

MERCOSUR FREE TRADE AGREEMENT

SOUTHERN COMMON MARKET (MERCOSUR) AGREEMENT

Treaty Establishing a Common Market between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay,

The Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, hereinafter referred to as the "States Parties",

CONSIDERING that the expansion of their domestic markets, through integration, is a vital prerequisite for accelerating their processes of economic development with social justice,

BELIEVING that this objective must be achieved by making optimum use of available resources, preserving the environment, improving physical links, coordinating macroeconomic policies and ensuring complementarity between the different sectors of the economy, based on the principles of gradualism, flexibility and balance,

BEARING IN MIND international trends, particularly the integration of large economic areas. and the importance of securing their countries a proper place in the international economy.

BELIEVING that this integration process is an appropriate response to such trends,

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,

CONVINCED of the need to promote the scientific and technological development of the States Parties and to modernize their economies in order to expand the supply and improve the quality of available goods and services, with a view to enhancing the living conditions of their populations,

REAFFIRMING their political will to lay the bases for increasingly close ties between their peoples, with a view to achieving the above-mentioned objectives,

HEREBY AGREE AS FOLLOWS:

CHAPTER I

PURPOSES, PRINCIPLES AND INSTRUMENTS

Article 1

The States Parties hereby decide to establish a common market, which shall be in place by 31 December 1994 and shall be called the "common market of the southern cone" (MERCOSUR).

This common market shall involve:

The free movement of goods, services and factors of production between countries through, inter alia, the elimination of customs duties and non-tariff restrictions on the movement of goods, and any other equivalent measures;

The establishment of a common external tariff and the adoption of a common trade policy in relation to third States or groups of States, and the co-ordination of positions in regional and international economic and commercial forums;

The co-ordination of macroeconomic and sectoral policies between the States Parties in the areas of foreign trade, agriculture, industry, fiscal and monetary matters, foreign exchange and capital, services, customs, transport and communications and any other areas that may be agreed upon, in order to ensure proper competition between the States Parties;

The commitment by States Parties to harmonize their legislation in the relevant areas in order to strengthen the integration process.

Article 2

The common market shall be based on reciprocity of rights and obligations between the States Parties .

Article 3

During the transition period, which shall last from the entry into force of this Treaty until 31 December 1994, and in order to facilitate the formation of the common market, the States Parties shall adopt general rules of origin, a system for the settlement of disputes and safeguard clauses, as contained in Annexes 11. III and IV respectively to this Treaty.

Article 4

The States Parties shall ensure equitable trade terms in their relations with third countries. To that end, they shall apply their domestic legislation to restrict imports whose prices are influenced by subsidies, dumping or any other unfair practice. At the same time, States Parties shall co-ordinate their respective domestic policies with a view to drafting common rules for trade competition.

Article 5

During the transition period, the main instruments for putting in place the common market shall be:

- (a) A trade liberalization programme, which shall consist of progressive, linear and automatic tariff reductions accompanied by the elimination of non-tariff restrictions or equivalent measures, as well as any other restrictions on trade between the States Parties, with a view to arriving at a zero tariff and no non-tariff restrictions for the entire tariff area by 31 December 1994 (Annex I);
- (b) The co-ordination of macroeconomic policies, which shall be carried out gradually and in parallel with the programmes for the reduction of tariffs and the elimination of nontariff restrictions referred to in the preceding paragraph;
- (c) A common external tariff which encourages the foreign competitiveness of the States Parties;
- (d) The adoption of sectoral agreements in order to optimize the use and mobility of factors of production and to achieve efficient scales of operation.

Article 6

The States parties recognize certain differentials in the rate at which the Republic of Paraguay and the Eastern Republic of Uruguay will make the transition. These differentials are indicated in the trade liberalization programme (Annex 1).

Article 7

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 .

Article 8

The States Parties undertake to abide by commitments made prior to the date of signing of this Treaty, including agreements signed in the framework of the Latin American Integration Association (ALADI), and to co-ordinate their positions in any external trade negotiations they may undertake during the transitional period. To that end:

- (a) They shall avoid affecting the interests of the States Parties in any trade negotiations they may conduct among themselves up to 31 December 1994;
- (b) They shall avoid affecting the interests of the other States Parties or the aims of the common market in any agreements they may conclude with other countries members of the Latin American Integration Association during the transition period;
- (c) They shall consult among themselves whenever negotiating comprehensive tariff reduction schemes for the formation of free trade areas with other countries members of the Latin American Integration Association;

- (d) They shall extend automatically to the other States Parties any advantage, favour, exemption, immunity or privilege granted to a product originating in or destined for third countries which are not members of the Latin American Integration Association.

CHAPTER II

ORGANIZATIONAL STRUCTURE

Article 9

The administration and implementation of this Treaty, and of any specific agreements or decisions adopted during the transition period within the legal framework established thereby, shall be entrusted to the following organs:

- (a) The Council of the common market
- (b) The Common Market Group

Article 10

The Council shall be the highest organ of the common market, with responsibility for its political leadership and for decision-making to ensure compliance with the objectives and time-limits set for the final establishment of the common market.

Article 11

The council shall consist of the Ministers for Foreign Affairs and the Ministers of the Economy of the States Parties.

It shall meet whenever its members deem appropriate, and at least once a year with the participation of the Presidents of the States Parties.

Article 12

The presidency of the Council shall rotate among the States Parties, in alphabetical order, for periods of six months.

Meetings of the Council shall be co-ordinated by the Minister for Foreign Affairs, and other ministers or ministerial authorities may be invited to participate in them.

Article 13

The Common Market Group shall be the executive organ of the common market and shall be co-ordinated by the Ministries of Foreign Affairs.

The Common Market Group shall have powers of initiative. Its duties shall be the following:

- to monitor compliance with the Treaty;

- to take the necessary steps to enforce decisions adopted by the Council;
- to propose specific measures for applying the trade liberalization programme, coordinating macroeconomic policies and negotiating agreements with third parties;
- to draw up programmes of work to ensure progress towards the formation of the common market.

The Common Market Group may set up whatever working groups are needed for it to perform its duties. To start with, it shall have the working groups mentioned in Annex V. The Common Market Group shall draw up its own rules of procedure within 60 days of its establishment.

Article 14

The Common Market Group shall consist of four members and four alternates for each country, representing the following public bodies:

- Ministry of Foreign Affairs;
- Ministry of Economy or its equivalent (areas of industry, foreign trade and/or economic co-ordination);
- Central Bank.

In drafting and proposing specific measures as part of its work up to 31 December 1994, the Common Market Group may, whenever it deems appropriate, call on representatives of other government agencies or the private sector.

Article 15

The Common Market Group shall have an administrative secretariat whose main functions shall be to keep the Group's documents and report on its activities. It shall be headquartered in the city of Montevideo.

Article 16

During the transition period, decisions of the Council of the common market and the Common Market Group shall be taken by consensus, with all States Parties present.

Article 17

The official languages of the common market shall be Spanish and Portuguese, and the official version of its working documents shall be that drafted in the language of the country in which each meeting takes place.

Article 18

Prior to the establishment of the common market on 31 December 1994, the States Parties shall convene a special meeting to determine the final institutional structure of the administrative organs of the common market, as well as the specific powers of each organ and its decision-making procedures.

CHAPTER III

PERIOD OF APPLICATION

Article 19

This Treaty shall be of unlimited duration and shall enter into force 30 days after the date of deposit of the third instrument of ratification. The instruments of ratification shall be deposited with the Government of the Republic of Paraguay, which shall notify the Governments of the other States Parties of the date of deposit.

The Government of the Republic of Paraguay shall notify the Governments of each of the other States Parties of the date of entry into force of this Treaty.

CHAPTER IV

ACCESSION

Article 20

This Treaty shall be open to accession, through negotiation, by other countries members of the Latin American Integration Association; their applications may be considered by the States Parties once this Treaty has been in force for five years.

Notwithstanding the above, applications made by countries members of the Latin American Integration Association who do not belong to subregional integration schemes or an extraregional association may be considered before the date specified.

Approval of applications shall require the unanimous decision of the States Parties.

CHAPTER V

DENUNCIATION

Article 21

Any State Party wishing to withdraw from this Treaty shall inform the other States Parties of its intention expressly and formally and shall submit the document of denunciation within 60 days to the Ministry of Foreign Affairs of the Republic of Paraguay, which shall distribute it to the other States Parties.

Article 22

Once the denunciation has been formalized, those rights and obligations of the denouncing State deriving from its status as a State Party shall cease, while those relating to the liberalization programme under this Treaty and any other aspect to which the States Parties, together with the denouncing State, may agree within the 60 days following the formalization of the denunciation shall continue. The latter rights and obligations of the denouncing Party shall remain in force for a period of two years from the date of the above-mentioned formalization.

CHAPTER VI

GENERAL PROVISIONS

Article 23

This Treaty shall be called the "Treaty of Asuncion".

Article 24

In order to facilitate progress towards the formation of the common market, a Joint Parliamentary Commission of MERCOSUR shall be established. The executive branches of the States Parties shall keep their respective legislative branches informed of the progress of the common market established by this Treaty.

DONE at the city of Asuncion, on 26 March 1991, in one original in the Spanish and Portuguese languages, both texts being equally authentic. The Government of the Republic of Paraguay shall be the depositary of this Treaty and shall send a duly authenticated copy thereof to the Governments of signatory and acceding States Parties.

For the Government of the Argentine Republic:
Carlos Saul Menem
Guido di Tella

For the Government of the Federative Republic of Brazil:
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For the Government of the Republic of Paraguay:
Andres Rodriguez
Alexis Frutos Vaesken

For the Government of the Eastern Republic of Uruguay:
Luis Alberto Lacalle Herrera
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