No. 25392

MULTILATERAL

Treaty establishing a free-trade area and instituting the Latin American Free Trade Association (Montevideo Treaty) (with protocol). Concluded at Montevideo on 18 February 1960

Termination ***(Note by the Secretariat)***

Authentic texts: Spanish and Portuguese.

Registered by Uruguay on 1 November 1987.

MULTILATÉRAL

Traité instituant une zone de libre-échange et portant création de l'Association latino-américaine de libre-échange (Traité de Montevideo) [avec protocole]. Conclu à Montevideo le 18 février 1960

Abrogation ***(Note du Secrétariat)***

Textes authentiques : espagnol et portugais.

Enregistré par l'Uruguay le 1er novembre 1987.

[TRANSLATION — TRADUCTION]

TREATY[1] ESTABLISHING A FREE-TRADE AREA AND INSTITUTING THE LATIN AMERICAN FREE-TRADE ASSOCIATION (MONTEVIDEO TREATY)

Montevideo, 18 February 1960

The Governments represented at the Inter-Governmental Conference for the Establishment of a Free-Trade Area among Latin American countries,

Persuaded that the expansion of present national markets, through the gradual elimination of barriers to intra-regional trade, is a prerequisite if the Latin American countries are to accelerate their economic development process in such a way as to ensure a higher standard of living for their peoples,

Aware that economic development should be attained through the maximum utilization of available production factors and the more effective co-ordination of the development programmes of the different production sectors in accordance with norms which take due account of the interests of each and all and which make proper compensation, by means of appropriate measures, for the special situation of countries which are at a relatively less advanced stage of economic development,

Convinced that the strengthening of national economies will contribute to the expansion of trade within Latin America and with the rest of the world,

Sure that, by the adoption of suitable formulas, conditions can be created that will be conducive to the gradual and smooth adaptation of existing productive activities to new patterns of reciprocal trade, and that further incentives will thereby be provided for the improvement and expansion of such trade,

[1] Came into force on 1 June 1961, i.e., 30 days after the deposit with the Government of Uruguay of the third instrument of ratification, in accordance with article 57:

State	*Date of deposit of the instrument of ratification*
Argentina	2 May 1961
Brazil	2 May 1961
Chile	2 May 1961
Mexico	2 May 1961
Peru	2 May 1961
Uruguay	2 May 1961

Subsequently, the Treaty came into force for the following States 30 days after the deposit of the corresponding instrument, in accordance with article 58:

State	*Date of deposit of the instrument of ratification or accession* (a)
Paraguay	21 June 1961
(With effect from 21 July 1961.)	
Colombia	30 September 1961 *a*
(With effect from 30 October 1961.)	
Ecuador	3 November 1961 *a*
(With effect from 3 December 1961.)	
Venezuela	30 August 1966 *a*
(With effect from 30 September 1966.)	
Bolivia	8 February 1967 *a*
(With effect from 8 March 1967.)	

Certain that any action to achieve such ends must take into account the commitments arising out of the international instruments which govern their trade,

Determined to persevere in their efforts to establish, gradually and progressively, a Latin American common market and, hence, to continue collaborating with the Latin American Governments as a whole in the work already initiated for this purpose, and

Motivated by the desire to pool their efforts to achieve the progressive complementarity and integration of their national economies on the basis of an effective reciprocity of benefits, decide to establish a Free-Trade Area and, to that end, to conclude a Treaty instituting the Latin American Free-Trade Association; and have, for this purpose, appointed their plenipotentiaries who have agreed as follows:

CHAPTER I. NAME AND PURPOSE

Article 1

By this Treaty the Contracting Parties establish a Free-Trade Area and institute the Latin American Free-Trade Association (hereinafter referred to as "the Association"), with headquarters in the city of Montevideo (Eastern Republic of Uruguay).

The term "Area", when used in this Treaty, means the combined territories of the Contracting Parties.

CHAPTER II. PROGRAMME FOR TRADE LIBERALIZATION

Article 2

The Free-Trade Area, established under the terms of the present Treaty, shall be brought into full operation within not more than twelve (12) years from the date of the Treaty's entry into force.

Article 3

During the period indicated in article 2, the Contracting Parties shall gradually eliminate, in respect of substantially all their reciprocal trade, such duties, charges and restrictions as may be applied to imports of goods originating in the territory of any Contracting Party.

For the purposes of the present Treaty the term "duties and charges" means customs duties and any other charges of equivalent effect — whether fiscal, monetary or exchange — that are levied on imports.

The provisions of the present article do not apply to fees and similar charges in respect of services rendered.

Article 4

The purpose set forth in article 3 shall be achieved through negotiations to be held from time to time among the Contracting Parties with a view to drawing up:

(*a*) National Schedules specifying the annual reductions in duties, charges and other restrictions which each Contracting Party grants to the other Contracting Parties in accordance with the provisions of article 5; and

(*b*) A Common Schedule listing the products on which the Contracting Parties collectively agree to eliminate duties, charges and other restrictions completely, so far as intra-Area trade is concerned, within the period mentioned in article 2, by complying with the minimum percentages set out in article 7 and through the gradual reduction provided for in article 5.

Article 5

With a view to the preparation of the National Schedules referred to in article 4, sub-paragraph (*a*), each Contracting Party shall annually grant to the other Contracting Parties reductions in duties and charges equivalent to not less than eight per cent (8%) of the weighted average applicable to third countries, until they are eliminated in respect of substantially all of its imports from the Area, in accordance with the definitions, methods of calculation, rules and procedures laid down in the Protocol.

For this purpose, duties and charges for third parties shall be deemed to be those in force on 31 December prior to each negotiation.

When the import régime of a Contracting Party contains restrictions of such a kind that the requisite equivalence with the reductions in duties and charges granted by another Contracting Party or other Contracting Parties is unobtainable, the counterpart of these reductions shall be complemented by means of the elimination or relaxation of those restrictions.

Article 6

The National Schedules shall enter into force on 1 January of each year, except that those deriving from the initial negotiations shall enter into force on the date fixed by the Contracting Parties.

Article 7

The Common Schedule shall consist of products which, in terms of the aggregate value of the trade among the Contracting Parties, shall constitute not less than the following percentages, calculated in accordance with the provisions of the Protocol:

— Twenty-five per cent (25%) during the first three-year period;

— Fifty per cent (50%) during the second three-year period;

— Seventy-five per cent (75%) during the third three-year period;

— Substantially all of such trade during the fourth three-year period.

Article 8

The inclusion of products in the Common Schedule shall be final and the concessions granted in respect thereof irrevocable.

Concessions granted in respect of products which appear only in the National Schedules may be withdrawn by negotiation among the Contracting Parties and on a basis of adequate compensation.

Article 9

The percentages referred to in articles 5 and 7 shall be calculated on the basis of the average annual value of trade during the three years preceding the year in which each negotiation is effected.

Article 10

The purpose of the negotiations — based on reciprocity of concessions — referred to in article 4 shall be to expand and diversify trade and to promote the progressive complementarity of the economies of the countries in the Area.

In these negotiations the situation of those Contracting Parties whose levels of duties, charges and restrictions differ substantially from those of the other Contracting Parties shall be considered with due fairness.

Article 11

If, as a result of the concessions granted, significant and persistent disadvantages are treated in respect of trade between one Contracting Party and the others as a whole in the products included in the liberalization programme, the Contracting Parties shall, at the request of the Contracting Party affected, consider steps to remedy these disadvantages with a view to the adoption of suitable, non-restrictive measures designed to promote trade at the highest possible levels.

Article 12

If, as a result of circumstances other than those referred to in article 11, significant and persistent disadvantages are created in respect of trade in the products included in the liberalization programme, the Contracting Parties shall, at the request of the Contracting Party concerned, make every effort within their power to remedy these disadvantages.

Article 13

The reciprocity mentioned in article 10 refers to the expected growth in the flow of trade between each Contracting Party and the others as a whole, in the products included in the liberalization programme and those which may subsequently be added.

CHAPTER III. EXPANSION OF TRADE AND ECONOMIC COMPLEMENTARITY

Article 14

In order to ensure the continued expansion and diversification of reciprocal trade, the Contracting Parties shall take steps:

(*a*) To grant one another, while observing the principle of reciprocity, concessions which will ensure that, in the first negotiation, treatment not less favourable than that which existed before the date of entry into force of the present Treaty is accorded to imports from within the Area;

(*b*) To include in the National Schedules the largest possible number of products in which trade is carried on among the Contracting Parties; and

(*c*) To add to these Schedules an increasing number of products which are not yet included in reciprocal trade.

Article 15

In order to ensure fair competitive conditions among the Contracting Parties and to facilitate the increasing integration and complementarity of their economies, particularly with regard to industrial production, the Contracting Parties shall make every effort — in keeping with the liberalization objectives of the present Treaty — to reconcile their import and export régimes, as well as the treatment they accord to capital, goods and services from outside the Area.

Article 16

With a view to expediting the process of integration and complementarity referred to in article 15, the Contracting Parties:

(*a*) Shall endeavour to promote progressively closer co-ordination of the corresponding industrialization policies, and shall sponsor for this purpose agreements among representatives of the economic sectors concerned; and

(*b*) May negotiate mutual agreements on complementarity by industrial sectors.

Article 17

The complementarity agreements referred to in article 16, sub-paragraph (*b*), shall set forth the liberalization programme to be applied to products of the sector concerned and may contain, *inter alia*, clauses designed to reconcile the treatment accorded to raw materials and other components used in the manufacture of these products.

Any Contracting Party concerned with the complementarity programmes shall be free to participate in the negotiation of these agreements.

The results of these negotiations shall, in every case, be embodied in protocols which shall enter into force after the Contracting Parties have decided that they are consistent with the general principles and purposes of the present Treaty.

CHAPTER IV. MOST-FAVOURED-NATION TREATMENT

Article 18

Any advantage, benefit, franchise, immunity or privilege applied by a Contracting Party in respect of a product originating in or intended for consignment to any other country shall be immediately and unconditionally extended to the similar product originating in or intended for consignment to the territory of the other Contracting Parties.

Article 19

The most-favoured-nation treatment referred to in article 18 shall not be applicable to the advantages, benefits, franchises, immunities and privileges already granted or which may be granted by virtue of agreements among Contracting Parties or between Contracting Parties and third countries with a view to facilitating border trade.

Article 20

Capital originating in the Area shall enjoy, in the territory of each Contracting Party, treatment not less favourable than that granted to capital originating in any other country.

CHAPTER V. TREATMENT IN RESPECT OF INTERNAL TAXATION

Article 21

With respect to taxes, rates and other internal duties and charges, products originating in the territory of a Contracting Party shall enjoy, in the territory of another Contracting Party, treatment no less favourable than that accorded to similar national products.

Article 22

Each Contracting Party shall endeavour to ensure that the charges or other domestic measures applied to products included in the liberalization programme which are not produced, or are produced only in small quantities, in its territory, do not nullify or reduce any concession or advantage obtained by any Contracting Party during the negotiations.

If a Contracting Party considers itself injured by virtue of the measures mentioned in the previous paragraph, it may appeal to the competent organs of the Association with a view to having the matter examined and appropriate recommendations made.

CHAPTER VI. SAVING CLAUSES

Article 23

The Contracting Parties may, as a provisional measure and providing that the customary level of consumption in the importer country is not thereby lowered, authorize a Contracting Party to impose non-discriminatory restrictions upon imports of products included in the liberalization programme which originate in the Area, if these products are imported in such quantities or under such conditions that they have, or are liable to have, serious repercussions on specific productive activities of vital importance to the national economy.

Article 24

The Contracting Parties may likewise authorize a Contracting Party which has adopted measures to correct its unfavourable over-all balance of payments to extend these measures, provisionally and without discrimination, to intra-Area trade in the products included in the liberalization programme.

The Contracting Parties shall endeavour to ensure that the imposition of restrictions deriving from the balance-of-payments situation does not affect trade, within the Area, in the products included in the liberalization programme.

Article 25

If the situations referred to in articles 23 and 24 call for immediate action, the Contracting Party concerned may, as an emergency arrangement to be referred to the Contracting Parties, apply the measures provided for in the said articles. The measures adopted must immediately be communicated to the Committee mentioned in article 33, which, if it deems necessary, shall convene a special session of the Conference.

Article 26

Should the measures envisaged in this chapter be prolonged for more than one year, the Committee shall propose to the Conference, referred to in article 33, either *ex officio* or at the request of any of the Contracting Parties, the immediate initiation of negotiations with a view to eliminating the restrictions adopted.

The present article does not affect the provisions of article 8.

CHAPTER VII. SPECIAL PROVISIONS CONCERNING AGRICULTURE

Article 27

The Contracting Parties shall seek to co-ordinate their agricultural development and agricultural commodity trade policies, with a view to securing the most efficient utilization of their natural resources, raising the standard of living of the rural population, and guaranteeing normal supplies to consumers, without disorganizing the regular productive activities of each Contracting Party.

Article 28

Providing that no lowering of its customary consumption or increase in anti-economic production is involved, a Contracting Party may apply, within the period mentioned in article 2, and in respect of trade in agricultural commodities of substantial importance to its economy that are included in the liberalization programme, appropriate non-discriminatory measures designed to:

(*a*) Limit imports to the amount required to meet the deficit in internal production; and

(*b*) Equalize the prices of the imported and domestic product.

The Contracting Party which decides to apply these measures shall inform the other Contracting Parties before it puts them into effect.

Article 29

During the period prescribed in article 2 an attempt shall be made to expand intra-Area trade in agricultural commodities by such means as agreements among the Contracting Parties designed to cover deficits in domestic production.

For this purpose, the Contracting Parties shall give priority, under normal competitive conditions, to products originating in the territories of the other Contracting Parties, due consideration being given to the traditional flows of intra-Area trade.

Should such agreements be concluded among two or more Contracting Parties, the other Contracting Parties shall be notified before the agreements enter into force.

Article 30

The measures provided for in this chapter shall not be applied for the purpose of incorporating, in the production of agricultural commodities, resources which imply a reduction in the average level of productivity existing on the date on which the present Treaty enters into force.

Article 31

If a Contracting Party considers itself injured by a reduction of its exports attributable to the lowering of the usual consumption level of the importer country

as a result of measures referred to in article 28 and/or an anti-economic increase in the production referred to in the previous article, it may appeal to the competent organs of the Association to study the situation and, if necessary, to make recommendations for the adoption of appropriate measures to be applied in accordance with article 12.

CHAPTER VIII. MEASURES IN FAVOUR OF COUNTRIES AT A RELATIVELY LESS ADVANCED STAGE OF ECONOMIC DEVELOPMENT

Article 32

The Contracting Parties, recognizing that fulfilment of the purposes of the present Treaty will be facilitated by the economic growth of the countries in the Area that area at a relatively less advanced stage of economic development, shall take steps to create conditions conducive to such growth.

To this end, the Contracting Parties may:

(*a*) Authorize a Contracting Party to grant to another Contracting Party which is at a relatively less advanced stage of economic development within the Area, as long as necessary and as a temporary measure, for the purposes set out in the present article, advantages not extended to the other Contracting Parties, in order to encourage the introduction or expansion of specific productive activities;

(*b*) Authorize a Contracting Party at a relatively less advanced stage of economic development within the Area to implement the programme for the reduction of duties, charges and other restrictions under more favourable conditions, specially agreed upon;

(*c*) Authorize a Contracting Party at a relatively less advanced stage of economic development within the Area to adopt appropriate measures to correct an unfavourable balance of payments, if the case arises;

(*d*) Authorize a Contracting Party at a relatively less advanced stage of economic development within the Area to apply, if necessary and a temporary measure, and providing that this does not entail a decrease in its customary consumption, appropriate non-discriminatory measures designed to protect the domestic output of products included in the liberalization programme which are of vital importance to its economic development;

(*e*) Make collective arrangements in favour of a Contracting Party at a relatively less advanced stage of economic development within the Area with respect to the support and promotion, both inside and outside the Area, of financial or technical measures designed to bring about the expansion of existing productive activities or to encourage new activities, particularly those intended for the industrialization of its raw materials; and

(*f*) Promote or support, as the case may be, special technical assistance programmes for one or more Contracting Parties, intended to raise, in countries at a relatively less advanced stage of economic development within the Area, productivity levels in specific production sectors.

CHAPTER IX. ORGANS OF THE ASSOCIATION

Article 33

The organs of the Association are the Conference of the Contracting Parties (referred to in this Treaty as "the Conference") and the Standing Executive Committee (referred to in this Treaty as "the Committee").

Article 34

The Conference is the supreme organ of the Association. It shall adopt all decisions in matters requiring joint action on the part of the Contracting Parties, and it shall be empowered, *inter alia*:

(*a*) To take the necessary steps to carry out the present Treaty and to study the results of its implementation;

(*b*) To promote the negotiations provided for in article 4 and to assess the results thereof;

(*c*) To approve the Committee's annual budget and to fix the contributions of each Contracting Party;

(*d*) To lay down its own rules of procedure and to approve the Committee's rules of procedure;

(*e*) To elect a Chairman and two Vice-Chairmen for each session;

(*f*) To appoint the Executive Secretary of the Committee; and

(*g*) To deal with other business of common interest.

Article 35

The Conference shall be composed of duly accredited representatives of the Contracting Parties. Each delegation shall have one vote.

Article 36

The Conference shall hold: (*a*) a regular session once a year; and (*b*) special sessions when convened by the Committee.

At each session the Conference shall decide the place and date of the following regular session.

Article 37

The Conference may not take decisions unless at least two-thirds (2/3) of the Contracting Parties are present.

Article 38

During the first two years in which the present Treaty is in force, decisions of the Conference shall be adopted when affirmative votes are cast by at least two-thirds (2/3) of the Contracting Parties and providing that no negative vote is cast.

The Contracting Parties shall likewise determine the voting system to be adopted after this two-year period.

The affirmative vote of two-thirds (2/3) of the Contracting Parties shall be required:

(*a*) To approve the Committee's annual budget;

(*b*) To elect the Chairman and two Vice-Chairmen of the Conference, as well as the Executive Secretary; and

(*c*) To fix the time and place of the sessions of the Conference.

Article 39

The Committee is the permanent organ of the Association responsible for supervising the implementation of the provisions of the present Treaty. Its duties and responsibilities shall be, *inter alia*:

(*a*) To convene the Conference;

(*b*) To submit for the approval of the Conference an annual work programme and the Committee's annual budget estimates;

(*c*) To represent the Association in dealings with third countries and international organs and entities for the purpose of considering matters of common interest. It shall also represent the Association in contracts and other instruments of public and private law;

(*d*) To undertake studies, to suggest measures and to submit to the Conference such recommendations as it deems appropriate for the effective implementation of the Treaty;

(*e*) To submit to the Conference at its regular sessions an annual report on its activities and on the results of the implementation of the present Treaty;

(*f*) To request the technical advice and the co-operation of individuals and of national and international organizations;

(*g*) To take such decisions as may be delegated to it by the Conference; and

(*h*) To undertake the work assigned to it by the Conference.

Article 40

The Committee shall consist of a Permanent Representative of each Contracting Party, who shall have a single vote.

Each Representative shall have an Alternate.

Article 41

The Committee shall have a secretariat headed by an Executive Secretary and comprising technical and administrative personnel.

The Executive Secretary, elected by the Conference for a three-year term and re-eligible for similar periods, shall attend the plenary meetings of the Committee without the right to vote.

The Executive Secretary shall be the General Secretary of the Conference. His duties shall be, *inter alia*:

(*a*) To organize the work of the Conference and of the Committee;

(*b*) To prepare the Committee's annual budget estimates; and

(*c*) To recruit and engage the technical and administrative staff in accordance with the Committee's rules of procedure.

Article 42

In the performance of their duties, the Executive Secretary and the secretariat staff shall not seek or receive instructions from any Government or from any other national or international entity. They shall refrain from any action which might reflect on their position as international civil servants.

The Contracting Parties undertake to respect the international character of the responsibilities of the Executive Secretary and of the secretariat staff and shall refrain from influencing them in any way in the discharge of their responsibilities.

Article 43

In order to facilitate the study of specific problems, the Committee may set up Advisory Commissions composed of representatives of the various sectors of economic activity of each of the Contracting Parties.

Article 44

The Committee shall request, for the organs of the Association, the technical advice of the secretariat of the United Nations Economic Commission for Latin America (ECLA) and of the Inter-American Economic and Social Council (IA-ECOSOC) of the Organization of American States.

Article 45

The Committee shall be constituted 60 days from the entry into force of the present Treaty and shall have its headquarters in the city of Montevideo.

CHAPTER X. JURIDICAL PERSONALITY; IMMUNITIES AND PRIVILEGES

Article 46

The Latin American Free-Trade Association shall possess complete juridical personality and shall, in particular, have the power:

(*a*) To contract;

(*b*) To acquire and dispose of the movable and immovable property it needs for the achievement of its objectives;

(*c*) To institute legal proceedings; and

(*d*) To hold funds in any currency and to transfer them as necessary.

Article 47

The representatives of the Contracting Parties and the international staff and advisers of the Association shall enjoy in the Area such diplomatic and other immunities and privileges as are necessary for the exercise of their functions.

The Contracting Parties undertake to conclude, as soon as possible, an Agreement regulating the provisions of the previous paragraph in which the aforesaid privileges and immunities shall be defined.

The Association shall conclude with the Government of the Eastern Republic of Uruguay an Agreement for the purpose of specifying the privileges and immunities which the Association, its organs and its international staff and advisers shall enjoy.

CHAPTER XI. MISCELLANEOUS PROVISIONS

Article 48

No change introduced by a Contracting Party in its régime of import duties and charges shall imply a level of duties and charges less favourable than that in force before the change for any commodity in respect of which concessions are granted to the other Contracting Parties.

The requirement set out in the previous paragraph shall not apply to the conversion to present worth of the official base value *(aforo)* in respect of customs duties and charges, providing that such conversion corresponds exclusively to the real value of the goods. In such cases, the value shall not include the customs duties and charges levied on the goods.

Article 49

In order to facilitate the implementation of the provisions of the present Treaty, the Contracting Parties shall, as soon as possible:

(*a*) Determine the criteria to be adopted for the purpose of establishing the origin of goods and for classifying them as raw materials, semi-manufactured goods or finished products;

(*b*) Simplify and standardize procedures and formalities relating to reciprocal trade;

(*c*) Prepare a tariff nomenclature to serve as a common basis for the presentation of statistics and for carrying out the negotiations provided for in the present Treaty;

(*d*) Determine what shall be deemed to constitute border trade within the meaning of article 19; and

(*e*) Determine the criteria for the purpose of defining "dumping" and other unfair trade practices and the procedures relating thereto.

Article 50

The products imported from the Area by a Contracting Party may not be re-exported save by agreement between the Contracting Parties concerned.

A product shall not be deemed to be a re-export if it has been subjected in the importer country to industrial processing or manufacture, the degree of which shall be determined by the Committee.

Article 51

Products imported or exported by a Contracting Party shall enjoy freedom of transit within the Area and shall only be subject to the payment of the normal rates for services rendered.

Article 52

No Contracting Party shall promote its exports by means of subsidies or other measures likely to disrupt normal competitive conditions in the Area.

An export shall not be deemed to have been subsidized if it is exempted from duties and charges levied on the product or its components when destined for internal consumption, or if it is subject to drawback.

Article 53

No provision of the present Treaty shall be so construed as to constitute an impediment to the adoption and execution of measures relating to:

(*a*) The protection of public morality;

(*b*) The application of security laws and regulations;

(*c*) The control of imports or exports of arms, ammunition and other war equipment and, in exceptional circumstances, of all other military items, in so far as this is compatible with the terms of article 51 and of the treaties on the unrestricted freedom of transit in force among the Contracting Parties;

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

(*e*) Imports and exports of gold and silver bullion;

(*f*) The protection of the nation's heritage of artistic, historical and archaeological value; and

(*g*) The export, use and consumption of nuclear materials, radioactive products or any other material that may be used in the development or exploitation of nuclear energy.

Article 54

The Contracting Parties shall make every effort to direct their policies with a view to creating conditions favourable to the establishment of a Latin American common market. To that end, the Committee shall undertake studies and consider projects and plans designed to achieve this purpose, and shall endeavour to co-ordinate its work with that of other international organizations.

CHAPTER XII. FINAL PROVISIONS

Article 55

The present Treaty may not be signed with reservations nor shall reservations be admitted at the time of ratification or accession.

Article 56

The present Treaty shall be ratified by the signatory States at the earliest opportunity.

The instruments of ratification shall be deposited with the Government of the Eastern Republic of Uruguay, which shall communicate the date of deposit to the Governments of the signatory and successively acceding States.

Article 57

The present Treaty shall enter into force for the first three ratifying States 30 days after the third instrument of ratification has been deposited; and, for the other signatories, 30 days after the respective instrument of ratification has been deposited, and in the order in which the ratifications are deposited.

The Government of the Eastern Republic of Uruguay shall communicate the date of the entry into force of the present Treaty to the Government of each of the signatory States.

Article 58

Following its entry into force, the present Treaty shall remain open to accession by the other Latin American States, which for this purpose shall deposit the relevant instrument of accession with the Government of the Eastern Republic of Uruguay. The Treaty shall enter into force for the acceding State 30 days after the deposit of the corresponding instrument.

Acceding States shall enter into the negotiations referred to in article 4 at the session of the Conference immediately following the date of deposit of the instrument of accession.

Article 59

Each Contracting Party shall begin to benefit from the concessions already granted to one another by the other Contracting Parties as from the date of entry into force of the reductions in duties and charges and other restrictions negotiated by them on a basis of reciprocity, and after the minimum obligations referred to in article 5, accumulated during the period which has elapsed since the entry into force of the present Treaty, have been carried out.

Article 60

The Contracting Parties may present amendments to the present Treaty, which shall be set out in protocols that shall enter into force upon their ratification by all the Contracting Parties and after the corresponding instruments have been deposited.

Article 61

On the expiry of the 12-year term starting on the date of entry into force of the present Treaty, the Contracting Parties shall proceed to study the results of the Treaty's implementation and shall initiate the necessary collective negotiations with a view to fulfilling more effectively the purposes of the Treaty and, if desirable, to adapting it to a new stage of economic integration.

Article 62

The provisions of the present Treaty shall not affect the rights and obligations deriving from agreements signed by any of the Contracting Parties prior to the entry into force of the present Treaty.

However, each Contracting Party shall take the necessary steps to reconcile the provisions of existing agreements with the purposes of the present Treaty.

Article 63

The present Treaty shall be of unlimited duration.

Article 64

A Contracting Party wishing to withdraw from the present Treaty shall inform the other Contracting Parties of its intention at a regular session of the Conference, and shall formally submit the instrument of denunciation at the following regular session.

When the formalities of denunciation have been completed, those rights and obligations of the denouncing Government which derive from its status as a Con-

tracting Party shall cease automatically, with the exception of those relating to reductions in duties and charges and other restrictions, received or granted under the liberalization programme, which shall remain in force for a period of five years from the date on which the denunciation becomes formally effective.

The period specified in the preceding paragraph may be shortened if there is sufficient justification, with the consent of the Conference and at the request of the Contracting Party concerned.

Article 65

The present Treaty shall be called the Montevideo Treaty.

IN WITNESS WHEREOF the undersigned Plenipotentiaries, having deposited their full powers, found in good and due form, have signed the present Treaty on behalf of their respective Governments.

DONE in the City of Montevideo, on the 18th day of the month of February in the year 1960, in one original in the Spanish and one in the Portuguese language, both texts being equally authentic. The Government of the Eastern Republic of Uruguay shall be the depositary of the present Treaty and shall transmit duly certified copies thereof to the Governments of the other signatory and acceding States.

For the Government of the Argentine Republic:

[DIÓGENES TABOADA][1]

For the Government of the United States of Brazil:

[HORACIO LAFER]

For the Government of the Republic of Chile:

[GERMÁN VERGARA DONOSO]

[DOMINGO ARTEAGA]

For the Government of the Republic of the United Mexican States:

[MANUEL TELLO]

For the Government of the Republic of Paraguay:

[RAÚL SAPENA PASTOR]

[EZEQUIEL GONZALEZ ALSINA]

[RAMÓN CHAMORRO]

For the Government of Peru:

[HERNÁN C. BELLIDO]

[GONZALO N. DE ARÁMBURU]

For the Government of the Eastern Republic of Uruguay:

[HOMERO MARTÍNEZ MONTERO]

[MATEO J. MAGARIÑOS]

[1] Names of signatories appearing between brackets were not legible and have been supplied by the Governemnt of Uruguay.

PROTOCOL ON NORMS AND PROCEDURES FOR NEGOTIATIONS

On the occasion of the signing of the Treaty establishing a Free-Trade Area and instituting the Latin American Free-Trade Association (Montevideo Treaty), the signatories, thereunto duly authorized by their Governments, hereby agree upon the following Protocol:

TITLE I. CALCULATION OF WEIGHTED AVERAGES

1. For the purposes of article 5 of the Montevideo Treaty, it shall be understood that, as a result of the negotiations for the establishment of the National Schedules, the difference between the weighted average of duties and charges in force for third countries and that which shall be applicable to imports from within the area shall be not less than the product of eight per cent (8%) of the weighted average of duties and charges in force for third countries multiplied by the number of years that have elapsed since the Treaty became effective.

2. The reduction mechanism shall therefore be based on two weighted averages: one corresponding to the average of the duties and charges in force for third countries; and the other to the average of the duties and charges which shall be applicable to imports from within the Area.

3. In order to calculate each of these weighted averages, the total amount that would be represented by the duties and charges on aggregate imports of the goods under consideration shall be divided by the total value of these imports.

4. This calculation will give a percentage (or *ad valorem* figure) for each weighted average. If is the difference between the two averages that shall be not less than the product of the factor 0.08 (or eight per cent) multiplied by the number of years elapsed.

5. The foregoing formula is expressed as follows:

$$t \leq T\ (1\text{-}0.08n) \text{ in which}$$

t = weighted average of the duties and charges that shall be applicable to imports from within the Area;

T = weighted average of duties and charges in force for third countries;

n = number of years since the Treaty entered into force.

6. In calculating the weighted averages for each of the Contracting Parties, the following shall be taken into account:

(*a*) Products originating in the territory of the other Contracting Parties and imported from the Area during the preceding three-year period and further products included in the National Schedule concerned as a result of negotiations;

(*b*) The total value of imports, irrespective of origin, of each of the products referred to in sub-paragraph (*a*), during the three-year period preceding each negotiation; and

(*c*) The duties and charges on imports from third countries in force as on 31 December prior to the negotiations, and the duties and charges applicable to imports from within the Area entering into force on 1 January following the negotiations.

7. The Contracting Parties shall be entitled to exclude products of little value from the group referred to in sub-paragraph (*a*), provided that their aggregate value does not exceed five per cent (5%) of the value of imports from within the Area.

TITLE II. EXCHANGE OF INFORMATION

8. The Contracting Parties shall provide one another, through the Standing Executive Committee, with information as complete as possible on:

(*a*) National statistics in respect of total imports and exports (value in dollars and volume, by countries both of origin and of destination), production and consumption;

(*b*) Customs legislation and regulations;

(*c*) Exchange, monetary, fiscal and administrative legislation, regulations and practices bearing on exports and imports;

(*d*) International trade treaties and agreements whose provisions relate to the Treaty;

(*e*) Systems of direct or indirect subsidies on production or exports including minimum price systems; and

(*f*) State trading systems.

9. So far as possible, these data shall be permanently available to the Contracting Parties. They shall be specially brought up to date sufficiently in advance of the opening of the annual negotiations.

TITLE III. NEGOTIATION OF NATIONAL SCHEDULES

10. Before 30 June of each year, the Contracting Parties shall make available to one another, through the Standing Executive Committee, the list of products in respect of which they are applying for concessions and, before 15 August of each year (with the exception of the first year, when the corresponding final date shall be 1 October), the preliminary list of items in favour of which they are prepared to grant concessions.

11. On 1 September of each year (with the exception of the first year, when the corresponding date shall be 1 November), the Contracting Parties shall initiate the negotiation of the concessions to be accorded by each to the others as a whole. The concessions shall be assessed multilaterally, although this shall not preclude the conduct of negotiations by pairs or groups of countries, in accordance with the interest attaching to specific products.

12. Upon the conclusion of this phase of the negotiations, the Standing Executive Committee shall make the calculations referred to in title I of this Protocol and shall inform each Contracting Party, at the earliest possible opportunity, of the percentage whereby its individual concessions reduce the weighted average of the duties and charges in force for imports from within the Area, in relation to the weighted average of duties and charges applicable in the case of third countries.

13. When the concessions negotiated fall short of the corresponding minimum commitment, the negotiations among the Contracting Parties shall be continued, so that the list of reductions of duties and charges and other restrictions to enter into

force as from the following 1 January may be simultaneously published by each of the Contracting Parties not later than 1 November of each year.

TITLE IV. NEGOTIATION OF THE COMMON SCHEDULE

14. During each three-year period and not later than on 31 May of the third, sixth, ninth and twelfth years from the time of the Treaty's entry into force, the Standing Executive Committee shall supply the Contracting Parties with statistical data on the value and volume of the products traded in the Area during the preceding three-year period, indicating the proportion of aggregate trade which each individually represented.

15. Before 30 June of the third, sixth and ninth years from the time of the Treaty's entry into force, the Contracting Parties shall exchange the lists of products whose inclusion in the Common Schedule they wish to negotiate.

16. The Contracting Parties shall conduct multilateral negotiations to establish, before 30 November of the third, sixth, ninth and twelfth years, a Common Schedule comprising goods whose value meets the minimum commitments referred to in article 7 of the Treaty.

TITLE V. SPECIAL AND TEMPORARY PROVISIONS

17. In the negotiations to which this Protocol refers, consideration shall be given to thoses cases in which varying levels of duties and charges on certain products create conditions such that producers in the Area are not competing on equitable terms.

18. To this end, steps shall be taken to ensure prior equalization of tariffs or to secure by any other suitable procedure the highest possible degree of effective reciprocity.

IN WITNESS WHEREOF the respective representatives have signed the Protocol.

DONE in the City of Montevideo, this 18th day of the month of February in the year 1960, in one original in the Spanish, and one in the Portuguese language, both texts being equally authentic.

The Government of the Eastern Republic of Uruguay shall act as depositary of the present Protocol and shall send certified true copies thereof to the Governments of the other signatory and acceding countries.

For the Government of the Argentine Republic:

[DIÓGENES TABOADA][1]

For the Government of the United States of Brazil:

[HORACIO LAFER]

For the Government of the Republic of Chile:

[GERMÁN VERGARA DONOSO]

[DOMINGO ARTEAGA]

For the Government of the Republic of the United Mexican States:

[MANUEL TELLO]

For the Government of the Republic of Paraguay:

[RAÚL SAPENA PASTOR]

[EZEQUIEL GONZALEZ ALSINA]

[RAMÓN CHAMORRO]

For the Government of Peru:

[HERNÁN C. BELLIDO]

[GONZALO N. DE ARÁMBURU]

For the Government of the Eastern Republic of Uruguay:

[HOMERO MARTÍNEZ MONTERO]

[MATEO J. MAGARIÑOS]

[1] Names of signatories appearing between brackets were not legible and have been supplied by the Government of Uruguay.

TERMINATION *(Note by the Secretariat)*

The Government of Uruguay registered on 18 August 1983 the Treaty of Montevideo, concluded at Montevideo on 12 August 1980.[1]

The said Treaty, which came into force on 18 March 1981, provides, in its article 66, for the termination of the abovementioned Treaty of 18 February 1960.[2]

(1 November 1987)

ABROGATION *(Note du Secrétariat)*

Le Gouvernement uruguayen a enregistré le 18 août 1983 le Traité de Montevideo, conclu à Montevideo le 12 août 1980[1].

Ledit Traité, qui est entré en vigueur le 18 mars 1981, stipule, à son article 66, l'abrogation du Traité susmentionné du 18 février 1960[2].

(1er novembre 1987)

[1] United Nations, *Treaty Series*, vol. 1329, p. 225.
[2] See p. 262 of this volume.

[1] Nations Unies, *Recueil des Traités*, vol. 1329, p. 225.
[2] Voir p. 282 du présent volume.