FRAMEWORK AGREEMENT FOR THE CREATION OF A FREE TRADE AREA BETWEEN MERCOSUR AND THE ANDEAN COMMUNITY

The Governments of the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, and the Eastern Republic of Uruguay, Member States of the Southern Common Market (MERCOSUR), and the Governments of the Republic of Bolivia, the Republic of Colombia, the Republic of Ecuador, the Republic of Peru, and the Republic of Venezuela, Member Countries of the Cartagena Agreement, hereinafter referred to as "the Signatory Parties" to this Framework Agreement, whose "Contracting Parties" are MERCOSUR and the Andean Community,

WHEREAS:

That it is necessary to strengthen and deepen the process of integration in Latin America in order to achieve the objectives set forth in the 1980 Treaty of Montevideo, through the conclusion of agreements open to the participation of the other Member Countries of the Latin American Integration Association (ALADI), which will enable the creation of an expanded economic area;

That regional economic integration is one of the essential instruments for Latin American countries to advance in their economic and social development, ensuring a better quality of life for their peoples;

That the creation of free trade areas in Latin America constitutes a key element in bringing existing integration schemes closer together, as well as being a fundamental step in the integration process and the establishment of a Hemispheric Free Trade Area (FTAA);

Whereas the Andean Countries have established the Andean Community as a framework for achieving the objectives of regional integration;

Whereas the MERCOSUR Member States, through the signing of the 1991 Treaty of Asunción, have taken a significant step toward achieving the objectives of Latin American integration;

Whereas the Marrakesh Agreement, which establishes the World Trade Organization, constitutes the framework of rights and obligations within which the commitments of this Agreement will be implemented;

Whereas the functioning of democratic institutions is an essential element for the development of the regional integration process;

Whereas the Contracting Parties promote free competition and reject practices that restrict it;

Whereas, in order to contribute to the expansion of world trade and the efficient functioning of markets, it is essential to provide economic agents with clear rules for the exchange of goods and services, as well as for reciprocal investments between MERCOSUR and the Andean Community;

Whereas the integration process must encompass aspects related to development and the full utilization of physical infrastructure;

Agree to conclude this Framework Agreement:

Title I. OBJECTIVES

Article 1.

The objectives of this Agreement are:

a) To create a free trade area among the Contracting Parties through the expansion and diversification of trade and the elimination of tariffs and restrictions affecting reciprocal trade;

b) To establish the legal and institutional framework for economic and physical cooperation and integration, which will contribute to the creation of an expanded economic area designed to facilitate the free movement of goods and services and the full utilization of factors of production, under conditions of competition and equity, in accordance with the efforts made by the Contracting Parties;

c) To promote the development and use of physical infrastructure, with special emphasis on the establishment of integration corridors, thereby reducing costs and generating competitive advantages in regional trade and in trade with third countries outside the region;

d) To establish a regulatory framework to promote and encourage reciprocal investments among the economic agents of the Contracting Parties;

e) To promote complementarity and economic, energy, scientific, and technological cooperation; and,

f) To seek to coordinate positions between both Contracting Parties in the process of hemispheric integration and in multilateral forums.

Title II. TRADE LIBERALIZATION

Article 2.

MERCOSUR and the Andean Community shall negotiate the progressive liberalization of their reciprocal trade, in accordance with the following principles:

a) By September 30, 1998, MERCOSUR and the Andean Community shall negotiate a tariff preference agreement based on the historical framework, which may include new products. This Agreement shall replace the existing partial agreements between the NIERCOSUR countries and the Andean Community.

b) The aforementioned tariff preference agreement shall enter into force on October 1, 1998; it shall establish fixed preference margins and incorporate the trade disciplines in force within the framework of ALADI.

c) Between October 1, 1998, and December 31, 1999, MERCOSUR and the Andean Community shall negotiate a Free Trade Agreement covering the products specified in the Agreement referred to in subparagraph (b) and all other products in the tariff schedule. This Free Trade Agreement shall enter into force on January 1, 2000.

Article 3.

Economic Complementation Agreement No. 36 shall apply to Bolivia. Notwithstanding the foregoing, Bolivia shall participate in the negotiations between the Andean Community and MERCOSUR, with the aim of harmonizing said Agreement, to the extent applicable, with the agreements that the Parties sign, through negotiations to be conducted within the framework of such talks.

Title III. ECONOMIC AND TRADE COOPERATION

Article 4.

To support actions aimed at increasing trade in goods and services, the Contracting Parties shall encourage, among other initiatives, the following:

a) The promotion of business meetings and other complementary activities that expand trade and investment relations between the private sectors of both Contracting Parties;

b) The promotion and support of trade promotion activities, such as: seminars, trade missions, symposia, and commercial and industrial fairs and exhibitions;

c) The development of trade facilitation activities;

d) The exchange of information on the following topics:

i) Current trade policies;

ii) The current institutional framework for the implementation of trade policies;

iii) National, regional, and international transportation systems and marketing channels;

iv) Regional and global supply and demand for their export products;

v) Any other topic that the Contracting Parties deem appropriate.

e) The promotion of industrial complementarity and integration, with the aim of making the best possible use of available resources and increasing trade among the Contracting Parties;

f) The examination of the possibility of concluding new Agreements on the Reciprocal Promotion and Protection of Investments among the Signatory Parties, as well as Agreements to avoid double taxation; and,

g) The development of joint actions aimed at implementing cooperation projects for scientific and technological research through the exchange of knowledge, research findings, and experiences; information on technologies, patents, and licenses; and the exchange of goods, materials, equipment, and services necessary for carrying out specific projects, joint research, and the organization of seminars, symposia, and conferences.

Title IV. NEGOTIATING COMMISSION

Article 5.

To achieve the objectives of this Agreement, the Contracting Parties agree to establish a Negotiating Commission, composed of the Alternate Representatives to the Andean Community and the Ad Hoc Group of the MERCOSUR Common Market Group.

Title V. MISCELLANEOUS PROVISIONS

Article 6.

This Agreement shall enter into force on the date of its signature.

Article 7.

The Signatory Parties agree to maintain in force the Partial-Scope Agreements signed within the framework of ALADI until September 30, 1998. The Regional Agreements shall remain in force until the Free Trade Agreement between the Andean Community and MERCOSUR enters into force.

Article 8.

The General Secretariat of the Latin American Integration Association —ALADI—shall be the depositary of this Agreement and shall provide duly authenticated copies thereof to the Signatory Parties.

IN WITNESS WHEREOF, the respective Plenipotentiaries have signed this Agreement in the city of Buenos Aires, on the sixteenth day of April, nineteen ninety-eight, in a single original in the Spanish and Portuguese languages, both texts being equally valid. (Signed:) For the Argentine Republic; For the Republic of Bolivia; For the Federative Republic of Brazil; For the Republic of Colombia; For the Republic of Ecuador; For the Republic of Paraguay; For the Republic of Peru; For the Eastern Republic of Uruguay; For the Republic of Venezuela.