union?**

Any differences in the macroeconomic policies of the States Parties to MERCOSUR have not led to delays in the trade liberalization programme. It should be borne in mind that on 1 January 1995, tariff reduction will reach 100 per cent and the CET will be established for the four States Parties.
In order to develop the customs union further, work is taking place on the convergence of the economic policies of the States Parties as well as on macroeconomic and regulatory harmonization and coordination.

3. THE ESTABLISHMENT OF A COMMON EXTERNAL TARIFF AND THE ADOPTION OF A COMMON TRADE POLICY IN RELATION TO THIRD STATES OR GROUPS OF STATES

3.1 Could the Parties advise of the progress that has been made on the tariff levels to be applied under the common external tariff (CET) in accordance with Article 5? What is the likelihood that the CET will be in place as scheduled at the end of the transition period in December 1994?

In accordance with the decisions adopted by the member States of MERCOSUR (Montevideo, December 1992, and Colonia, January 1994), it is envisaged that the CET will enter into force on 1 January 1995 together with the trade policy measures deemed necessary for its effective implementation, which constitute the "minimum requirements" for the customs union.

The common external tariff is at a very advanced stage of definition. At the technical level, the CET project should be completed during the next few weeks and will then be submitted as soon as possible to the policy-making bodies for final discussion of any issues which remain pending and to the Council of the Common Market for approval.

3.2 Paragraph 2 of Article 1 and Article 5(c) relate to the establishment of a common external tariff. We would like to know in detail the coverage of items, the items excluded, the schedule for establishing a common external tariff, the common external tariff rate of each item, and finally, the comparison of the overall level of tariff rates between the common external tariff rates and each States Party's applied tariff rates (on the basis of the trade-weighted average or the applied rates).

The information available on the tariff items covered by the CET, the items which will be exempt for a transitory period of six years and the levels of the common tariff for each item will be submitted in due course on a diskette and made available to contracting parties for consultation as soon as they have been approved.

The timetable for the establishment of the CET is 1 January 1995 and the convergence of exceptions is expected to be concluded on 1 January 2001, except for a few cases in which it is envisaged that the period for convergence will be extended to 2006.

3.3 How far has work progressed on a common external tariff and on a coordinated foreign trade policy towards third countries? Do there exist any further agreements on these issues?

See the replies to questions 3.1 and 3.2.

The adoption of a common trade policy complements the implementation of the CET. The minimum requirements laid down in Decision CMC No.13/93 and Resolution GMC No. 5/94 will enter into force together with the CET.

Regarding the coordinated trade policy towards third countries, a common regulation on safeguards in relation to third countries has been approved. Work is also going on to harmonize export incentive policies and special customs regimes.
3.4 The States Parties to the "Southern Common Market" have set themselves the goal of establishing a common external tariff and adopting a common trade policy in relation to third States or groups of States. However, document L/7370/Add.1 gives no information about this common external tariff nor a schedule for establishing it. In this case:

- Will the Southern Common Market be a customs union or a free trade agreement between the States concerned?

- In the first case, could the States Parties to MERCOSUR provide information about the establishment of a common external tariff (level of customs duties, programme for establishing the tariff, etc.) and the adoption of a common trade policy?

The Treaty of Asunción envisages the establishment of a common market.

With regard to the specific question, the Southern Common Market, MERCOSUR, will be a customs union when the CET fixed by common agreement among the States Parties enters into force. This CET has to be approved by the decision-making bodies of the integration process, namely, the Common Market Group and the Council of Ministers and Presidents.

With reference to the second part of the question, see the answers to questions 3.2 and 3.3.

3.5 Recent reporting has suggested that the MERCOSUR countries are having some trouble agreeing a common external tariff. Is customs union (as opposed to a free trade area) a realistic prospect?

The States Parties to MERCOSUR are completing the elaboration of a draft common external tariff at the technical level. The more complex items are the subject of intensive discussions both at the technical level and in the high-level bodies with a view to reaching final agreement.

The progress already made in defining the CET and in discussions on other trade policy mechanisms deemed to be priorities ("minimum requirements") make it possible to envisage that the customs union is an objective that can be fully achieved within the time-limits laid down.

3.6 How is it envisaged that the CET be implemented? Although this does not seem to be covered in any detail (Article 5(c) only), our understanding is that the intention is to apply a maximum external tariff of 20 per cent, with 11 applicable tariff points between 0 and 20 per cent. Presumably the MERCOSUR countries will seek to harmonize on the lowest existing tariff of the MERCOSUR members with the minimum of rounding up and will be alert to the dangers of anti-competitive trade diversion if the external tariff is concentrated at the high end of the 0-20 per cent range?

The common external tariff is seen as a tariff which meets the objective of opening up the economies of MERCOSUR. It will be a weighted average whose level will be lower than the tariffs applied by the States Parties prior to signature of the Treaty of Asunción. In the negotiations taking place it is not envisaged that import duties will be concentrated at the high end of the tariff range envisaged.
3.7 It had been reported that one of the Parties wishes to pursue a common tariff in certain sectors which may result in an increase in the average incidence of tariffs on third parties. Would the Parties provide an undertaking that implementation of the CET will not adversely affect the trade of third parties by ensuring that the CET is established according to the provisions of Article XXIV:5(a)?

The MERCOSUR common external tariff will be fixed in total conformity with the provisions of Article XXIV, paragraph 5, of the General Agreement. As mentioned in response to the previous question, the weighted average will not exceed that applied individually by Member States prior to the signature of the Treaty of Asunción. It should also be noted that MERCOSUR countries will strictly observe their obligations undertaken in the Uruguay Round tariff negotiations, as shown on their respective schedules of concessions.

3.8 Will there be any exceptions to the CET? If yes, would a list be provided indicating the duty that would be charged by each Party? What timetable will be employed in integrating any exceptions into the CET?

The States Parties to MERCOSUR have agreed that the CET could exclude a limited number of tariff headings which will have to be defined by each country. The current national tariffs for these items will be maintained and a timetable will be fixed, together with a methodology for convergence to be completed in the year 2001 or possibly on 1 January 2006 in a very few cases.

3.9 If there are exceptions, will the CET cover substantially all the trade between the Parties?

The exceptions to the CET will be restricted to a small number of tariff headings and the CET put into effect will cover more than 80 per cent of trade among MERCOSUR States Parties.

3.10 Exactly which are the products for which no timetable has been established for the adoption of common external customs tariffs? (Provide more detail on data processing, telecommunications and others).

None, the tariff items subject to convergence have not yet been defined. They will be communicated as indicated in the reply to question 3.2.

3.11 In the trade liberalization programme outlined in Annex I, there is reference to a different time-frame for products in schedules of exceptions. What are these products? Are these exceptions part of the reason that a common tariff across the board cannot be implemented by 1 January 1995? We understand that an agreement on 85 per cent of the products to be included in a common tariff from this date should be ready by June 1994, while a dead-line of the year 2006 has been set for the rest.

This question confuses the schedules of exceptions to the trade liberalization programme in Annex I to the Treaty of Asunción with the convergence schedules for the CET.

The exceptions to the trade liberalization programme are not the reason for the decision that some items of the CET would be subject to convergence. The exceptions to the trade liberalization programme will be eliminated on 31 December 1994 for Argentina and Brazil and 31 December 1995 for Paraguay and Uruguay.

The CET convergence schedules are currently being defined and will be restricted to a limited number of cases (see the answers to questions 3.8 to 3.10).
3.12 When will the CET be available for examination by the contracting parties?

The CET has to be approved by the decision-making bodies of MERCOSUR before being disseminated. As soon it has been formally approved, the States Parties will inform the contracting parties of its features and content.

3.13 According to Article XXIV:5(c) of the GATT, any interim agreement leading to the formation of a customs union shall include a plan and schedule for the formation of such a customs union within a reasonable length of time. The schedules mentioned in 3.2 and 3.3 above should be included in the MERCOSUR Agreement since we understand that this Agreement is a customs union, in accordance with Article XXIV:8(a)(ii) and with paragraph 2 of Article 1 of the MERCOSUR Agreement. However, the said Agreement has only provided the schedule for eliminating duties, charges and other restrictions applied in the States Parties’ reciprocal trade, and set no schedule for the introduction of a common external tariff and a common trade policy. We would like to have more information about the consistency of the MERCOSUR Agreement with GATT Article XXIV:5(c).

The Treaty of Asunción fixes a timetable for the elimination of intra-zone tariffs and the establishment of the CET, namely, 1 January 1995. To date, progress has conformed to the timetable set, including the negotiation of the aspects necessary for coordinating the trade policies of the States Parties.

MERCOSUR will be able to provide further details on the application of the CET and the coordination of trade policies during the second half of this year.

Regarding the consistency of the MERCOSUR Agreement with Article XXIV:5(c) of the General Agreement, it should be noted that MERCOSUR is not a provisional agreement but a Treaty with obligations and programmes which member countries are implementing.

3.14 Can Parties confirm that the requirements of Article XXIV:6 of the General Agreement will be met?

As stated at the Council and the Committee on Trade and Development, the States Parties confirm that they will respect all obligations under the General Agreement, naturally including those of Article XXIV:6.

3.15 Could the Parties to the Agreement explain the manner in which they intend to determine principal supplier rights under Article XXVIII of the GATT?

Depending on implementation of the customs union, the States Parties will determine principal supplier rights when it becomes necessary to renegotiate the concessions under Article XXVIII of the General Agreement.

3.16 In October 1991, Argentina raised its general tariff on alumina from zero to 5 per cent. Have tariffs on other items been increased by Argentina or any other Party to the Agreement and, if so, do the Parties consider that such increases conform with the requirements of Article XXIV:5(a) of the General Agreement?

Argentina has made minor modifications to import duties in recent years, in full conformity with its obligations under the General Agreement. As indicated in the reply to question 3.7 above, the States Parties to MERCOSUR will fulfil their obligations in conformity with the provisions of Article XXIV:5.
In the MERCOSUR Agreement, there is no specific confirmation that a common trade policy shall be adopted. Is a common trade policy still planned to be introduced? If that is the case, what is the schedule for the introduction of a common trade policy and what is the detail of this common trade policy?

An external trade policy is provided for in Article 1 of the Treaty of Asunción.

The common trade policy is a series of measures and regulations which are being defined by MERCOSUR. A timetable of work has been adopted and it is hoped to conclude the preparation of these trade policy measures and instruments by 1 January 1995.

4. RULES OF ORIGIN

4.1 Rules of origin are included in the International Convention on the Simplification and Harmonization of Customs Procedures as well as in the Final Act of the Uruguay Round. To what extent have these rules served as guidance when the present General Rules for Classification of Origin were established and are there any divergences?

The definition of all trade policy instruments in MERCOSUR, including rules of origin, is based on the relevant provisions of GATT and the Customs Cooperation Council, which are applied by LAIA.

4.2 What treatment will be given to goods manufactured or processed in the free zones and what percentage of value added will give them MERCOSUR origin?

It has not yet been definitely decided what treatment will be given to goods from free zones, whether or not they can enter into MERCOSUR’s territory as a whole and, if they may do so, under what conditions.

During the transitional period, the Treaty of Asunción states that, in order to be considered as originating in MERCOSUR, industrialized products in free zones must fulfil one of the following requirements:

(a) for products whose processing utilizes materials which do not originate in the States Parties, the processing in the free zone must be reflected in a change of position in the LAIA tariff nomenclature;

(b) in cases where the foregoing requirement cannot be fulfilled because the processing does not imply a change of position in the nomenclature, the c.i.f. value port of destination or the c.i.f. maritime port value of materials from third countries must not exceed 50 per cent of the f.o.b. export value of the goods in question.
5. **MEASURES AFFECTING IMPORTS FROM THIRD COUNTRIES**

5.1 According to Article 4 of the MERCOSUR Agreement, the States Parties shall apply their domestic legislation to restrict imports whose prices are influenced by subsidies, dumping or any other unfair practice. In this respect, what kind of measures are intended to be taken as such import restrictions?

Once the GATT Uruguay Round Agreements have been ratified, the States Parties to MERCOSUR will incorporate them in their domestic legislation so that they can be applied when the World Trade Organization (WTO) enters into force.

Measures to prevent unfair practices will be in conformity with the provisions of the WTO Agreements.

5.2 How do the States Parties to MERCOSUR intend to restrict imports whose prices are influenced by subsidies, dumping or any other unfair practice? How is the term "unfair practice" to be defined?

MERCOSUR countries will only apply domestic legislation to restrict imports resulting from unfair practices within the framework of the provisions of the WTO.

Unfair practices will be defined as those identified as such in these provisions.

5.3 Could the Parties advise whether there has been any progress in the drafting of the common rules of trade competition referred to in Article 4 of the Agreement?

In this connection, MERCOSUR has approved three documents:

(a) Regulations on preventing imports which are the subject of dumping or subsidies by countries not members of MERCOSUR;

(b) Procedure for complaints and consultation on unfair trade practices;

(c) Procedure for the exchange of information in connection with investigations on dumping caused by imports from one of the MERCOSUR countries.

The procedures mentioned in subparagraphs (b) and (c) apply during the transitional period, while the regulations mentioned in subparagraph (a) will apply when the customs union enters into force.

The latter regulations are aligned on GATT regulations and are currently being revised to adapt them to the relevant Uruguay Round Agreements.
6. NATIONAL TREATMENT

6.1 According to Article 7 of the MERCOSUR Agreement, in the area of taxes, charges and other internal duties, products originating in the territory of one State Party shall enjoy, in the other States Parties, the same treatment as domestically produced products. What is the exact definition of the said taxes, charges and other internal duties? We would also like to confirm whether imported products from a non-State Party are given the same treatment as products originating in the territory of any State Party.

The distinction between taxes and charges is made because one of them concerns imposition of an exclusively fiscal nature (taxes), while charges represent reimbursement of the approximate cost of a service effectively rendered. Duties include customs duties and other similar costs whether they are fiscal, monetary, exchange costs or costs of any other type which affect foreign trade.

Guidelines and criteria for taxation principles are being developed with the aim of facilitating harmonization in this area within MERCOSUR.

The basis of taxation policy is to ensure that there is no discriminatory treatment against imports not only from States Parties but also from third countries so as not to modify the protection given by the common external tariff.

7. COMMITMENTS UNDER LAIA

7.1 Could the linkages between MERCOSUR and LAIA be explained?

MERCOSUR is a subregional integration agreement established by the Treaty of Asunción. This Treaty was incorporated in the Latin American Integration Association through ratification of Economic Complementarity Partial Scope Agreement No. 18 (ECA 18), within the framework of the Third Section of Chapter II - Partial Scope Agreements, Articles 7 to 14 of the 1980 Treaty of Montevideo (establishing LAIA) and Resolution 2 of the LAIA Council of Ministers.

The States Parties to MERCOSUR are member countries of LAIA. The Treaty of Montevideo which created the Association allows the conclusion of agreements between two or more countries so as to accelerate the regional integration process without providing that the preferences granted are to be extended to the remaining members which are not parties to such agreements. Article 7 provides that "rights and obligations to be established in partial scope agreements shall exclusively bind the signatory member countries or those adhered thereto".

Within this legal framework, the MERCOSUR countries concluded Economic Complementarity Agreement No. 18 within the framework of LAIA under the terms agreed in Annex I to the Treaty of Asunción.

Economic Complementarity Agreement No. 18 meets the requirements of the Third Section of the Treaty of Montevideo and Resolution 2 of the LAIA Council of Ministers, as set out in the preamble to this partial scope agreement. These encompass the following:

- The principles of Article 3 of the Treaty of Montevideo;
- the objective of the Treaty, in accordance with Article 8;
the general provisions of Article 9, incorporated in Article 14 of Economic Complementarity Agreement No. 18 on convergence and in Article 15 which lays down the terms for ratifying the "adhesion".

MERCOSUR therefore complies strictly with the terms of agreements provided for in the 1980 Treaty of Montevideo for countries members of LAIA and is fully consistent with its principles, objectives and instruments.

7.2 What are the differences from the standpoint of trade arrangements between the Latin American Integration Association (LAIA) and the Treaty of Asunción?

In this connection, the following aspects should be taken into account, bearing in mind that the objective of both Treaties is to establish a common market:

1. LAIA (the 1980 Treaty of Montevideo) is a system for regional integration composed of 11 Latin American countries. The Treaty of Asunción is covered by its Articles and is composed of four LAIA member countries.

2. The Treaty of Montevideo establishes the mechanisms for convergence among subregional agreements. The Treaty of Asunción constitutes one of these subregional agreements and is within the framework of LAIA so as to move towards convergence.

3. LAIA gives its members the possibility of concluding different types of instruments: partial scope agreements, whether bilateral or multilateral, and regional scope agreements. These may take the form of trade agreements, economic complementarity agreements, trade promotion agreements and other forms which the member countries wish to adopt. The instrument concluded by the States Parties to MERCOSUR is an economic complementarity agreement of partial scope and is multilateral because it involves four countries.

4. The common market envisaged in the LAIA does not have any time-limit for its establishment, unlike MERCOSUR, which sets 31 December 1994 as the time-limit. In this connection, MERCOSUR constitutes an integration plan aimed at revitalizing and developing the system of preferences among States Parties in accordance with the provisions and mechanisms provided in the Treaty of Montevideo.

7.3 Reference is made to the 1980 Treaty of Montevideo and partial scope agreements and economic complementarity agreements under its auspices. Could you please explain the legal implications of the Treaty of Montevideo on the MERCOSUR Agreement? More specifically we would appreciate a clarification on Annex I, Articles 2(b) and 12, and Annex II, Articles 1(b) and 1(c), as well as Article 19 (identical to Article 12, Annex I) of the Treaty of Asunción.

The Treaty of Montevideo lays down the overall legal framework and the general guidelines to which MERCOSUR conforms.

Articles 2(b) and 12 of Annex I to the Treaty of Asunción refer to the special regulations (exceptions) of the Treaty of Montevideo or resulting from commitments undertaken within its framework.

Articles 1(b), (c) and 19 of Annex II to the Treaty of Asunción adopt the same criterion for rules of origin, i.e., to link this Treaty with the Treaty of Montevideo.
7.4 In COM/TD/W/497 (pp. 1-2) it is stated that additional protocols and decisions approved under MERCOSUR are also registered in LAIA, taking direct legal effect in constituent countries. How do the decisions taken in MERCOSUR affect LAIA member countries which are not Parties in MERCOSUR? Which agreement sets the overall framework/guidelines?

Some of the decisions adopted within the framework of MERCOSUR have been formalized in LAIA in the legal form of Additional Protocols to Economic Complementarity Agreement No. 18. These concern the integration process and are of a substantive nature rather than of form. Decisions concerning the negotiating process as such, however, have not been formalized, for example, the holding of special meetings, changes to the timetables of the technical subgroups, etc.

Decisions in the form of Additional Protocols to Economic Complementarity Agreement No. 18 form part of the Agreement. In principle, they only have effect in countries which are parties to the Agreement. Examples are the System of Sanctions for Falsification of Certificates of Origin and the System for the Settlement of Disputes related to application, interpretation or non-fulfilment of the Agreement.

If a country which is not a member of MERCOSUR wishes to accede to an Additional Protocol, it must do so by acceding to Economic Complementarity Agreement No. 18, following the procedure for all Additional Protocols to partial scope agreements in LAIA.

Decisions can also be formalized in the form of partial scope agreements. These would automatically be open to accession by the other LAIA countries.

When decisions are incorporated in LAIA, they are subject to its rules.

8. ACCESSION

8.1 Bolivia is an observer in MERCOSUR. What are the perspectives for a Bolivian accession to the Agreement? Do you foresee an extension of this Treaty to additional new members?

Bolivia is a member of the Andean Pact and is not an observer in MERCOSUR, at least according to the meaning given to observer in GATT, because there is no provision for observer status in the Treaty of Asunción.

It should be emphasized that Bolivia has received invitations to participate in some of MERCOSUR’s technical meetings.

Although Bolivia’s incorporation in MERCOSUR is not envisaged, in the short term there might be some broader form of quadripartite relationship through the further development of the partial scope agreements between Bolivia and MERCOSUR countries.

Finally, it should be pointed out that Article 20 of the Treaty of Asunción allows for the accession of other countries members of LAIA following negotiations. This possibility is subject to time limitations (five years after the Treaty of Asunción has entered into force), except for countries which do not belong to subregional integration schemes or an extra-regional association, which are allowed to request accession before this date. This possibility of accession by LAIA member countries fulfils the requirement in the Treaty of Montevideo concerning the general rules of application for partial scope agreements, which may be extended to other LAIA members that so request.
It should also be noted that Chile has recently submitted to MERCOSUR a proposal for a closer relationship with this integration process and it will shortly be considered by MERCOSUR.

8.2 Will third countries other than those belonging to the Latin American Integration Association (LAIA) be able to become parties to the Treaty of Asunción?

The Treaty of Asunción does not provide for accession by countries which do not belong to LAIA.

9. **DISPUTE SETTLEMENT**

9.1 How will the dispute settlement provisions (Annex III) of the Agreement operate? Will these be GATT consistent?

The dispute settlement procedure adopted within the framework of MERCOSUR is fully compatible with GATT and its purpose is to resolve disputes among States Parties relating to the Treaty of Asunción.

By incorporating direct negotiations and a reconciliation role for the four countries acting jointly, the general principles prevailing in GATT in this area are respected.

Likewise, the possibility of recourse to arbitration for questions related to the application, interpretation or non-fulfilment of the Agreement is customary practice at the international level and is consistent with the relevant GATT provisions.

9.2 We have understood that there exists a "Brasilia Protocol" on dispute settlement. Does this differ from Annex III?

The Brasilia Protocol for Settlement of Disputes was approved by the Parties in December 1991 in accordance with paragraph 2 of Annex III to the Treaty of Asunción in which the States Parties undertook to adopt a system for the settlement of disputes during the transitional period. In other words, Annex III to the Treaty of Asunción establishes the general principles and timetable for the elaboration of a system for the settlement of disputes both for the transitional period and permanently, whereas the "Protocoło de Brasilia" lays down the various stages and procedures for the settlement of disputes in MERCOSUR.

10. **TRADE DATA**

10.1 Could the Parties provide an update to Appendices I and II to document L/7044, which show each Party's total exports and imports by destination?

These figures have been updated in Annex III, Appendix I to this document.

10.2 Could some information be provided concerning MERCOSUR trade?

For the last three years:

- Total trade between MERCOSUR countries and the rest of the world;
- Trade with the LAIA countries;
10.3 How much preferential trade is there between the MERCOSUR countries and the LAIA countries?

See Annex III, Appendix III to this document.

11. TRADE CREATION/TRADE DIVERSION

11.1 Have the Parties to the Agreement undertaken any studies on the trade creating and trade diverting effects of the Agreement? To what extent do the Parties expect trade diversion to occur?

There have been no joint studies on the effects of trade creation and any trade diversion as a result of the implementation of the Treaty of Asuncion. Taking into account the objective of maintaining open economies and that tariff levels as a whole do not exceed those in fact applied by the States Parties prior to signing the Treaty, it is obvious that MERCOSUR will lead to net trade creation.

12. MERCOSUR AND INTEGRATION EFFORTS IN THE WESTERN HEMISPHERE

12.1 What is the view of the States Parties to the MERCOSUR of this Agreement in relation to other regional integration efforts? The Treaty forms part of the geographically more comprehensive LAIA. MERCOSUR also has an agreement with the United States concerning a Council on Trade and Investment under the auspices of President Bush's "Enterprise for the Americas Initiative". What is the attitude towards NAFTA? Should MERCOSUR be understood as a move towards even wider Latin American integration?

From the outset, the primary objective of the States Parties to the Treaty of Asunción has been to incorporate MERCOSUR in global trade patterns. MERCOSUR is a flexible and open process, integrally consistent with the domestic policies of the States Parties, aimed at trade liberalization and enhanced external competitiveness. MERCOSUR was conceived as a project to complement the momentum of the international economy.

In this connection, in the preamble to the Treaty of Asunción, the States Parties declare that they are "aware that this Treaty must be viewed as a further step in efforts gradually to bring about Latin American integration, in keeping with the objectives of the Montevideo Treaty in 1980".

As far as the American hemisphere is concerned, MERCOSUR would like to develop further its links with various initiatives which already exist.

Bearing this in mind, the rules and criteria which will allow MERCOSUR to draw closer to markets in the northern part of the hemisphere have still to be defined. One important step forward in defining these rules and criteria is that MERCOSUR has already agreed upon a mechanism for the exchange of ideas and consultation with the United States, known as "4+1" or "the Rose Garden Agreement".
12.2 Can other customs unions or free-trade areas grant reciprocal preferential treatment? (NAFTA, which was recently set up, has offered membership to Argentina, which is a member of MERCOSUR).

There are no legal obstacles preventing MERCOSUR from negotiating reciprocal preferential treaties with other countries or integration areas.

12.3 How does MERCOSUR fit into the wider Latin American regional integration process - to what extent is this a stepping stone towards a Latin American/Caribbean free-trade area or an Americas free-trade area?

Through the formalization of Economic Complementarity Agreement No. 18 within LAIA, MERCOSUR fulfils the principles and objectives of the Treaty of Montevideo, in particular, Article 1, which states that "the long-term objective of the [integration] process shall be the gradual and progressive establishment of a Latin American common market”. MERCOSUR promotes and improves preferences among the States Parties within the provisions and mechanisms envisaged in the Treaty of Montevideo with a view to achieving the objective of a Latin American common market.

In addition, MERCOSUR is currently drawing up criteria to define its relationship with the other members of LAIA and countries referred to in Article 25 of the Treaty of Montevideo.

13. SERVICES

13.1 Although the Working Party’s terms of reference are only related to the GATT, and especially Article XXIV and the Enabling Clause, it is difficult not to go into other areas as MERCOSUR is styled to become an agreement on economic integration, also covering services. During the last months of the Uruguay Round negotiations, a provision in Article V of the GATS was added, directly connected with the efforts of establishing the MERCOSUR, namely paragraph 3(b) which allows for "more favourable treatment to juridical persons owned or controlled by natural persons of the parties to such an agreement". It would be interesting to hear the views of the countries concerned as to what kind of more favourable treatment they have been thinking of, and what economic reasoning lies behind the wish to discriminate third-country-controlled companies that engage in substantive business operations in the MERCOSUR area. Can such discrimination be beneficial to a country’s economy, and can it not become a disincentive for profitable investments?

MERCOSUR countries will strictly observe the provisions of the General Agreement on Trade in Services (GATS).

Regional initiatives aimed at liberalizing trade in services are consistent with Article 5 of the aforementioned Agreement. MERCOSUR, in accordance with the provisions of the domestic policies of the States Parties, does not allow for the adoption of any measure as a disincentive for investment from third countries. Its policy is to promote external investment.
14. OTHER AREAS

14.1 What time horizon is there for the other areas of the Agreement? Could the Working Party be given an exposé of the issues the 11 working groups are working on? We would, for example, want to be assured that the Subgroup on Maritime Transport is not planning to impose new restrictions, e.g. new cargo preference schemes between the "States Parties".

The working groups deal with the following matters:

Subgroup 1: Trade issues
Subgroup 2: Customs issues
Subgroup 3: Technical standards
Subgroup 4: Fiscal and monetary policies relating to trade
Subgroup 5: Inland transport
Subgroup 6: Maritime transport
Subgroup 7: Industrial and technological policy
Subgroup 8: Agricultural policy
Subgroup 9: Energy
Subgroup 10: Coordination of macroeconomic policies
Subgroup 11: Labour policy

Subgroup 6 is not planning to impose new restrictions in the area of maritime transport.

The timetable for dealing with these issues is set out in Decisions No. 9/93 and 13/93 of the Council of the Common Market and in Resolution 5/94 of the Common Market Group. This timetable will govern the work of the subgroups until 31 December 1994. Thereafter, new programmes of work may be established.

The organizational structure of MERCOSUR is shown in Annex IV to this document.

15. TRANSPARENCY IN IMPLEMENTING THE AGREEMENT

15.1 Do the States Parties to MERCOSUR undertake to notify the GATT of any changes in the Treaty of Asunción?

Any amendment of the Treaty of Asunción will be notified to GATT by the States Parties to MERCOSUR.

15.2 Do they undertake regularly to submit reports that will enable the impact and functioning of the Treaty of Asunción to be examined?

Yes.
ARGENTINA

Complementary notes

1. Decree No. 2.226/90 and its complementary provisions repeal Decree No. 4.070/84 and replace the Sworn Declaration of the Need to Import by the Statistical Register of Imports (REDI), which involves automatic bank processing.

2. Law 23.664 of 1 June 1989 provides for the payment of a statistical charge amounting to 3 per cent of c.i.f. value; this is payable when settling the corresponding import duties.

3. Payment for imports of goods from signatory countries may be made within the time-limits and according to the criteria freely agreed among the parties (Communication A-1589 of 10 December 1989).

4. Law 21.932, Decree No. 2.226/90, amendments thereto or replacement texts govern the regime in the automobile sector.¹

5. The agreement of the Commander in Chief of the Air Force is required for products in Chapter 88, corresponding to air navigation (Resolution 3.359/83, National Customs Administration (ANA)). In addition, imports of flight equipment must receive prior endorsement by the headquarters of the General Staff of the Air Force.

6. Endorsement by the General Department of Military Production (DGFM) in accordance with Decree No. 302/83, Resolution No. 4.628/80 and Resolution No. 3.383/83 ANA with the following restrictions: 29.03.00.02.99, dinitrotoluene, when used as an explosive; 29.22.00.01.01, monomethylamine nitrate when used as an explosive; 31.02.00.00, ammonium nitrate, when used as an explosive; 39.03.02.00.00, nitrocellulose when used as an explosive.

7. National Animal Health Service (SENASA) Provision 56/87 prohibits the import, manufacture, marketing etc. of diethylstilbestrol (DES) as from 1 April 1987.

8. SENASA Provisions 655/88 and 663/88 prohibit the import, use, possession, marketing and manufacture of products whose composition includes chloramphenicol when used for veterinary purposes on animals for human consumption.

9. The import of seeds of *querqus, nigra, pnellos, laurifolias* and *ma landica* is prohibited (Resolution 121/81, Department of Agriculture (SAG)).

10. It is prohibited to import plants with earth clinging to their roots, as well as plants in pots or in blocks of earth, bulbs and tubercles with earth on them, from whatever origin, as well as earth on its own or combined with other elements (Resolution 403/83 SAG). ANA Resolution

¹In this connection, the new Decree covering the regime for the automobile sector is at present awaiting signature by the President of the Republic and does not yet have a number. This is why mention is made of amendments or replacement texts in the above paragraph.
1.339/85 stipulates that approval and authorization by the National Plant Health Service is required before domestic customs clearance of any final or temporary import of such plants.

11. Approval by the Ministry of Public Health in accordance with Law 16.463 and Decree No. 9.793/64 is required for any product to be used or applied in human medicine.

**BRAZIL**

**Complementary notes**

Without prejudice to the conditions specified in each case, the import of products negotiated by the Federative Republic of Brazil is subject to the following provisions:

**General provisions**

1. In conformity with Resolution CONCEX 125 of 5 August 1980 and Order No. 56 of 15 March 1990 of the Ministry of Economy, Finance and Planning, as soon as import documents have been correctly issued, import licences are automatically issued for products that are the subject of concessions in this Agreement.

**Special provisions**

1. Prior approval for data processing goods, Law No. 99.541 of 21 September 1990 and Resolution No. 20 of 26 October 1990 of the Ministry of Science and Technology.

2. Decree No. 55.649 of 28 November 1965: prior authorization from the Ministry of the Armed Forces (machinery for the manufacture of arms, ammunition and gunpowder, explosives, their elements and parts, and dangerous chemical products).

3. Federal Constitution, Article 177, Decree No. 4.071 of 12 May 1939; Decree No. 28.670-50; Decree No. 36.383/54; Decree No. 67.812/70: authorization from the National Fuel Department of the Ministry of the Infrastructure for the import of crude oil and its derivatives, natural gas, rare gases, fluid hydrocarbons and fossil coal and their primary products.

4. Decree No. 64.910 of 29 July 1969 and Decree No. 74.219/74: prior authorization from the Ministry of Aviation, through COTAC (Coordination Commission for Civil Air Transport), for the import of civil aircraft and their parts.

5. Order No. 437 of 25 November 1985 of the Ministry of Agriculture: prior authorization by the Ministry for the import of seeds and plants.

6. Law 4.701 of 28 June 1965: prior authorization by the Ministry of Health for the import of psychotropic substances and products, human blood, human or animal serum or other components of blood.


9. Order No. 3.368/FA-61 of 1 November 1988: prior authorization by the General Staff of the Armed Forces for the import of machinery, equipment, instruments and technical material for aerial surveying (Order No. 1.917-FA-61 of 29 June 1989).

10. Law No. 7.678 of 8 November 1988, Decree No. 73.267 of 6 February 1970 prohibits the processing of imported grape must for the production of wine and grape and wine products, and the import of grape and wine products in containers exceeding one litre.

11. Order IBAMA No. 293/P of 22 May 1989: natural or synthetic leather or latex may only be imported by enterprises granted a quota by the Brazilian Environmental and Renewable Resources Institute (IBAMA).


13. The issue of export or import licences for honey-rich or honey-residual alcohol is subject to a declaration of excess availability for export or a domestic production deficit issued by the Secretariat for Regional Development of the Office of the President of the Republic, Decree No. 99.685 of 9 November 1990.


15. It is prohibited to import non-biodegradable detergent, Law No. 7.365 of 13 September 1985.

16. Prior authorization by IBAMA for the import of species of wild flora and fauna in danger of extinction, nets of synthetic or artificial textile material for the capture of birds and skins and parts of the aforementioned fauna, Law No. 5.197 of 3 January 1967.

17. Prior approval by the Brazilian Post and Telegraph Enterprise for the import of postal franking machines, Law No. 6.538/78 and Decree No. 83.858 of 1979.

18. It is prohibited to import leisure embarkations whose original market price exceeds US$3,500 calculated on the basis of the cost of the relevant equipment, Law No. 2.410 of 29 January 1955.

19. Prior approval by the Department of Supply and Prices of the Ministry of Economy, Finance and Planning for the import of wheat flour.

20. Law No. 6.360 of 23 September 1976: prior authorization by the Ministry of Health for the import of medicines, drugs, pharmaceutical inputs, sanitary products, cosmetics, perfume and products for household hygiene.

21. Order No. 51 of 24 May 1991 of the Ministry of Agriculture and Agrarian Reform prohibits the import of natural or artificial substances with anabolic properties.

22. Decree No. 97.634 of 10 April 1989: prior authorization by IBAMA for the import of metallic mercury.

23. Order No. 05 of 15 April 1991 of the National Secretariat of the Economy (SNE) defines the basic conditions for the import of wheat in grains.
Paratariff duties

1. Law No. 7.690 of 15 December 1988: tax for omission of an import licence (1.8 per cent of the constant value in the document concerned).

2. Law No. 7.700 of 21 December 1988: port fee (ATP), 50 per cent of transactions involving imported goods in ocean trade.

PARAGUAY

Complementary notes

Without prejudice to the conditions laid down in each case, the import of products negotiated by the Republic of Paraguay is subject to the following provisions:

1. Import of goods which require prior authorization, Decree No. 1.663 of 28 December 1988, Article 11: for health reasons, the import of certain plants has to be authorized by the Ministry of Finance following a report by the Customs Council.

Decree No. 1.663 of 28 December 1988, Import Prohibitions (Article 9):

(a) For reasons of animal health and life;
(b) for reasons of human health and life;
(c) for plant health reasons;
(d) for economic reasons.

2. Decree No. 7.127 of 24 September 1990, Article 1, establishes a temporary prohibition on the import of garlic of foreign origin.

3. Law No. 295/71 and its Implementing Decree 27.371/81 on cargo preferences specifies preferences for the transport of imports and exports by ships flying the national flag. In LAIA, the restriction is 50 per cent of the total cargo.

4. Decree No. 10.189 of 22 December 1941 (Articles 40 and 41): authorization by the Ministry of Agriculture and Livestock for the import of insecticides and fungicides.

5. Law No. 1.227 of 21 June 1967 (Article 13) obliges dealers, importers, distributors, manufacturers and processors of products of natural, chemical or synthetic origin to register these products in the relevant Registers of the Ministry of Agriculture and Livestock.


7. Law No. 1.340 of 22 November 1988: authorization from the Ministry of Public Health and Social Welfare and the Department of Drug Enforcement (DINAR) for the import of dangerous narcotics or drugs whose packaging must bear the same distinguishing marks.

8. Law No. 42 of 18 September 1990 prohibits the import of dangerous industrial or toxic waste.
9. Decree No. 10.189 of 22 December 1941, Article 30, prohibits the import and sale in Paraguay of insecticides or fungicides for protecting plant health without permission from the Department of Agriculture.

10. Resolution No. 175 of 21 June 1978, Ministry of Agriculture and Livestock (Articles 1 and 2) prohibits the import into Paraguay of swine, semen, products, subproducts and derivatives of domestic or wild pig origin from areas where there is African swine fever and vesicular swine disease.

11. Law 1.095 of 14 December 1984 (Article 6) prohibits the import of articles which might affect national security, public order, public health, animal and plant health, and public morals.

12. Decree No. 25.045 of 19 October 1989: authorization by the Ministry of Agriculture and Livestock for the import into Paraguay of queen bees, swarms or any other living material (Article 21) and prohibition on the import of African bees (Article 23).

13. Resolution No. 306 of 30 October 1987: authorization by the Ministry of Agriculture and Livestock for the import of bovines and sheep from the Argentine Republic, the Eastern Republic of Uruguay and the Federative Republic of Brazil.

14. Law No. 581 of 6 December 1923, Article 1, empowers the Executive to decide upon the categories of cotton seeds which may be imported for cultivation in Paraguay.

15. Decree No. 10.748 of 28 January 1942, Article 1 (paragraph 9), on the import of cotton seeds, specifies that an authorization from the Department of Agriculture is required because of the risk of importing serious diseases which do not exist in Paraguay.

16. Law No. 672 of 7 October 1924, Article 6: the import and export of plants and plant substances must be authorized by the Department of Agriculture.

17. Decree Law No. 8.051 of 31 July 1941: the import and export of plants, parts of plants and agricultural products must be authorized by the Department of Agriculture.

18. Decree No. 23.459/76: the import of arms, ammunition and explosives must be authorized by the Military Industries Department.


20. Decree No. 4.522/90 lays down a timetable for the import of potatoes, fresh or refrigerated tomatoes, onions, garlic, oranges, mandarins, melons and water melons.

21. Law No. 1.356 requires the submission of a plant health certificate issued by the Ministry of Agriculture and Livestock for the import of seeds, plants, live animals, fruit, etc.

22. Decree No. 3.265 of 1 October 1989 prohibits the production, import, marketing, and utilization of hormonal substances for the fattening of animals for human consumption.

23. Resolution No. 400 of 23 August 1989, in which the Ministry of Agriculture and Livestock lays down health and hygiene standards for the import of beef for domestic consumption.
24. Law No. 494 of 10 May 1921 on animal health regulations specifies health criteria for the import of animals and products of animal origin.


26. Decision by the Ministry of Agriculture and Livestock prohibiting the import and commercial use of chloramphenicol.

27. Law No. 881/81 requires the submission of a certificate of analysis from the Municipal Chemicals Office for the import of products for consumption.

Remarks

The following are charges or duties with effects equivalent to tariffs but which are not tariff restrictions:

- Law 69/68 establishes a tax on the sale of imported goods;
- Law 489/74 establishes a charge of 0.50 per cent of the import value;
- Law No. 1.663/88 (Article 4) establishes a charge of 0.25 per cent of the amount for handling imports;
- Law No. 48/89 provides for domestic taxes on imports.

The charges or duties with effects equivalent to tariffs but which are not tariff restrictions have been eliminated by the tax reform law recently adopted by Parliament as Law 90/91. They will be replaced by VAT, which will enter into force in June 1992.

URUGUAY

Complementary notes

Without prejudice to existing regulations concerning packaging and labelling, marks of origin, technical and quality standards and the measures set out in Article 50 of the Treaty of Montevideo, the import of products included in the trade liberalization programme is governed by the following special conditions:

1. Law No. 8.764 of 15 October 1931 gives the State, through the National Administration for Fuel, Alcohol and Cement (ANCAP), the exclusive right to:

   (a) Import, export, manufacture, modify, denature and sell alcohol, as well as national fuel in the whole of Uruguay. This provision covers all or some distilled alcoholic drinks when ANCAP deems it necessary;

   (b) The import and refining of crude oil and its products in the whole of Uruguay;

   (c) The import and export of liquid, semi-liquid and gaseous fuel, in any state and composition, when the State's refineries produce at least 50 per cent of the gasoline consumed in Uruguay.
2. The import of armed vehicles is subject to prior authorization and compensatory exports (Decrees Nos. 232/980 of 24 April 1980, 152/985 of 18 April 1985 and amendments thereto).

3. The import of kits for the assembly of vehicles is subject to the compensatory export and national integration regimes - which are mutually replaceable - in conformity with the provisions in Decrees Nos. 128/70 of 13 January 1970, 152/985 of 18 April 1985 and amendments thereto.


5. The import of used motorcycles, motorized bicycles, their parts, spare parts and accessories is prohibited. (Decree No. 583/990, enacted by decree on 12 November 1991).

6. The Decree of 4 July 1991 only liberalizes the marketing of imported wines in their original containers not exceeding one litre capacity, without any alteration of the trade mark or category.

7. Decrees 171/991 of 20 March 1991: the import of wheat is subject to prior issue of the relevant licences by the Ministry of Livestock, Agriculture and Fisheries.

8. The Executive is empowered to establish minimum export prices or reference prices for imports when these are not consistent with what are considered normal international prices or when this is due to or might cause serious prejudice to a production activity in Uruguay (Decrees Nos. 787/979 of 31 December 1979, 523/990 of 14 November 1990, 465/91 of 30 August 1991, and like provisions).
ANNEX II

Reply to Question 2.2

MERCOSUR, Decision No. 9/93 of the Council of the Common Market.

Taking into account Article 10 of the Treaty of Asunción, Decisions Nos. 1/92 and 1/93 of the Council of the Common Market, and Resolution No. 77/93 of the Common Market Group,

Considering that it is necessary to make adjustments to the Las Leñas timetable of measures in the light of the activities being undertaken.

Article 1 The timetable of measures (Coordination of Macroeconomic, Sectoral and Institutional Policies) to be adopted before 31 December 1994 should be modified so as to ensure total fulfilment of the objectives laid down in the Treaty of Asunción for the transitional period, in accordance with the Annex to this Decision;

Article 2 The dates fixed in this timetable may only be amended by a decision of the Common Market Group. Under no circumstances may they be extended for more than three months nor exceed the date of 31 December 1994;

Article 3 In cases where the timetable refers to the implementation of measures, it means the taking of a decision through the relevant legal act in each of the States Parties or by the Council of the Common Market or by the Common Market Group, whichever is appropriate.
SUBGROUP 1: TRADE ISSUES

1. Regulations on protection against imports which are the subject of "dumping" or subsidies by countries not members of MERCOSUR

1.1 Review of the draft regulations by each country
1.2 Discussion of the draft regulations
1.3 Preparation of the final text of the regulations
1.4 Submission to the Common Market Group (CMG) for consideration and implementation

Date
July 1992
August 1992
September 1992
October 1992

2. Joint safeguards policy

2.1 Submission of national proposals
2.2 Discussion and harmonization of the proposals
2.3 Appraisal and consideration of the draft in each country
2.4 Discussion of the draft
2.5 Preparation of the final draft of the regulations
2.6 Internal appraisal of the final draft
2.7 Discussion of the final draft
2.8 Submission the CMG for consideration and implementation

Date
December 1992
March 1993
June 1993
September 1993
December 1993
February 1994
March 1994
June 1994

3. Special customs regimes

3.1 Comparison of the existing legislation in the draw-back/temporary admission and other regimes
3.2 Identification of inconsistencies in the legislation
3.3 Preparation of a proposal on basic criteria and parameters to guide the policy on special customs regimes
3.4 Appraisal of the proposal in each country
3.5 Preparation of the final document
3.6 Submission to the CMG for consideration and implementation

Date
December 1992
June 1993
March 1994
June 1994
August 1994
September 1994

4. System and instruments for the promotion and encouragement of exports

4.1 Identification of the various instruments, particularly those of a fiscal and financial nature, including aspects related to export credit insurance
4.2 Comparison of national legislation and identification of inconsistencies
4.3 Preparation of basic criteria to guide the export incentive policy
4.4 Discussion of the criteria submitted
4.5 Preparation of the final document
4.6 Submission to the CMG for consideration and implementation

Date
December 1992
December 1992
September 1993
December 1993
March 1994
April 1994

1 The time-limits have to be harmonized with Subgroup 2. At the same time, notifications should be submitted twice a year in advance.
5. **Common nomenclature**

5.1 Definition for the fractionation of tariffs taking the harmonized system in the LAIA nomenclature as a basis

5.2 Appraisal of criteria by each country

5.3 Preparation and discussion of a joint proposal

5.4 Submission to the CMG for consideration and implementation

5.5 Submission to the Subgroup 10 in order to determine the external tariff

5.6 Follow-up, adaptation and revision of the draft common nomenclature

6. **Administrative regulations for imports and exports**

6.1 Exchange of existing regulations

6.2 Comparison of the various regulations

6.3 Identification of inconsistencies

6.4 Preparation of joint administrative regulations

6.5 Submission to the CMG for consideration and implementation

7. **Impact of non-tariff restrictions (NTRs) on regional trade with a view to their elimination**

7.1 Inventory of existing NTRs in each country

7.2 Classification of NTRs according to type

7.3 Timetable for the gradual elimination of NTRs

7.4 Submission of the agreed timetable to the CMG for consideration and implementation

8. **Free zones and export processing zones, special customs areas**

8.1 Exchange of legislation

8.2 Review of inconsistencies

8.3 Review of the treatment to be granted to products originating in these areas

8.4 Preparation of a common procedure

8.5 Submission to the CMG for consideration and implementation

9. **Agreements on the exchange of statistical information on foreign trade**

9.1 Identification of the competent bodies for supplying data in each country

9.2 Definition of the formats and timetable for presentation

9.3 Schedule for the exchange of information

9.4 Submission of the agreed schedule to the CMG for consideration and implementation

9.5 Methodological revision and harmonization of concepts used in the preparation of foreign trade statistics

9.6 Review of the possibility of linking up databases
10. **Appraisal of bilateral agreements signed with third countries**

10.1 Identification of agreements

10.2 Study of the impact of these agreements on the integration process

10.3 Submission of the results to the CMG for consideration and implementation

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11. **Rules of origin**

11.1 Identification of criteria in economic integration processes and in the context of GATT negotiations

11.2 Preparation of basic criteria

11.3 Submission of recommendations and proposals to the CMG

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**SUBGROUP 2: CUSTOMS ISSUES**

1. **Preparation of a MERCOSUR glossary**

1.1 Exchange of information on terms and concepts

1.2 Comparison of customs terms and identification of inconsistencies

1.3 Preparation of a MERCOSUR glossary

1.4 Submission to the CMG for consideration and implementation

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2. **Harmonization of legislation**

2.1 Exchange of customs legislation

2.1.1 Comparison of legislation and identification of inconsistencies

2.1.2 Drafting of basic transitional legislation on internal relations and relations with other countries

2.1.3 Drafting of MERCOSUR basic customs legislation

2.1.4 Submission to the CMG for consideration and implementation

2.2 Exchange of customs legislation on frontier treatment related to tourism

2.2.1 Comparison of legislation and identification of inconsistencies

2.2.2 Drafting of basic transitional legislation on internal relations in member countries and relations with third parties

2.2.3 Submission to the CMG for consideration and implementation

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3. **Computerized control**

3.1 Definition of a codification structure for the unified customs nomenclature for goods

3.2 Definition of customs units with the relevant priorities for integration

3.3 Definition of information on customs transit, import and export to be exchanged and the time when it should be received

3.4 Definition of tables (unified or harmonization of codes)

3.5 Implementation of code tables (unified or harmonized)
3.6 Establishment of exchange registers
3.7 Implementation of exchange of information on customs transit, import and export in the form of files
3.8 Standardization of cargo manifests and bills of lading
3.9 Adoption and implementation in member countries of the standardized cargo manifests and bills of lading
3.10 Definition of protocols of communication
3.11 Implementation of the pilot project
3.12 Implementation of protocols of communication
3.13 Adaptation of the infrastructure necessary for the integration of each of the customs units
3.14 Final implementation of the project

4. Coordination of the classification of goods

4.1 Exchange and comparison of regulations on classification and identification of inconsistencies
4.2 Drafting of a harmonized transitional regulation for the classification of goods
4.3 Submission to the CMG for consideration and implementation
4.4 Drafting of a MERCOSUR classification standard
4.5 Submission to the CMG for consideration and implementation
4.6 Harmonization of classification criteria

5. Simplification at the frontier

5.1 Establishment of the international cargo manifest/customs transit declaration (MIC/DTA)

5.1.1 Negotiation and establishment of the MIC/DTA for other forms of transport
5.1.2 Preparation of regulations for the establishment of the MIC/DTA for other types of transport
5.1.3 Submission to the CMG for consideration and implementation
5.1.4 Establishment of the MIC/DTA for other forms of transport

5.2 Implementation of the universal system for sealing

5.2.1 Exchange of information on sealing systems
5.2.2 Implementation of the system of mutual recognition of seals by member States

5.3 Implementation of integrated frontier control

5.3.1 Meeting of customs administrators
5.3.2 Definition by member countries of the aspects to be integrated
5.3.3 Bilateral negotiations, item by item, to define criteria for customs integration
5.3.4 Regulations on exercising tax activities in the territory of other countries
5.3.5 Submission to the CMG for consideration and implementation
5.4 Implementation of 24-hour opening of customs posts

5.4.1 Meeting of customs administrators
5.4.2 Definition with member countries of the customs posts that will be open continuously
5.4.3 Bilateral negotiations, item by item, defining the conditions for their operation
5.4.4 Submission of proposals on the adaptation of physical installations with a view to their operation
5.4.5 Submission to the CMG for consideration and implementation

6. Customs valuation

Implementation of a common customs valuation system for imports

6.1 Review and appraisal of the current situation
6.2 Definition of a common system
6.3 Preparation of relevant legislation
6.4 Creation of the necessary support measures for the application of the common system
6.5 Submission to the CMG for consideration and implementation

7. Customs training

7.1 Holding of a MERCOSUR information seminar
7.2 Preparation of a MERCOSUR training programme

8. Migration control

8.1 Exchange of migration legislation related to border controls
8.2 Implementation of integrated border posts
8.3 Harmonization of migration legislation related to border controls
8.4 Border code of procedure
8.5 Computerized monitoring system
8.6 Creation of a single travel document

9. Plant and animal health control

9.1 Implementation of a pilot project for a unified plant health inspection service
9.2 Assessment of the controls established

10. Agencies working at border crossings

10.1 Coordination of working hours at border crossings
SUBGROUP 3: TECHNICAL STANDARDS

1. Information procedures among countries regarding technical standards and regulations

Updating

November 1994

2. Technical standards, voluntary framework (MERCOSUR)
   Standardization Committee: Argentine Institute of Standards (IRAM),
   Brazilian Technical Standards Association (ABNT), National
   Technology and Standardization Institute (INTN), and Uruguayan
   Technical Standards Institute (UNIT)

2.1 Harmonization of 90 standards
   December 1992

2.2 Harmonization of 62 standards
   April 1994

2.3 Harmonization of 60 standards
   August 1994

2.4 Harmonization of 84 standards
   November 1994

3. Acceptance of values and limits for the contents of pre-packaged
   industrialized products, in accordance with their marketing in the four
   countries, except for those which are being harmonized up until
   December 1994, time-limit envisaged for total harmonization
   June 1992

4. Net contents of packaged products and limits

4.1 Systems for limits and sampling of packaged products
   September 1992

   4.1.1 Definition of a working procedure for the implementation of
   limits and sampling
   March 1994

   4.1.2 Preparation of tables defining sampling and limits
   June 1994

   4.1.3 Preparation of a draft recommendation
   September 1994

   4.1.4 Submission of the draft to the CMG
   November 1994

4.2 Standardization of the contents of packaged products
   November 1992

4.3 Submission of the final proposal to the CMG for consideration and
   approval
   June 1993

4.4 Harmonization of the net contents of food products

   4.4.1 Net contents
   September 1993

   4.4.2 Discussion
   December 1993

   4.4.3 Harmonization and submission to the CMG
   March 1994

4.5 Harmonization of the net contents of cleaning products

   4.5.1 Proposal on net contents
   June 1993

   4.5.2 Discussion
   June 1993

   4.5.3 Methodology
   September 1994

   4.5.4 Harmonization and submission to the CMG
   November 1994

4.6 Harmonization of the net contents of sanitary and toilet products

   4.6.1 Proposal on net contents and containers
   September 1993
4.6.2 Discussion
4.6.3 Harmonization and submission to the CMG

4.7 Harmonization of the net contents of other products

4.7.1 Proposal
4.7.2 Discussion
4.7.3 Harmonization and submission to the CMG

5. Ingredients and food additives

5.1 Review by member countries of the proposals submitted
5.2 Discussion of the proposals
5.3 Classification of foodstuffs by subcategory
5.4 Positive list of food additives
5.5 Preparation of the final proposal
5.6 Submission of the final proposal to the CMG for consideration and implementation
5.7 Final preparation of the positive list of food additives

6. Food register

6.1 Review by member countries of the proposals submitted
6.2 Discussion of the proposals
6.3 Harmonization of authorization procedures
6.4 Discussion of inspection control and certification methods
6.5 Preparation of the final proposal
6.6 Submission of the proposed recommendation to the CMG

7. Sales description, identity and quality standards

7.1 Submission of methodologies for setting identity and quality standards for processed food products
7.2 Discussion of the proposals submitted and preparation of the common methodology
7.3 Identification of priority products and proposal on setting identity and quality standards
7.4 Identification of priorities earmarked by Subgroups 7 and 8
7.5 Discussion of proposals submitted for other products indicated by Subgroup 8
7.6 Preparation of proposals
7.7 Submission of the proposed recommendation to the CMG

8. Contaminants

8.1 Review by member countries of the proposals made
8.2 Discussion of the proposals
8.3 Pesticide residues:
  - Presentation of the situation in each member State and comparative study
  - Preparation of a harmonized proposal
8.4 Residues of products for veterinary use:
- Elaboration of a glossary of terms
- Endorsement of analytical methods
- Harmonized regulations
- Submission of the final proposal to the CMG for consideration and implementation
  
8.5 Mycotoxins
- Harmonization proposals
- Preparation of harmonized proposal
- Submission of the final proposal to the CMG for consideration and implementation

8.6 Inorganic contaminants:
- Discussion of proposal for the harmonization of horizontal standards
- Preparation of a harmonized proposal
- Submission of final proposal to the CMG for consideration and implementation

9. Beverages
9.1 Comparative analysis and continued preparation of proposals
9.2 Continued of elaboration of proposals
9.3 Preparation of final document
9.4 Submission to the CMG for consideration

10. Labelling of enriched or dietetic foodstuffs for special diets or medicinal use
10.1 Review by member countries of the proposals submitted
10.2 Discussion of the proposals
10.3 Preparation of the final proposal
10.4 Submission of the final proposal to the CMG for consideration and implementation

11. Microbiological and microscopic standards
11.1 Review by member countries of the proposals submitted
11.2 Discussion of the proposals
11.3 Preparation of the final proposal
11.4 Submission of the final proposal to the CMG for consideration and implementation
11.5 Discussion of horizontal standardization proposals
11.6 Preparation of the final proposal
11.7 Submission of the final proposal to the CMG for consideration and implementation

12. Containers and material in contact with foodstuffs
Harmonization of regulations on:
12.1 General provisions
12.2 Classification of foodstuffs and choice of equivalent 
12.3 Test of total migration and limits 
12.4 Positive list with restrictions on use and limits: 
- Resins and polymers 
- Additives 
12.5 Tests of specific migration 
12.6 Pigments 
12.7 Determination of heavy metals and arsenic in global migration residues 
12.8 Tests of total migration, olive oil method 
12.9 Returnable containers 
12.10 Complementary tests for containers for mineral and table waters 
12.11 Polymer coatings 
12.12 Compounds which form film 
12.13 Glass and ceramics: 
- Scope and regulations 
- Type of material 
- Tests of total migration 
12.14 Elastomers and rubber: 
- General provisions 
- Positive list with restrictions on use and limits 
- Migration tests 
12.15 Paper and cardboard: 
- Review of general conditions* 
- Submission of the technical regulations of the general provisions to the CMG 
- Discussion of migration tests and positive lists with restrictions on use and the limits 
- Preparation of final proposal 
- Submission of proposed recommendation to the CMG 
12.16 Regenerated cellulose: 
- General provisions 
- Positive list with restrictions on use and limits 
- Migration tests 
12.17 Other materials 

13. Health products 

Harmonization of regulations on: 

13.1 Large volume parenteral solutions 
13.2 Protocol of inspection for establishments in the pharmaceutical industry 
13.3 Register of pharmaceutical products 
13.4 Submission of the final proposal to the CMG for consideration and implementation 
13.5 Joint training activities for inspectors 
13.6 Pharmaceuticals: 

*Completed
- Good manufacturing practice November 1993
- Inspection guide November 1993
- Authorization for the functioning of pharmaceutical plants November 1993

13.7 Harmonization of non-tariff restrictions related to health products:
- Identification of priorities March 1994
- Discussion of proposals September 1994
- Submission of the final proposal to the CMG for consideration and implementation November 1994

14. Automobile industry

14.1 Harmonization of technical regulations November 1994
14.2 Accreditation of test laboratories November 1994
14.3 Procedures for the certification of vehicles March 1994

Harmonization of regulations on:

14.4 Braking systems November 1994
14.5 Safety glass November 1992
14.6 Stamp of approval for glass November 1994
14.7 Tyres, wheels and rims November 1992
14.8 Stamps of approval for tyres, wheels and rims November 1994
14.9 Diesel vehicle emission November 1993
14.10 Reference fuels March 1994
14.11 Lubricants November 1992
14.12 Noise November 1993
14.13 Translation of harmonized technical regulations July 1994
14.15 Safety-related devices for certification November 1994

15. Legal metrology: Instruments

Harmonization of regulations on:

15.1 Material measures for longitude November 1992
15.2 Approval of model instruments for metering and for material measures June 1994

Harmonization of regulations on:

15.3 Weighing machines:
- Presentation of proposal and discussion March 1994
- Harmonization June 1994
15.4 Quantities:
- Presentation of proposal and discussion March 1994
- Harmonization June 1994
15.5 Taximeters:
- Presentation of proposal and discussion June 1993
- Harmonization September 1993
15.6 Clinical thermometers:
- Presentation of proposal and discussion June 1993
- Harmonization December 1993
15.7 Capacity measures:
- Presentation of proposal and discussion
- Harmonization

15.8 Water meters:
- Presentation of proposal and discussion
- Harmonization

15.9 Fuel pumps (pumps for measuring fuel):
- Submission of proposal and discussion
- Harmonization

16. Telecommunications

16.1 Interconnecting systems in neighbouring zones
Harmonization of regulations on:

16.2 Public telecommunications networks

16.2.1 Interconnection of networks in MERCOSUR countries
- Technical regulations on systems for:

16.3 Radiocommunications

16.3.1 Frequency planning
16.3.2 Management of the radioelectric spectrum

16.4 Sound and television broadcasting

16.4.1 General procedures for coordination in the broadcasting sector

16.5 Regulation of new technologies
16.6 Broadcasting of sound and related pictures

17. Industrial quality

17.1 Agreement on harmonization and recognition of certification and testing structures
17.2 Activities for the implementation of mutual recognition
17.3 On-going technical assistance in the area of certification to MERCOSUR subgroups and committees
17.4 Agreement on the system for certifying quality inspectors
17.5 Agreement on the conditions for mutual recognition of structures for certification, accreditation of laboratories and inspection bodies
17.6 Bases for the preparation of a single list of enterprises certified by the certification structures of the MERCOSUR countries

18. Scientific and industrial metrology

18.1 Comparison of standards for units of measurement in the international system
18.2 Broadening of the technical capacity of MERCOSUR countries by complementing the present systems
18.3 Mutual recognition of calibration services
18.4 Calibration services provided by MERCOSUR countries eligible for recognition by the European Community

19. Toys
19.1 Review and recommendation of the proposal on safety for toys and games

20. Veterinary products
20.1 Analytical reference centres
20.2 Catalogue of quality levels for veterinary products
20.3 Complementary regulations for the control of activity

SUBGROUP 4: FISCAL AND MONETARY POLICIES RELATING TO TRADE

1. Foreign exchange regime

1.1 Reciprocal payment and credit agreement (CPCR): Option on the utilization of national currency or the US$ as the currency of repayment

1.1.1 Preparation of proposal
1.1.2 Submission to the CMG for consideration and implementation

1.2 CPCR: Discount of futures documents among member countries of LAIA

1.2.1 Preparation of proposal on unification of criteria
1.2.2 Submission to the CMG for consideration and implementation

1.3 CPCR: Mandatory payments

1.3.1 Preparation of proposal on the elimination of the mandatory nature
1.3.2 Submission to the CMG for consideration and implementation

1.4 Foreign currency operations:

- Regime for foreign currency deposits by residents and non-residents
- Swap operations in foreign currency

1.4.1 Preparation of documents
1.4.2 Review of proposals
1.4.3 Preparation of final proposal
1.4.4 Submission to the CMG for consideration and implementation
1.5 Import financing registration

1.5.1 Preparation of documents on making registration more flexible and eliminating it
1.5.2 Review of proposals
1.5.3 Preparation of final proposal
1.5.4 Submission to the CMG for consideration and implementation

1.6 Movement of notes and travellers’ cheques

1.6.1 Preparation of proposals on liberalization of the limits on their use
1.6.2 Review of proposals
1.6.3 Submission to the CMG for consideration and implementation

1.7 Capital/investment movement

1.7.1 Preparation of proposals on making the restrictions more flexible and eliminating them
1.7.2 Review of proposals
1.7.3 Preparation of final proposal
1.7.4 Submission to the CMG for consideration and implementation

1.8 Entry and negotiation of foreign currency

1.8.1 Preparation of proposals on making the restrictions more flexible and to eliminate them
1.8.2 Review of proposals
1.8.3 Preparation of final proposal
1.8.4 Submission to the CMG for consideration and implementation

1.9 Liberalization of the exchange market

1.9.1 Preparation of proposals on unification of criteria
1.9.2 Review of proposals
1.9.3 Preparation of final proposal
1.9.4 Submission to the CMG for consideration and implementation

1.10 Follow-up of trends in exchange systems:

- Terms of reference for the study of operations in regional currencies
- Terms of reference for carrying out studies on the methodology of coordination of exchange parities

1.10.1 Identification and preparation of documents
1.10.2 Review of proposals
1.10.3 Preparation of final proposal
1.10.4 Submission to the CMG for consideration and implementation
1.11 Follow-up of trends in exchange systems:

- System for the exchange of information on exchange rates
- Alternative methodologies for the coordination of exchange parities

1.11.1 Identification and preparation of documents  
1.11.2 Review of the alternatives  
1.11.3 Submission to Subgroup 10 for consideration  

2. Capital markets

2.1 Investment regime on stock markets:

- Fiscal regime
- Brokers and broking firms
- Requirements for offering shares to the public
- Brokerage commission
- Operations
- Inflow and outflow of capital
- Characteristics of shares
- Currency of issue and quotation
- Regulations on market control and transparency

2.1.1 Identification of inconsistencies  
2.1.2 Preparation of documents on the unification of criteria, making more flexible and/or eliminating restrictions  
2.1.3 Review of proposals  
2.1.4 Preparation of final document  
2.1.5 Submission to the CMG for consideration and implementation

2.2 Standardization of information for the stock market:

- Submission of accounts
- Common investment funds
- Classification of risk for publicly available bonds

2.2.1 Identification of inconsistencies  
2.2.2 Preparation of documents for the unification of criteria, making more flexible and/or eliminating restrictions  
2.2.3 Review of proposals  
2.2.4 Preparation of final document and submission to the CMG for appraisal and implementation

3. Financial system

3.1 Identification of inconsistencies  
3.2 Preparation of proposals  
3.3 Review of proposals  
3.4 Preparation of final document  
3.5 Submission to the CMG for appraisal and implementation
SUBGROUP 5: INLAND TRANSPORT

1. Inland freight transport by road

1.1 Finalization of pending bilateral negotiations on the total elimination of standing and flexible quotas among members of MERCOSUR
March 1994

1.2 Harmonization of regulations on the transport of dangerous goods

1.2.1 Technical meeting to define differences in the common bases
July 1992

1.2.2 Preparation of draft common multilateral regulations in the field
December 1993

1.2.3 Submission to the CMG for consideration and implementation
March 1994

2. Inland passenger transport by road

2.1 Review of existing regulations in States Parties
1992/1994

2.2 Proposals on measures for integration of this sector
December 1993

2.3 Submission to the CMG for consideration and implementation
March 1994

3. Rail transport

3.1 Identification of the advantages of direct transport between freight terminals
December 1992

3.2 Proposals on incentives for direct transport between freight terminals
September 1993

3.3 Harmonization of regulations on the transport of dangerous goods by rail
December 1993

3.4 Facilitation and simplification of customs documents for freight transport by rail
December 1992

3.5 Establishment of limits for weights and measures for bulk rail freight
March 1993

4. Labour regime for motor transport and requirements for driving vehicles (derived from the conclusions of the work of Subgroup 11)*

5. Multimodal transport (in conjunction with Subgroup 6)

5.1 Submission of proposals
July 1992

5.2 Internal appraisal
October 1992

5.3 Discussion and preparation of a joint proposal
September 1993

5.4 Submission to the CMG for consideration and implementation
March 1994

*To be completed within three months following submission by Subgroup 11 of the conclusions corresponding to item 7 of its timetable.
**SUBGROUP 6: MARITIME TRANSPORT**

1. **Multilateral agreement on transport by water**
   - 1.1 Review of existing bilateral agreements
   - 1.2 Preparation and discussion of a multilateral proposal
     - 1.2.1 Review and proposals on dealing with national coastal traffic
     - 1.2.2 Review and proposals on dealing with traffic among member States
     - 1.2.3 Review and proposals on dealing with traffic to and from third countries
   - 1.3 Study of the proposal at the country level
   - 1.4 Standardization of statistics on regional maritime traffic
   - 1.5 Preparation of the final text of the agreement
   - 1.6 Submission to the CMG for consideration and implementation

2. **Joint register of ships**
   - 2.1 Appraisal of national drafts
   - 2.2 Comparison of existing domestic legislation. Updating
   - 2.3 Internal appraisal. Updating
   - 2.4 Preparation of the final document
   - 2.5 Submission to the CMG

3. **Multimodal transport**
   - 3.1 Presentation of proposals
   - 3.2 Internal appraisal
   - 3.3 Discussion and preparation of a joint proposal
   - 3.4 Submission to the CMG for consideration and implementation

4. **Labour regime for maritime and river transport**
   (on the basis of work in Subgroup 11)*

5. **Ports and inland waterways**
   - 5.1 Comparison of legislation of the States Parties. Comparison
   - 5.2 Identification and evaluation of inconsistencies
   - 5.3 Submission to the CMG

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*To be completed within three months following submission by Subgroup 11 of the conclusions corresponding to item 7 of its timetable.*
SUBGROUP 7: INDUSTRIAL AND TECHNOLOGICAL POLICY

1. Harmonization of regional or sectoral promotion and industrial redevelopment policies

1.1 Industrial promotion

1.1.1 Survey of national and/or provincial legislation of the four countries at the national and provincial levels and access to MERCOSUR assets for government procurement and international tenders

1.1.2 Review of inconsistencies

1.1.3 Preparation of a proposal on dealing with this issue

1.1.4 Discussion of proposals on the review of inconsistencies

1.1.5 Assessment of the methodology for comparing the results of the pilot project

1.1.6 Submission to the CMG of the conclusions on harmonization of promotional regulations for discussion in Subgroups 1 and 10

1.1.7 Discussion of the final document taking into account the work of Subgroups 1 and 10 on taxes which affect foreign trade and mechanisms for the repayment of indirect taxes

1.1.8 Submission of the final document to the CMG

1.2 Industrial redevelopment

1.2.1 Preparation of an initial proposal on dealing with this issue

1.2.2 Discussion of the guidelines for action resulting from the proposal

1.2.3 Preparation of the final document

1.2.4 Submission to the CMG for appraisal

2. Technological policy

2.1 Consideration of the following information:

2.1.1 Industrial property laws, laws on the transfer of technology

2.1.2 Conditions for the interrelationship between the technological and production systems

2.1.3 Technological information systems. Identification of existing systems. Definition of methodology and sectoral definition for the pilot project

2.2 Identification of inconsistencies in the regulations which could hinder the process of integration and cooperation

2.3 Definition of a methodology for overcoming the obstacles identified in item 2.2 and any future obstacles. Evaluation of the pilot project in item 2.1.3, preparation of a programme to extend it to chosen sectors and interrelationship with the results of the special meeting on science and technology

2.4 Review of the inconsistencies in the regulations which might constitute obstacles to the integration and cooperation process, on the
basis of the methodology defined in item 2.3. Definition of a model for a MERCOSUR technological information system

2.5 Preparation of a proposal to overcome the obstacles based on the conclusions under item 2.4 and submission to the CMG. Study of a project for the installation, regular, updating and follow-up of the MERCOSUR technological information system

2.6 Final preparation of the project mentioned in item 2.5 and submission to the CMG

June 1994

September 1994

November 1994

3. Harmonization of environmental legislation

3.1 Survey of federal, state, provincial and departmental legislation in the four countries and the degree of effective implementation

September 1993

3.2 Review of inconsistencies

March 1994

3.3 Preparation of proposals for dealing with this issue

March 1994

3.4 Discussion of the proposal

June 1994

3.5 Preparation of the final document

September 1994

3.6 Submission to the CMG for consideration and implementation

November 1994

4. Cooperation on quality and productivity

4.1 Identification of programmes and activities related to quality and productivity

December 1992

4.2 Review of inconsistencies and adaptation to international parameters

March 1993

4.3 Preparation of a proposal and preliminary functioning of a MERCOSUR cooperation programme on quality and productivity

September 1993

4.4 Submission of the programme to the CMG for consideration and implementation

December 1993

5. Policy for microenterprises and small-scale and medium-scale enterprises

5.1 Definition of microenterprises, small-scale and medium-scale enterprises within the framework of MERCOSUR

December 1992

5.2 Preparation of policy proposals

July 1993

5.3 Discussion of proposals

October 1993

5.4 Preparation of the final document

December 1993

5.5 Submission to the CMG for consideration and implementation

December 1993

5.6 Survey and harmonization of policies and instruments in the sector

September 1993

5.7 Review and submission of proposals for the harmonization of policies and instruments

March 1994

5.8 Preparation of a final document

June 1994

5.9 Submission of the final document to the CMG

September 1994

6. Assessment of sectoral competitiveness at the level of MERCOSUR

6.1 Definition of sectors

December 1992

6.2 Presentation of the studies of national competitiveness already undertaken by consultants

August 1993

6.3 Consolidation of competitiveness indicators to be fixed for countries on the basis of available information

September 1993
6.4 Harmonization of the approved methodology with the proposal by the IDB-MERCOSUR Consultancy

6.5 Exchange of information on the basis of the indicators

6.6 Reception and appraisal of the work undertaken by the IDB-MERCOSUR Consultancy Project and harmonization with the studies undertaken for each country

6.7 Preparation of a final report and submission to the CMG

7. Intellectual property

7.1 Survey of intellectual property laws

7.2 Survey of international or regional industrial property agreements and treaties

7.3 Review of the possibilities for international cooperation

7.4 Review of the possibilities for cooperation among industrial property offices in MERCOSUR member countries

7.5 Review of similarities and inconsistencies

7.6 Submission of proposals for dealing with intellectual property at the regional level

7.7 Discussion of the proposal for dealing with intellectual property at the regional level

7.8 Preparation of the final document

7.9 Submission of the final document to the CMG for consideration and implementation

SUBGROUP 8: AGRICULTURAL POLICY

1. Policy on the conversion of agriculture and agroindustrial activities

1.1 Survey of information and elaboration of methodology

1.2 Review of inconsistencies

1.3 Preparation of a proposal on dealing with this issue

1.4 Discussion of the proposal

1.5 Preparation of the final document

1.6 Submission to the CMG for consideration and implementation

2. Technological policy for agricultural activities and agroindustry

2.1 Survey of information

2.2 Review of inconsistencies

2.3 Discussion of the issue

2.4 Appraisal of proposals in each country

2.5 Discussion of the issue

2.6 Preparation of the final document

2.7 Submission to the CMG

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*These subjects will be discussed by States Parties at the next meeting of the CMG
3. **Harmonization of agricultural policy**

3.1 Identification of inconsistencies

3.2 Definition of priority policies for harmonization:
- Agricultural insurance
- Irrigation
- Agricultural inputs and equipment
- Rural credit
- Payment of compensation
- Storage
- Government stocks
- Social programmes
- Professional training and rural education
- Minimum or guaranteed prices for agricultural activities
- Rural electrification
- Credits for buying land
- Cooperative credit
- Productivity and quality
- Marketing systems for agricultural products

3.3 Proposed document:
- Horizontal policies
- Policies by sector
- Agricultural umbrellas
- Global support measure

3.4 Preparation of final document
3.5 Submission to the CMG for consideration and implementation

December 1992

4. **Assessment of sectoral competitiveness at the MERCOSUR level**

4.1 Identification of sectors
4.2 Discussion of proposal
4.3 Final document
4.4 Submission to the CMG for consideration and implementation

December 1992
March 1994
June 1994

5. **Obstacles to the free movement of agricultural products**

5.1 Identification of obstacles
5.2 Consolidation and appraisal
5.3 Preparation of proposal to eliminate health barriers
5.4 Submission to the CMG for consideration and implementation
5.5 Programme on harmonization and removal of non-health barriers:
- Submission to the CMG

September 1992
December 1992
March 1993
April 1993
December 1993

6. **Relationship of small-scale producers to the integration process**

6.1 Identification
6.2 Discussion of the proposal
6.3 Preparation of the final document
6.4 Submission to the CMG for consideration and implementation

December 1992
March 1994
June 1994
September 1994
7. **Sustainability of natural resources and environmental protection in the agricultural sector**

7.1 Survey of legislation and policies  
7.2 Preparation of proposal  
7.3 Preparation of the final document  
7.4 Submission to the CMG for consideration and implementation

8. **Registration of agrochemicals** (agricultural pesticides)

8.1 Elaboration of a positive list of products  
8.2 Proposal for a definitive system of registration of agrochemicals

9. **Harmonization of legislation on plant and animal health**

- Commencement of submission of proposals to the CMG  
- End of submission of proposals to the CMG

10. **Harmonization of legislation on seeds**

- Commencement of submission of proposals to the CMG  
- End of submission of proposals to the CMG

**SUBGROUP 9: ENERGY POLICY**

1. **Energy laws and institutional and organizational aspects of energy markets**

1.1 Comparison of energy systems

1.1.1 Analysis of energy systems in States Parties  
1.1.2 Comparative analysis of energy plans in the States Parties  
1.1.3 Review of the possibilities for integration in this sector

1.2 Institutional, legal and juridical aspects

1.2.1 Study of the institutional, legal and juridical framework in this sector  
1.2.2 Identification of inconsistencies  
1.2.3 Review of proposals for harmonization measures  
1.2.4 Submission to the CMG for consideration and implementation

2. **Technological development**

2.1 Survey of information  
2.2 Comparative analysis of handling of this issue in the States Parties  
2.3 Elaboration of proposals on technological development
3. **Fuel prices and tax treatment**

3.1 Identification of inconsistencies
3.2 Review of proposals on measures for the harmonization of criteria
3.3 Submission to the CMG for consideration and implementation

June 1993
September 1993
December 1993

4. **Electricity prices and tax treatment**

4.1 Survey of differences
4.2 Joint methodological formulation of costs
4.3 Identification of inconsistencies
4.4 Review of proposals on measures for the harmonization of criteria
4.5 Submission to the CMG for consideration and implementation

June 1993
June 1994
September 1994
December 1994
December 1994

5. **Impact of energy in selected production sectors**

5.1 Comparative analysis of the effect of energy in selected sectors
5.2 Guidelines for the efficient utilization of energy in industrial sectors

March 1994
June 1994

6. **Rationalization, quality, productivity and technical standards**

6.1 Identification of inconsistencies (in technical standards)
6.2 Review of proposals on measures for harmonization (technical standards)
6.3 Submission to the CMG for consideration and implementation (technical measures)
6.4 Establishment of the bases for a joint rationalization, quality and productivity programme
6.5 Joint programme for rationalization, quality and productivity in the energy sector

September 1993
September 1993
December 1993
December 1993
June 1994

7. **Legislation and environmental framework of the energy sector**

7.1 Identification of inconsistencies
7.2 Review of proposals on measures for harmonization
7.3 Submission to the CMG for consideration and implementation

September 1993
March 1994
June 1994

8. **Guidelines for energy policies in MERCOSUR**

8.1 Definition of basic elements
8.2 Elaboration of guidelines
8.3 Proposals on the coordination of energy policies

September 1993
December 1993
June 1994

**SUBGROUP 10: COORDINATION OF MACROECONOMIC POLICIES**

1. **Common external tariff**

1.1 Comparison of national tariff structures

July 1992
1.2 Discussion of general criteria for the elaboration of the common external tariff

1.3 Harmonization exercise I: classification of the chapters of the nomenclature (harmonized system), according to the degree of convergence and the difficulty of harmonization

1.4 Identification of aspects which require guidance at a higher level

1.5 Transfer of national tariffs to the draft common nomenclature

1.6 Harmonization exercise II: classification of items in the draft common nomenclature at the eight-digit level in accordance with the methodology utilized in item 1.3

1.7 Elaboration of the draft common external tariff and submission to the CMG

2. Committee on tax aspects

2.1 Domestic taxes: Identification of inconsistencies

2.2 Provincial, state and municipal taxes: Identification of inconsistencies

2.3 Contributions related to estimates

2.4 Identification of inconsistencies related to the taxing of transfer of profits, interest, royalties and payment for various services

2.5 Identification of inconsistencies in any tax reform proposals

2.6 Documents summarizing the inconsistencies under items 2.1, 2.2, 2.4 and 2.5

2.7 General consumption tax

2.8 Selective and special consumption taxes

2.9 Other taxes which affect external trade and result in discrimination

2.10 Mechanisms for the repayment of indirect taxes (adjustments at the frontier)

2.11 Final document on the conclusions regarding consumption taxes

3. Follow-up and harmonization of macroeconomic policy

3.1 Follow-up

3.1.1 Identification of a series of macroeconomic variables, in particular fiscal, monetary and balance-of-payments variables and their follow-up

3.1.2 Publication of a quadripartite statistical bulletin

3.1.3 Preparation of a joint economic report

3.1.4 Discussion of the document and submission to the CMG

3.2 Harmonization

3.2.1 Review of economic policy instruments

3.2.2 Review of the monetary effects of fiscal and exchange policies

3.2.3 Studies and proposals to avoid instability in trade flows due to variability of reciprocal exchange parities

3.2.4 Studies on alternative methods for harmonization of macroeconomic policies and selection of convergence variables
4. **Competitiveness in MERCOSUR, including treatment of State monopolies**

   4.1 Comparison of national and provincial legislation in the four countries
   4.2 Review of inconsistencies
   4.3 Preparation of harmonization proposals
   4.4 Submission to the CMG or to the CMC, whichever is appropriate, for consideration and implementation
   4.5 Regulations on the Common Statute for Competitiveness

5. **Consumer protection in MERCOSUR**

   5.1 Comparison of legislation in the four countries
   5.2 Review of inconsistencies
   5.3 Preparation of harmonization proposals
   5.4 Submission to the CMG for consideration and implementation

6. **Treatment of services in MERCOSUR**

   6.1 Survey of national and/or provincial legislation, mainly in sectors in which commitments have been undertaken (Argentina, Brazil and Uruguay) or are to be undertaken (Paraguay) in the GATT Uruguay Round
   6.2 Comparative review of legislation
   6.3 Preliminary proposal for a framework agreement on the treatment of services in MERCOSUR
   6.4 Proposal for a framework agreement on the treatment of services in MERCOSUR
   6.5 Submission to the CMG for consideration and implementation

7. **Statistical Commission**

   7.1 Preparation and annual publication of "MERCOSUR: Synopsis and Statistics".
       - Volume 1
       - Volume 2
   7.2 Preparation and publication of an inventory of official statistics in States Parties
   7.3 Review of mechanisms for the modernization of dissemination of statistics
   7.4 Review of mechanisms for the coordination and modernization of the compilation of statistics
   7.5 Preparation of proposals on harmonization of priority economic, social and demographic statistics
   7.6 Proposal on the coordination and modernization of systems for the compilation and dissemination of statistics

---

2Services will be dealt with in an ad hoc committee.
SUBGROUP 11: LABOUR RELATIONS, EMPLOYMENT AND SOCIAL SECURITY

Committee 1: Individual labour relations

Comparative analysis of individual labour relations in MERCOSUR countries

1.1 Description of Labour Law Institutes
1.2 Identification of the most important inconsistencies
1.3 Submission to the CMG for consideration

Labour costs

1.4 Methodology of labour costs
   1.4.1 Quantification of the regulatory framework at the global level
   1.4.2 Criteria for assessment at the branch and/or sector levels

1.5 Submission of proposal on harmonization and results to the CMG for consideration

Committee 2: Collective labour relations

2.1 Definition of methodologies
2.2 Submission of proposals and results to the CMG for approval

Committee 3: Employment and labour migration

3.1 Conceptual harmonization: conclusions
3.2 Migration. Statistical framework and current legislation
3.3 Free movement of workers
   3.3.1 Review of measures necessary to allow free movement
   3.3.2 Presentation of proposals and submission to the CMG for consideration
3.4 Employment
   3.4.1 National analysis of the study of sectors relevant to MERCOSUR
   3.4.2 Implications of the integration process for the labour market
   3.4.3 Proposal and submission to the CMG for consideration
3.5 Informal sector
   3.5.1 Study
   3.5.2 Submission of conclusions to the CMG

Committee 4: Professional training

4.1 Professional training
   4.1.1 Regional system of information on professional training
4.1.2 Regional system of horizontal technical cooperation

4.2 Recognition and equivalence of professional skills in MERCOSUR

4.2.1 Outline of a plan of action
4.2.2 Methodological criteria and technical instruments
4.2.3 Proposal and submission to the CMG for the creation of a regional system for the recognition and equivalence of qualifications

Committee 5: Safety and hygiene at work

5.1 Comparative analysis of legislation
5.2 Identification of inconsistencies
5.3 Presentation of proposals and submission to the CMG

Committee 6: Social security

6.1 Comparative analysis of legislation
6.2 Identification of inconsistencies
6.3 Presentation of proposals and submission to the CMG
6.4 Bilateral and multilateral social security agreements
   6.4.1 Study of agreements
   6.4.2 Presentation of proposals and submission to the CMG

Committee on special sectors

Land transport

7.1 Review of labour costs and submission of conclusions to Subgroup 5

Committee 8: International principles and agreements

8.1 Review of international agreements ratified by each of the States Parties
8.2 Work of the subcommittee on the charter of fundamental rights
8.3 Updating and follow-up of international conventions it is proposed to ratify
8.4 Proposal on the charter of fundamental rights

INSTITUTIONAL ASPECTS

1. Final institutional structure of MERCOSUR bodies

1.1 Finalization of arrangements for participation by the private sector in meetings of the Subgroups of the CMG
1.2 Establishment of a MERCOSUR private sector forum (entrepreneurs, workers and consumers)
1.3 Review of MERCOSUR's institutional framework after the transitional period

Date

September 1992
December 1992
June 1993
1.4 Progress in the analysis of MERCOSUR’s institutional framework in the legislative, executive and judicial fields after the transitional period

1.5 Definition of MERCOSUR institutions after the transitional period

1.6 Submission to the CMG for appraisal and implementation

2. Special attributions of MERCOSUR bodies

2.1 Review of the special attributions of MERCOSUR bodies

2.2 Definition of the special attributions of MERCOSUR bodies

2.3 Submission to the CMG for appraisal and implementation

3. Decision-making mechanism

3.1 Review of the decision-making mechanism after the transitional period

3.2 Definition of the decision-making mechanism after the transitional period

3.3 Submission to the CMG for appraisal and implementation

4. Special meeting on the final institutional structure of MERCOSUR after the transitional period

4.1 Commencement of preparations for the Special Meeting and holding of the Special Meeting December 1993 to June 1994

December 1993

March 1994

May 1994
### ANNEX III

**Appendix I: Reply to question 10.1**

Global Exports of Member Countries According to Destination, 1990-1993  
(f.o.b. value, in millions of dollars)

<table>
<thead>
<tr>
<th>Exporting country and year</th>
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<th>LAIA</th>
<th>Rest of the world</th>
<th>TOTAL</th>
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<sup>1</sup>Nine months

**Source:** Latin American Integration Association.
### ANNEX III

**Appendix I: Reply to question 10.1**

Global Imports of Member Countries According to Origin, 1990-1993

*(c.i.f. value, in millions of dollars)*

<table>
<thead>
<tr>
<th>Importing country and year</th>
<th>MERCOSUR</th>
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<th>LAIA</th>
<th>Rest of the world</th>
<th>TOTAL</th>
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¹Nine months

**Source:** Latin American Integration Association.
### ANNEX III

#### Appendix II: Reply to question 10.2

**MERCOSUR Trade**  
(f.o.b. value of exports, in millions of dollars)

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<th>Paraguay</th>
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<th>Paraguay</th>
<th>Uruguay</th>
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<th>Rest of the world</th>
<th>TOTAL</th>
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</table>

1Nine months

**Source:** Latin American Integration Association.
### ANNEX III

**Appendix II: Reply to question 10.2**

**MERCOSUR Trade**
(c.i.f. value of imports, in millions of dollars)

<table>
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<th>Uruguay</th>
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<th>TOTAL</th>
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<td>Rest of the world</td>
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<td>Brazil</td>
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<td>Brazil</td>
<td>Paraguay</td>
<td>Uruguay</td>
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<td>Rest of the world</td>
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</table>

*Source:* Latin American Integration Association.
### ANNEX III

#### Appendix III: Reply to question 10.3

**MERCOSUR - Rest of LAIA: Total Trade and Negotiated Trade**  
(c.i.f. value of imports, in millions of dollars)

<table>
<thead>
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<th>Importing country and year</th>
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<th>Negotiated</th>
<th>Share of negotiated trade in total</th>
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</table>

¹Nine months

**Source:** Latin American Integration Association.
ANNEX IV
Reply to question 14.1

COMMON MARKET COUNCIL
Art. 9, Treaty of Asuncion

COMMON MARKET GROUP
Art. 9, Treaty of Asuncion

MERCOSUR Joint Parliamentary Commission
Art. 24, Treaty of Asunción

SG 1: TRADE ISSUES
COMMITTEES
in Act 3 CMG/91
- Common Nomenclature
- Unfair trade practices
- Drawback systems, and
- Temporary admission
in Act 5 CMG/92
- Free zones

SG 3: TECHNICAL STANDARDS
COMMITTEES
in Res. 5/93
- Automobile industry
- Health products
- Scientific/Industrial metrology
- Legal metrology instruments
- Legal metrology pre-measurement
- Standardization
- Production quality
- Telecommunications
- Toys
- Veterinary products Res. CMG 28/92

SG 4: FISCAL AND MONETARY POLICIES RELATING TO TRADE COMMITTEES
in Act 1 CMG/91
- Shares
- Insurance
- Investment

SG 5: INLAND TRANSPORT
COMMITTEES
in Res. 51/92
- Food Committee
- Food Processing Sub-Committee
- Natural Foods Sub-Committee
- Beverages Sub-Committee
- Sub-Committee on Containers and Equipment in Contact with Food

SG 6: MARITIME TRANSPORT COMMITTEES
in Res. 51/92
- Multilateral maritime transport agreement
- Common register of ships
- Multimodal transport

SG 7: INDUSTRIAL AND TECHNOLOGICAL POLICY COMMITTEES
in Res. 8/91
- Steel
- Chemicals and petrochemicals
- Electronics
- Paper pulp
- Textiles
- Automobiles

SG 8: AGRICULTURAL POLICY COMMITTEES
in Res. 21/92
- Sugar and alcohol
- Conversion

in Res. 78/93
- Animal health
- Plant health
- Seeds

SG 9: ENERGY POLICY

SG 10: COORDINATION OF MACROECONOMIC POLICIES COMMITTEES
in Res. 5/93
- Services in MERCOSUR
- Tax aspects
- Consumer protection
- Defence of competitiveness and handling of State monopolies in MERCOSUR
- Statistics

SG 11: LABOUR RELATIONS, EMPLOYMENT AND SOCIAL SECURITY COMMITTEES
in Act 6, CMG/92
- Individual labour relations
- Collective labour relations
- Employment
- Professional training
- Safety and security at work
- Social security
- Special sectors
- Principles

SPECIAL MEETINGS
in Res. 78/93
- Animal health
- Plant health
- Seeds

AD HOC GROUP ON RENEGOTIATION OF AGREEMENTS WITH OTHER MEMBERS OF LAIA
Res. 22/93, Act XIII CMG

8 June 1994