

**TREATY ESTABLISHING THE LATIN AMERICAN INTEGRATION ASSOCIATION
(LAIA)*
[excerpts]**

The Treaty of Montevideo Establishing the Latin American Integration Association was signed on 12 August 1980. It entered into force on 18 March 1981, replacing the Treaty that created the Latin American Free Trade Association (1960). The member States of the Latin American Integration Association are Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

The Governments of the Argentine Republic, the Republic of Bolivia, the Federative Republic of Brazil, the Republic of Chile, the Republic of Colombia, the Republic of Ecuador, the United Mexican States, the Republic of Paraguay, the Republic of Peru, the Eastern Republic of Uruguay, and the Republic of Venezuela,

INSPIRED by the purpose of strengthening the friendship and solidarity links between their peoples.

PERSUADED that economic regional integration is one of the principal means for the Latin American countries to speed up their economic and social development process in order to ensure better standards of life for their peoples.

DECIDED to renew the Latin American integration process and establish objectives and mechanisms consistent with the region's real situation.

CERTAIN that the continuation of such process requires taking advantage of the positive experience obtained in the implementation of the Montevideo Treaty dated 18 February 1960.

AWARE that it is necessary to ensure a special treatment for countries at a relatively less advanced stage of economic development.

WILLING to encourage the development of solidarity and cooperation ties with other countries and integration areas of Latin America in order to promote a process converging towards the establishment of a regional common market.

CONVINCED of the need to contribute towards obtaining a new scheme of horizontal cooperation between developing countries and their integration areas, inspired by the principles of international law regarding development.

* Source: LAFTA Secretariat (1981). *1980 Montevideo Treaty: Instrument Establishing the Latin American Integration Association (LAIA)*, (Montevideo: LAFTA Secretariat) [Note added by the editor].

BEARING IN MIND the decision adopted by the Contracting Parties to the General Agreement on Tariffs and Trade whereby regional or general agreements may be drawn up between developing countries in order to mutually reduce or eliminate obstacles to their reciprocal trade,

THEY HEREBY AGREE to sign the present Treaty which, concurrent with the provisions herein contained, shall substitute the Treaty instituting the Latin American Free Trade Association.

CHAPTER I

Objectives, duties and principles

Article 1

By the present Treaty the Contracting Parties pursue the integration process leading to promote the harmonious and balanced socio-economic development of the region, and to that effect they hereby institute the Latin American Integration Association (hereinafter referred to as the "Association"), with headquarters in the city of Montevideo, Eastern Republic of Uruguay.

The long-term objective of such process shall be the gradual and progressive establishment of a Latin American common market.

Article 2

The rules and mechanisms of the present Treaty, as well as those which may be established within its framework by member countries, shall have as their purpose the performance of the following basic duties of the Association: promotion and regulation of reciprocal trade, economic complementation, and development of economic cooperation actions encouraging market expansion.

Article 3

In the implementation of the present Treaty and the evolution towards its final objective, member countries shall bear in mind the following principles:

- a) Pluralism, sustained by the will of member countries to integrate themselves, over and above the diversity which might exist in political and economic matters in the region;
- b) Convergence, meaning progressive multilateralization of partial scope agreements by means of periodical negotiations between member countries, with a view to establish the Latin American common market;
- c) Flexibility, characterized by the capacity to allow the conclusion of partial scope agreements, ruled in a form consistent with the progressive attainment of their convergence and the strengthening of integration ties;
- d) Differential treatments, as determined in each case, both in regional and partial scope

mechanisms, on the basis of three categories of countries, which will be set up taking into account their economic-structural characteristics. Such treatments shall be applied in a determined scale to intermediate developed countries, and in a more favorable manner to countries at a relatively less advanced stage of economic development; and

- e) Multiple, to make possible various forms of agreements between member countries, following the objectives and duties of the integration process, using all instruments capable of activating and expanding markets at regional level.

CHAPTER II Mechanisms

Article 4

In order to fulfill the basic duties of the Association set forth in article 2 of the present Treaty, member countries hereby establish an area of economic preferences, comprising a regional tariff preference, regional scope agreements, and partial scope agreements.

Second section - Regional scope agreements

Article 6

Regional scope agreements are those in which all member countries participate.

They shall be drawn up within the framework of the objectives and provisions of the present Treaty, and may refer to the same matters and include those instruments foreseen for the partial scope agreements provided for in the third section of the present chapter.

Third section - Partial scope agreements

Article 7

Partial scope agreements are those wherein all member countries do not participate. These agreements shall tend to create the conditions necessary to deepen the regional integration process by means of their progressive multilateralization.

Rights and obligations to be established in partial scope agreements shall exclusively bind the signatory member countries or those adhered thereto.

Article 8

Partial scope agreements may refer to trade, economic complementation, agriculture, trade promotion, or adopt other modalities concurring with article 14 of the present Treaty.

Article 9

Partial scope agreements shall be governed by the following general rules:

- a) They shall be open for accession to the other member countries, prior negotiation;
- b) They shall contain clauses promoting convergence in order that their benefits reach all member countries;
- c) They may contain clauses promoting convergence with other Latin American countries, in concurrence with the mechanisms established in the present Treaty;
- d) They shall include differential treatments depending on the three categories of countries recognized by the present Treaty. The implementation of such treatments as well as negotiation procedures for their periodical revision at the request of any member country which may consider itself at a disadvantage shall be determined in each agreement;
- e) Tariff reductions may be applied to the same products or tariff sub-items and on the basis of a percentage rebate regarding the tariffs applied to imports originating from non-participating countries;
- f) They shall be in force for a minimum term of one year; and
- g) They may include, among others, specific rules regarding origin, safeguard clauses, non-tariff restrictions, withdrawal of concessions, renegotiation of concessions, denouncement, coordination and harmonization of policies. Should these specific rules not have been adopted, the general provisions to be established by member countries on the respective matters shall be taken into account.

Article 10

Trade agreements are exclusively aimed towards trade promotion among member countries, and shall be subject to the specific rules to be established for that purpose.

Article 11

Economic complementation agreements are aimed, among other objectives, to promote maximum utilization of production factors, stimulate economic complementation, ensure equitable conditions for competition, facilitate entry of products into the international market, and encourage the balanced and harmonious development of member countries.

These agreements shall be subject to the specific rules to be established for that purpose.

Article 12

Agricultural agreements are aimed to promote and regulate intraregional trade of agricultural and livestock products. They shall contemplate flexibility elements bearing in mind the participating countries' socio-economic characteristics of production. These agreements may refer to specific products or groups of products, and may be based on temporary, seasonal, per quota or mixed concessions, or on contracts between State or para-State organizations. They shall be subject to the specific rules to be established for that purpose.

Article 13

Trade promotion agreements shall refer to non-tariff matters and tend to promote intraregional trade flows. They shall be subject to the specific rules to be established for that purpose.

Article 14

Member countries may establish, through the corresponding regulations, specific rules to conclude other modalities of partial scope agreements.

For this purpose, they shall take into consideration, among other matters, scientific and technological cooperation, tourism promotion and preservation of the environment.

Chapter III

System in favor of countries at a relatively less advanced stage of economic development

Article 15

Member countries shall establish conditions favoring participation of countries at a relatively less advanced stage of economic development in the economic integration process, based on the principles of non-reciprocity and community cooperation.

Article 16

For the purpose of ensuring them an effective preferential treatment, member countries shall establish market openings as well as set up programs and other specific forms of cooperation.

Article 17

Actions favoring relatively less developed countries shall be concluded through regional scope and partial scope agreements.

In order to ensure the effectiveness of such agreements, member countries shall execute negotiated rules concerning preservation of preferences, elimination of non-tariff restrictions and application of safeguard clauses in justified cases.

First section - Regional scope agreements

Article 18

For each relatively less developed country, member countries shall approve negotiated lists of preferably industrial products originating from each relatively less developed country, for which total elimination of customs duties and other restrictions shall be accorded, without reciprocity, by all other member countries of the Association.

Member countries shall set up the necessary procedures to achieve progressive extension of the respective liberalization lists. Corresponding negotiations may be carried out when deemed convenient.

At the same time, member countries shall endeavour to set up effective compensation mechanisms to take care of negative effects which might influence intra-regional trade of the relatively less developed land-locked countries.

Second section - Partial scope agreements

Article 19

Partial scope agreements negotiated by the relatively less developed countries with other member countries shall conform, wherever pertinent, with the provisions contained in articles 8 and 9 of the present Treaty.

Article 20

In order to encourage effective and collective cooperation in favor of relatively less developed countries, member countries shall negotiate Special Cooperation Programs with each one of them.

Article 21

In order to facilitate utilization of tariff cuts, member countries may set up cooperation programs and actions in the fields of preinvestment, financing and technology, mainly directed towards supporting the relatively less developed countries, with special regard, among them, to land-locked countries.

Article 22

Notwithstanding the preceding articles, treatments in favor of relatively less developed countries may include collective and partial cooperation actions calling for effective mechanisms

meant to compensate the disadvantageous situation faced by Bolivia and Paraguay due to their land-locked location.

Provided that criteria referred to gradual timing are adopted within the regional tariff preference referred to in article 5 of the present Treaty, attempts shall be made to preserve the margins granted in favor of land-locked countries by means of cumulative tariff cuts.

At the same time, attempts shall be made to establish compensation formulae, both as regards the regional tariff preference when deepened, and regional and partial scope agreements.

Article 23

Member countries shall endeavor to grant land-locked countries facilities to establish free zones, warehouses or ports and other administrative international transit facilities in their territories.

CHAPTER IV

Convergence and cooperation with other Latin American countries and areas of economic integration

Article 24

Member countries may establish multilateral association or relationship systems encouraging convergence with other countries and areas of economic integration of Latin America, including the possibility of agreeing with these countries or areas the establishment of a Latin American tariff preference.

Member countries shall in due course regulate the characteristics of these systems.

Article 25

Likewise, member countries may draw up partial scope agreements with other Latin American countries and areas of economic integration, in accordance with the various modalities foreseen in the third section of chapter II of the present Treaty, and under the terms of the respective regulative provisions.

Notwithstanding the above, these agreements shall be subject to the following rules:

- a) Concessions granted by participating member countries shall not be extensive to the others, excepting the relatively less developed countries;
- b) When a member country includes products already negotiated in partial agreements with other member countries, concessions granted may be higher than those agreed with the former; in this case, consultation with the affected member countries shall be carried out in order to find mutually satisfactory solutions, unless the respective partial agreements include clauses concerning automatic extension or waiver of preferences contained in the partial

agreements referred to in the present article; and

- c) They shall be multilaterally assessed by the member countries within the Committee in order to acknowledge the scope of the agreements drawn up and facilitate participation of other member countries in same.

CHAPTER V **Cooperation with other areas of economic integration**

Article 26

Member countries shall undertake the actions necessary to establish and develop solidarity and cooperation links with other integration areas outside Latin America, through the Association's participation in horizontal cooperation programs carried out at international level, thus implementing the basic principles and commitments adopted within the context of the Declaration and Action Program on the establishment of a New International Economic Order and of the Charter of Economic Rights and Duties of States.

The Committee shall adopt adequate measures to facilitate compliance with the objectives set forth.

Article 27

At the same time, member countries may draw up partial scope agreements with other developing countries or respective economic integration areas outside Latin America, following the various modalities foreseen in the third section of chapter II of the present Treaty, and under the terms of the pertinent regulative provisions.

Notwithstanding the above, these agreements shall be subject to the following rules:

- a) Concessions granted by member countries participating in them shall not be extended to other members, with the exception of the relatively less developed countries;
- b) When products already negotiated with other member countries in partial scope agreements are included, concessions granted may not be higher than those agreed with the former, and in such case they shall be automatically extended to those countries; and
- c) They shall be declared consistent with the commitments undertaken by member countries within the frame of the present Treaty, in accordance with captions a) and b) of the present article.

CHAPTER VII **General provisions**

Article 44

Any advantages, favorable treatments, franchises, immunities and privileges which member countries apply to products originating from or bound to any other member country or non-member country, pursuant to decisions or agreements not foreseen in the present Treaty or the Cartagena Agreement, shall be immediately and unconditionally extended to the other member countries.

Article 45

Any advantages, favorable treatments, franchises, immunities and privileges already granted or to be granted under agreements between member countries or between these and third countries to facilitate border traffic shall be exclusively applicable to the countries which sign or may have signed them.

Article 46

As regards taxes, charges and other internal duties, products originating from the territory of a member country shall be entitled within the territory of the other member countries to a treatment not less favorable than that applied to similar national products.

Member countries shall adopt such steps as may be required to comply with the preceding provision, in accordance with their respective National Constitutions.

Article 47

In the case of products included in the regional tariff preference or in regional or partial scope agreements which are not produced or will not be produced in substantial quantities in its territory, each member country shall endeavor to avoid that taxes or other internal measures applied result in annulment or reduction of any concession or advantage obtained by any member country as a result of the respective negotiations.

If a member country considers itself at a disadvantage by the measures contained in the preceding paragraph, it may resort to the Committee so that the situation raised may be examined and pertinent recommendations issued.

Article 48

Within the territory of other member countries, capitals originating from member countries shall have the right to a treatment not less favorable than that granted to capitals coming from any other non-member country, notwithstanding the provisions set out in agreements which might be concluded on this matter by member countries under the terms of the present Treaty.

Article 49

Member countries may establish supplementary rules on trade policy regulating, among other matters, the application of non-tariff restrictions, a system of origin, the adoption of safeguard

clauses, export promotion systems and border traffic.

Article 50

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 archeological 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.

Article 51

Products imported and exported by any member country shall have the right to free transit throughout the territory of the other member countries, and be exclusively subject to payment of charges normally applicable for services rendered.

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