

**No. 31224**

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**CHILE  
and  
MEXICO**

**Agreement on economic integration (with annexes). Signed at  
Santiago on 22 September 1991**

*Authentic text: Spanish.*

*Registered by Chile on 21 September 1994.*

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**CHILI  
et  
MEXIQUE**

**Accord d'intégration économique (avec annexes). Signé à  
Santiago le 22 septembre 1991**

*Texte authentique : espagnol.*

*Enregistré par le Chili le 21 septembre 1994.*

## [TRANSLATION — TRADUCTION]

AGREEMENT<sup>1</sup> ON ECONOMIC INTEGRATION BETWEEN CHILE AND MEXICO

The Government of the Republic of Chile and the Government of the United Mexican States,

Considering:

The need to strengthen the integration process in Latin America in order to achieve the objectives set out in the Montevideo Treaty of 1980<sup>2</sup> by concluding the broadest possible bilateral and multilateral treaties,

The active participation of Chile and Mexico in the Latin American Integration Association (LAIA) as signatories to that Treaty,

The advantages of making the fullest possible use of the negotiating mechanisms provided for in the Montevideo Treaty of 1980,

The various efforts being made to revitalize integration in the American continent, which demonstrate the need for economic and trade complementarity in a globalized world in which regionalization initiatives are being pursued elsewhere,

The common efforts of both countries to liberalize their economy and trade in respect of tariffs, the elimination of non-tariff barriers and the guiding principles of their economic policies,

The advisability of providing economic agents with clear and predictable rules for the development of trade and investment,

The importance of effective cooperation in the areas of production of goods and services for the economic development of both Parties,

The advisability of encouraging the economic agents in both Parties to play a more active role,

Agree to sign an Agreement on Economic Integration, in accordance with the provisions of the Montevideo Treaty of 1980 and resolution 2 of the Council of Ministers of the Latin American Integration Association. The Agreement shall be governed by the provisions and rules set out hereinafter:

## CHAPTER I. OBJECTIVES OF THE AGREEMENT

*Article 1*

The objectives of this Agreement are as follows:

(a) To promote economic and trade relations between the signatory countries in the context of the integration process established by the Montevideo Treaty of 1980, through the complete elimination of levies and restrictions on imports originating from the Parties;

(b) To increase to the greatest extent possible and to diversify reciprocal trade between the signatory countries;

<sup>1</sup> Came into force on 22 September 1991 by signature, in accordance with article 35.

<sup>2</sup> United Nations, *Treaty Series*, vol. 1329, p. 225.

(c) To coordinate and complement economic activities, especially in the areas of production of goods and services;

(d) To stimulate investments aimed at fully exploiting the markets of the signatory countries and their capacity to compete in global trade; and

(e) To facilitate the establishment and operation of regional bilateral and multi-lateral enterprises.

## CHAPTER II. LIBERALIZATION PROGRAMME

### *Article 2*

The products covered by the tariff reduction programme provided for in article 3 of this Agreement shall, with effect from 1 January 1992, benefit from the total elimination of non-tariff barriers, with the exception of those referred to in article 50 of the Montevideo Treaty of 1980.

The signatory countries also undertake not to introduce new restrictions on imports originating from the other Party.

### *Article 3*

The signatory countries agree to remove the levies imposed on their trade with each other in accordance with the following tariff reduction programme:

(a) Establish, with effect from 1 January 1992, a maximum common levy of 10 per cent of the value of products imported from their respective countries;

(b) Gradually reduce the maximum common levy provided for in article 3 (a) above in accordance with the following timetable:

<i>Date</i>	<i>Maximum common tariff</i>
01-01-1992	10.0%
01-01-1993	7.5%
01-01-1994	5.0%
01-01-1995	2.5%
01-01-1996	0.0%

(c) The products listed in annex 1 shall be subject to a special tariff reduction rate, which shall begin on 1 January 1992 and end on 1 January 1998, in accordance with the following timetable:

<i>Date</i>	<i>Maximum common tariff</i>
01-01-1992	10.0%
01-01-1993	10.0%
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### *Article 4*

The maximum common levy provided for in article 3 shall not apply to products which are subject to the provisions contained in chapter V (Safeguard clauses) of this Agreement.

### *Article 5*

The products listed in annex 2 of this Agreement shall continue to enjoy the tariff preferences established in the Partial Scope and Regional Agreements entered into by Chile and Mexico within the framework of LAIA, until such time as, in implementation of the tariff reduction programme set out in article 3 of this Agreement, such preferences are eliminated.

### *Article 6*

The tariff reduction programme set out in article 3 of this Agreement shall not apply to the products listed in annexes 3 and 4.

The products in the automotive sector which are listed in annex 4 shall be subject to the conditions laid down in chapter IV of this Agreement.

### *Article 7*

The signatory countries may agree on special programmes for incorporating the products listed in annex 3 into the liberalization programme provided for in this Agreement. They may also at any time speed up the tariff reduction programme for any products or groups of products in respect of which there is common agreement.

Moreover, a signatory country wishing to do so may at any time transfer a product included in its own list in annex 1 to the tariff reduction programme set out in article 3 (*b*); or may transfer a product included in its own list in annex 3 to its own list in annex 1 or to the tariff reduction programme set out in article 3 (*b*).

### *Article 8*

For the purposes of this Agreement, the term “levies” means customs duties or any other equivalent charges of a fiscal, monetary, foreign-exchange or other nature which are imposed on imports. This definition does not include similar duties and charges where such duties and charges are equivalent to the cost of the services effectively rendered.

The term “restrictions” means any administrative, financial, foreign-exchange or other measure by which a signatory country unilaterally impedes or hampers its imports.

### *Article 9*

Government marketing and import monopolies and State-regulated supply systems, together with other specific measures, shall be considered as restrictions on imports only when they affect imports originating from the other Contracting Party.

## CHAPTER III. RULES OF ORIGIN

### *Article 10*

The signatory countries shall apply the LAIA rules of origin adopted by the Committee of Representatives of that Association, in its resolution 78, to imports falling under the terms of the liberalization programme provided for in this Agreement, without prejudice to the specific requirements established by the Administrative Commission referred to in article 34 of this Agreement.

Goods transported in transit through a third country from a signatory country to the territory of the other signatory country, with or without transshipment or

temporary storage, under the supervision of the competent customs authority of the countries in question, shall be considered as direct shipments, provided that:

- (a) They are not intended for trade, use or service in the country of transit; and
- (b) They are not subjected during their transportation and storage to any operation other than the loading and unloading or manoeuvring (handling) operations necessary for maintaining them in good condition or for preserving them.

In addition to the documentation required under article 7 of resolution 78, the certificates of origin granting tariff reductions pursuant to this Agreement must be accompanied by a sworn declaration by the final producer or exporter of the goods that he has fully complied with the rules of origin laid down in this Agreement.

#### CHAPTER IV. AUTOMOTIVE SECTOR

##### *Article 11*

With effect from 1 January 1996, importation of the products listed in annex 4 which originate from the signatory countries shall be free of levies and non-tariff barriers. These products in the territory of the importing country shall be marketed without any restriction other than those provided for in this chapter and the domestic taxes and safety and environmental regulations applicable in each country.

##### *Article 12*

The products listed in annex 4 shall be deemed to have originated in the signatory countries when the CIF value at the port of destination or at the maritime port of the materials used to assemble them or set them up originating in countries which are not signatories to this Agreement does not exceed 68 (sixty-eight) per cent of the FOB export value of the product.

##### *Article 13*

The motor vehicles listed in annex 4 and classified under tariff heading 87.03 which do not comply with the rules of origin provided for in the previous article may also be imported and sold under the conditions set out in article 11, provided that:

- (a) The percentage to which article 12 refers does not exceed 84 (eighty-four) per cent;
- (b) The annual number of units classified under the above-mentioned heading and exported from Mexico to Chile does not exceed 50 per cent of the units exported from Mexico to Chile during the preceding calendar year;
- (c) The annual number of units classified under the above-mentioned heading and exported from Chile to Mexico does not exceed 5,000.

The starting date for the trade liberalization provided for in article 11 of this Agreement may be brought forward or deferred depending on whether the rate of elimination of the tax on engine capacity provided for in articles 18 and 19 of Act No. 18483 of Chile is increased or reduced.

##### *Article 14*

The Administrative Commission provided for in article 34 of this Agreement may, at the request of either of the signatory countries, review the quotas specified in article 13 and may retain or modify them.

*Article 15*

Trade between the signatory countries in the products referred to in this chapter shall not benefit from any direct export subsidy.

## CHAPTER V. SAFEGUARD CLAUSES

*Article 16*

Providing they give sufficient notice, the signatory countries may apply the LAIA Regional System of Safeguards adopted by the Committee of Representatives of that Association, in its resolution 70, to imports governed by the liberalization programme provided for in this Agreement, subject to the following limits:

(a) In cases where either signatory country claims to be experiencing distortions in its overall balance of payments situation, the measures adopted may remain in force for up to one year, may not be discriminatory or selective and shall provide for equal tariff surcharges to be applied to all imports;

(b) In cases where the importation of one or more products benefiting under chapter II of this Agreement causes significant harm to the domestic production of similar or directly competitive products, the signatory countries may apply temporary and non-discriminatory safeguard clauses for a period of one year.

The extension of the safeguard clauses for a further period shall require a joint review by the signatory Parties of the causes and grounds which justify the application of such clauses, the severity and scope of which must necessarily be reduced until completely eliminated before the expiry of the period of extension, which may not exceed one year.

The Administrative Commission set up under article 34 of this Agreement must, within 90 days of its establishment, define what shall constitute significant harm and determine the procedures for the implementation of the rules set forth in this chapter.

## CHAPTER VI. UNFAIR TRADING PRACTICES

*Article 17*

The countries signatories to this Agreement condemn dumping and any unfair trade practice as well as the granting of export subsidies and other domestic subsidies of equivalent effect.

Whenever situations of this kind are encountered in reciprocal trade, the affected country may apply the measures provided for in its domestic legislation. Without prejudice to the foregoing, the signatory countries shall simultaneously exchange information through the competent national agencies referred to in article 34 of this Agreement in order to facilitate the definitive resolution of the matter.

In this regard, the signatory countries agree to follow the criteria and procedures set out in the General Agreement on Tariffs and Trade (GATT)<sup>1</sup> prevailing at the time of the signing of this Agreement.

<sup>1</sup> United Nations, *Treaty Series*, vol. 55, p. 187.

*Article 18*

The signatory countries recognize that official pricing policies may have distorting effects on bilateral trade. They therefore agree not to engage in official pricing practices and policies that may negate or reduce the benefits derived directly or indirectly from this Agreement.

The Administrative Commission established in article 34 of this Agreement shall monitor the official pricing practices and policies in specific sectors, with a view to identifying cases that are liable to cause significant distortions in bilateral trade.

## CHAPTER VII. TAX STATUS

*Article 19*

In accordance with article 46 of the Montevideo Treaty of 1980, the countries signatories to this Agreement undertake to grant to imports originating in the territory of member countries treatment that is no less favourable than the treatment accorded to similar national products, with respect to duties, taxes and other domestic levies. The domestic duty on imports so originating shall be based on the CIF value plus the applicable customs tariffs.

## CHAPTER VIII. GOVERNMENT PURCHASES

*Article 20*

The Administrative Commission established by article 34 shall, during the first year after the entry into force of the Agreement, define the scope and conditions that are to regulate Government purchases among the signatory countries. To that end, it shall take account of the criteria set out in the General Agreement on Tariffs and Trade (GATT) for signatory countries to enjoy open and competitive access for government purchases.

## CHAPTER IX. INVESTMENTS

*Article 21*

The signatory countries shall promote investments and the establishment of enterprises, with capital from both countries and with the participation of third countries.

*Article 22*

To that end, the signatory countries shall, in conformity with their respective foreign investment legislation, grant the most favourable treatment to capital from the other signatory country. They shall also begin negotiations aimed at concluding an agreement on the avoidance of double taxation.

## CHAPTER X. MARITIME AND AIR TRANSPORT

*Article 23*

The signatory countries undertake to grant, under conditions of reciprocity, unrestricted access to public and private cargoes of their foreign trade to vessels flying the flag of either country and to vessels which under their respective laws, are

recognized as flying a national flag. The foregoing shall apply to bilateral maritime trade and to trade with third countries.

*Article 24*

Interested airlines in either country may provide scheduled and unscheduled passenger, cargo and mail services between points in the two territories via intermediate points and beyond, with third, fourth and fifth freedoms of the air, with the sole exception of points beyond Santiago, Chile, and Mexico City in regularly scheduled passenger, cargo and mail flights and in unscheduled passenger flights, with such number of flights and flight equipment as they consider appropriate.

*Article 25*

The Administrative Commission established by article 34 of this Agreement shall consider cases in which particular laws or provisions of either of the signatory countries affect the transport of cargo, with a view to preventing distortions and guaranteeing reciprocal treatment in the conditions of transport between the signatory countries.

*Article 26*

The signatory countries shall promote the effective functioning of maritime and air transport services to ensure that they provide adequate conditions for reciprocal trade. To that end, they shall establish a joint and specific programme of actions to be taken.

CHAPTER XI. TECHNICAL STANDARDS

*Article 27*

The Administrative Commission referred to in article 34 of this Agreement shall review the technical, industrial, trade, safety and public health standards of the signatory countries and shall recommend such actions as it may consider necessary to ensure that the above-mentioned standards do not constitute an obstacle to reciprocal trade.

CHAPTER XII. OTHER SERVICES

*Article 28*

The signatory countries shall promote the adoption of measures to facilitate the provision of services by one country in the other. To that end, they invite the Administrative Commission provided for in article 34 to formulate appropriate proposals, taking into account any negotiations on these matters which may take place within the framework of GATT.

CHAPTER XIII. HARMONIZATION OF OTHER STANDARDS

*Article 29*

The signatory countries undertake to harmonize all other standards that are considered essential to the implementation of this Agreement.

## CHAPTER XIV. ECONOMIC COOPERATION

*Article 30*

The signatory countries shall promote cooperation in such economic areas as trade policies and procedures; financial, monetary and fiscal policies; animal and plant health and foodstuffs standards; energy and fuel; transport and communications; and modern services such as technology, engineering, and advisory and other services.

With a view to carrying out specific cooperation activities in the economic field, ministers in the fields in question may conclude agreements in those areas in which they are competent.

*Article 31*

The signatory countries, with the participation of their respective private sectors, shall promote complementary economic activities in the goods and services sectors.

## CHAPTER XV. TRADE PROMOTION

*Article 32*

The countries signatories to this Agreement shall jointly organize trade promotion programmes which include, *inter alia*, the organization of shows, fairs and exhibitions, and meetings and exchange visits by entrepreneurs, information on supply and demand and market studies.

## CHAPTER XVI. SETTLEMENT OF DISPUTES

*Article 33*

In order to settle any disputes which may arise from the interpretation of, or compliance or non-compliance with, the provisions of this Agreement, or any other dispute not addressed in chapter VI, the signatory countries shall be bound by the following procedure:

(a) The affected Party shall submit a claim to the competent national body referred to in article 34 of this Agreement, which shall without delay begin the necessary consultations with the competent body of the other Party.

If no solution to the conflict is found within a period of 15 days from the date of submission of the claim, the competent national body which initiated the consultations shall request the intervention of the Administrative Commission provided for in article 34 of this Agreement.

(b) The Administrative Commission shall duly consider the petitioner's claims and the arguments of the defence, respectively, and may request relevant technical reports, with a view to achieving a mutually satisfactory settlement, either through the action of the Commission itself or through the participation of a mediator chosen by the Commission from among the names contained in a list of experts which the Commission shall draw up annually for this purpose.

The duration of the procedure described in subparagraph (b) may not be more than 30 days from the date on which the Commission's intervention is requested.

(c) If the dispute cannot be resolved in this way, the Administrative Commission shall immediately appoint an Arbitration Panel made up of two experts from each signatory country, who shall be chosen from the list referred to in the preceding paragraph, and a fifth arbitrator who shall chair the panel and who may not be a national of either of the signatory countries.

If no agreement can be reached on the appointment of the fifth arbitrator, the appointment shall be made by the Secretary-General of LAIA or by such person as he may appoint.

(d) The arbitration proceeding shall be governed by the regulations which the Administrative Commission has established for this purpose.

Notwithstanding the arbitrators' power to resolve the dispute in a responsible manner, they shall take particular account of the norms laid down in this Agreement and of the rules and principles of applicable international agreements.

Where appropriate, the arbitrators' decision shall indicate the specific measures which may be taken by the country that suffers harm as a result of non-compliance with or an improper interpretation of the Agreement, or of any action or omission that prejudices the rights derived from the implementation of the Agreement.

The specific measures provided for in the preceding paragraph may take the form of a suspension of concessions equivalent to the damage caused, a partial or total withdrawal of concessions, or any other measure taken under the provisions of the Agreement.

The arbitrators shall have a period of 30 days, which may be extended by a period of equal length, from the date of their appointment within which to issue their decision.

This decision shall not be subject to any appeal, and failure to comply shall result in the suspension of the Agreement until such time as the causes which gave rise to the suspension are removed. If the situation in question persists, the affected party may denounce the Agreement on the grounds of non-compliance with its provisions.

## CHAPTER XVII. ADMINISTRATION OF THE AGREEMENT

### *Article 34*

In order to ensure the most effective implementation of this Agreement, the signatory countries agree to establish an Administrative Commission.

This Commission must be constituted within 30 days of the signing of this Agreement and shall establish its own rules of procedure at its first meeting.

Each signatory country shall appoint a competent national body to act as the national secretariat of this Agreement. The functions of these bodies shall be set out in the Administrative Commission's rules of procedure.

The Commission shall have the following powers:

- (a) To ensure compliance with the provisions of this Agreement;
- (b) To recommend modifications to this Agreement to the Governments of the signatory countries;

(c) To make such recommendations to the Governments of the signatory countries as it considers appropriate for settling any disputes which may arise from the interpretation or implementation of this Agreement;

(d) To appoint mediators and arbitrators for the settlement of disputes;

(e) To regulate the arbitration proceedings for the settlement of disputes;

(f) To review the rules of origin contained in this Agreement and to propose changes thereto;

(g) To propose and to establish specific requirements concerning origin;

(h) To define the procedures for the implementation of the rules concerning safeguard clauses;

(i) To follow-up the pricing practices and policies in specific sectors with a view to identifying situations that may give rise to significant distortions in bilateral trade;

(j) To follow-up the export-promotion mechanisms in operation in member countries with a view to identifying any distortions of competition to which they might give rise and to promote the harmonization of such mechanisms, in keeping with the liberalization of reciprocal trade;

(k) To review the annexes to this Agreement, which concern the preferences granted by the two countries under LAIA, once the annexes are transposed from the LAIA Nomenclature (CCCN) to the Harmonized System of Customs Classification, with a view to making any adjustments which it may deem necessary;

(l) To submit to the Parties a periodic report on the functioning of this Agreement, together with any recommendations which it considers useful for its improvement and for ensuring that maximum benefit is derived from it;

(m) To establish mechanisms and bodies to ensure the active participation of business sector representatives; and

(n) Such other powers as may be granted under this Agreement or as may be granted to it by the signatory countries.

#### CHAPTER XVIII. VALIDITY

##### *Article 35*

This Agreement shall enter into force on the date of its signature for an indefinite period of time.

#### CHAPTER XIX. DENUNCIATION

##### *Article 36*

If either signatory country wishes to withdraw from this Agreement, it must inform the other signatory country of its decision 180 days prior to depositing the relevant instrument of denunciation with the General Secretariat of LAIA.

Once the denunciation has been formalized, the rights acquired and obligations contracted under this Agreement shall automatically cease to apply for the denouncing country, except in respect of negotiated preferences received or granted for the importation of products, which shall remain in force for a period of one year from the date of the deposit of the respective instrument of denunciation, unless at the time of the denunciation the signatory countries agree on a different time period.

## CHAPTER XX. OTHER PROVISIONS

*Article 37*

The signatory countries agree to grant adequate protection under their national legislation to intellectual and industrial property.

*Article 38*

The signatory countries shall promote coordinated action in international economic forums and in their relations with the industrialized countries with a view to improving their products' access to the major international markets.

*Article 39*

The signatory countries undertake to keep each other informed of their foreign trade regimes and statistics, through the competent national bodies provided for in article 34 of this Agreement. Any modification of the foreign trade regimes must be communicated within 30 days of the date of its promulgation.

*Article 40*

It is recommended that contracts entered into by private individuals which rely on the instruments provided for in this Agreement should preferably be based on the rules of the Inter-American Commercial Arbitration Commission.

## CHAPTER XXI. ACCESSION

*Article 41*

In fulfilment of the provisions of the Montevideo Treaty of 1980, this Agreement shall be open to accession, following negotiations, by the other countries members of the Latin American Integration Association (LAIA).

## CHAPTER XXII. TRANSITIONAL PROVISIONS

The signatory countries shall immediately take the necessary steps to formalize this Agreement on Economic Integration in LAIA, in accordance with the provisions of the Montevideo Treaty of 1980 and with the resolutions of the Council of Ministers.

They shall also undertake the necessary formalities for rendering null and void Partial Scope Agreement No. 37 and the reciprocal preferences set out in trade agreements Nos. 1, 5, 16 and 21, which were entered into by the two countries within the framework of LAIA.

DONE at Santiago, Chile, on 22 September 1991, in two equally authentic originals.

For the Government  
of the Republic of Chile:

ENRIQUE SILVA CIMMA  
Minister for Foreign Affairs

ALEJANDRO FOXLEY RIOSECO  
Minister of Finance

For the Government  
of the United Mexican States:

FERNANDO SOLANA MORALES  
Minister for Foreign Affairs

JAIME SERRA PUCHE  
Minister of Trade  
and Industrial Development

ANNEX 1<sup>1</sup>

PRODUCTS SUBJECT TO THE SPECIAL TARIFF REDUCTION PROGRAMME  
PROVIDED FOR IN ARTICLE 3 (c)

ANNEX 2<sup>1</sup>

PRODUCTS PREVIOUSLY NEGOTIATED WITHIN THE FRAMEWORK OF LAIA  
AND SUBJECT TO THE TARIFF PREFERENCES PROVIDED FOR IN ARTICLE 5

ANNEX 3<sup>1</sup>

PRODUCTS TO WHICH THE LIBERALIZATION PROGRAMME SHALL NOT APPLY,  
IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 6

ANNEX 4<sup>1</sup>

PRODUCTS SUBJECT TO THE REGIME ESTABLISHED IN CHAPTER IV,  
“AUTOMOTIVE SECTOR”

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<sup>1</sup>Not published herein in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.

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The active participation of Chile and Mexico in the Latin American Integration Association (LAIA) as signatories to that Treaty,

The advantages of making the fullest possible use of the negotiating mechanisms provided for in the Montevideo Treaty of 1980,

The various efforts being made to revitalize integration in the American continent, which demonstrate the need for economic and trade complementarity in a globalized world in which regionalization initiatives are being pursued elsewhere,

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The importance of effective cooperation in the areas of production of goods and services for the economic development of both Parties,

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Moreover, a signatory country wishing to do so may at any time transfer a product included in its own list in annex 1 to the tariff reduction programme set out in article 3 (*b*); or may transfer a product included in its own list in annex 3 to its own list in annex 1 or to the tariff reduction programme set out in article 3 (*b*).

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- (a) They are not intended for trade, use or service in the country of transit; and
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##### *Article 11*

With effect from 1 January 1996, importation of the products listed in annex 4 which originate from the signatory countries shall be free of levies and non-tariff barriers. These products in the territory of the importing country shall be marketed without any restriction other than those provided for in this chapter and the domestic taxes and safety and environmental regulations applicable in each country.

##### *Article 12*

The products listed in annex 4 shall be deemed to have originated in the signatory countries when the CIF value at the port of destination or at the maritime port of the materials used to assemble them or set them up originating in countries which are not signatories to this Agreement does not exceed 68 (sixty-eight) per cent of the FOB export value of the product.

##### *Article 13*

The motor vehicles listed in annex 4 and classified under tariff heading 87.03 which do not comply with the rules of origin provided for in the previous article may also be imported and sold under the conditions set out in article 11, provided that:

- (a) The percentage to which article 12 refers does not exceed 84 (eighty-four) per cent;
- (b) The annual number of units classified under the above-mentioned heading and exported from Mexico to Chile does not exceed 50 per cent of the units exported from Mexico to Chile during the preceding calendar year;
- (c) The annual number of units classified under the above-mentioned heading and exported from Chile to Mexico does not exceed 5,000.

The starting date for the trade liberalization provided for in article 11 of this Agreement may be brought forward or deferred depending on whether the rate of elimination of the tax on engine capacity provided for in articles 18 and 19 of Act No. 18483 of Chile is increased or reduced.

##### *Article 14*

The Administrative Commission provided for in article 34 of this Agreement may, at the request of either of the signatory countries, review the quotas specified in article 13 and may retain or modify them.

*Article 15*

Trade between the signatory countries in the products referred to in this chapter shall not benefit from any direct export subsidy.

## CHAPTER V. SAFEGUARD CLAUSES

*Article 16*

Providing they give sufficient notice, the signatory countries may apply the LAIA Regional System of Safeguards adopted by the Committee of Representatives of that Association, in its resolution 70, to imports governed by the liberalization programme provided for in this Agreement, subject to the following limits:

(a) In cases where either signatory country claims to be experiencing distortions in its overall balance of payments situation, the measures adopted may remain in force for up to one year, may not be discriminatory or selective and shall provide for equal tariff surcharges to be applied to all imports;

(b) In cases where the importation of one or more products benefiting under chapter II of this Agreement causes significant harm to the domestic production of similar or directly competitive products, the signatory countries may apply temporary and non-discriminatory safeguard clauses for a period of one year.

The extension of the safeguard clauses for a further period shall require a joint review by the signatory Parties of the causes and grounds which justify the application of such clauses, the severity and scope of which must necessarily be reduced until completely eliminated before the expiry of the period of extension, which may not exceed one year.

The Administrative Commission set up under article 34 of this Agreement must, within 90 days of its establishment, define what shall constitute significant harm and determine the procedures for the implementation of the rules set forth in this chapter.

## CHAPTER VI. UNFAIR TRADING PRACTICES

*Article 17*

The countries signatories to this Agreement condemn dumping and any unfair trade practice as well as the granting of export subsidies and other domestic subsidies of equivalent effect.

Whenever situations of this kind are encountered in reciprocal trade, the affected country may apply the measures provided for in its domestic legislation. Without prejudice to the foregoing, the signatory countries shall simultaneously exchange information through the competent national agencies referred to in article 34 of this Agreement in order to facilitate the definitive resolution of the matter.

In this regard, the signatory countries agree to follow the criteria and procedures set out in the General Agreement on Tariffs and Trade (GATT)<sup>1</sup> prevailing at the time of the signing of this Agreement.

<sup>1</sup> United Nations, *Treaty Series*, vol. 55, p. 187.

*Article 18*

The signatory countries recognize that official pricing policies may have distorting effects on bilateral trade. They therefore agree not to engage in official pricing practices and policies that may negate or reduce the benefits derived directly or indirectly from this Agreement.

The Administrative Commission established in article 34 of this Agreement shall monitor the official pricing practices and policies in specific sectors, with a view to identifying cases that are liable to cause significant distortions in bilateral trade.

## CHAPTER VII. TAX STATUS

*Article 19*

In accordance with article 46 of the Montevideo Treaty of 1980, the countries signatories to this Agreement undertake to grant to imports originating in the territory of member countries treatment that is no less favourable than the treatment accorded to similar national products, with respect to duties, taxes and other domestic levies. The domestic duty on imports so originating shall be based on the CIF value plus the applicable customs tariffs.

## CHAPTER VIII. GOVERNMENT PURCHASES

*Article 20*

The Administrative Commission established by article 34 shall, during the first year after the entry into force of the Agreement, define the scope and conditions that are to regulate Government purchases among the signatory countries. To that end, it shall take account of the criteria set out in the General Agreement on Tariffs and Trade (GATT) for signatory countries to enjoy open and competitive access for government purchases.

## CHAPTER IX. INVESTMENTS

*Article 21*

The signatory countries shall promote investments and the establishment of enterprises, with capital from both countries and with the participation of third countries.

*Article 22*

To that end, the signatory countries shall, in conformity with their respective foreign investment legislation, grant the most favourable treatment to capital from the other signatory country. They shall also begin negotiations aimed at concluding an agreement on the avoidance of double taxation.

## CHAPTER X. MARITIME AND AIR TRANSPORT

*Article 23*

The signatory countries undertake to grant, under conditions of reciprocity, unrestricted access to public and private cargoes of their foreign trade to vessels flying the flag of either country and to vessels which under their respective laws, are

recognized as flying a national flag. The foregoing shall apply to bilateral maritime trade and to trade with third countries.

*Article 24*

Interested airlines in either country may provide scheduled and unscheduled passenger, cargo and mail services between points in the two territories via intermediate points and beyond, with third, fourth and fifth freedoms of the air, with the sole exception of points beyond Santiago, Chile, and Mexico City in regularly scheduled passenger, cargo and mail flights and in unscheduled passenger flights, with such number of flights and flight equipment as they consider appropriate.

*Article 25*

The Administrative Commission established by article 34 of this Agreement shall consider cases in which particular laws or provisions of either of the signatory countries affect the transport of cargo, with a view to preventing distortions and guaranteeing reciprocal treatment in the conditions of transport between the signatory countries.

*Article 26*

The signatory countries shall promote the effective functioning of maritime and air transport services to ensure that they provide adequate conditions for reciprocal trade. To that end, they shall establish a joint and specific programme of actions to be taken.

CHAPTER XI. TECHNICAL STANDARDS

*Article 27*

The Administrative Commission referred to in article 34 of this Agreement shall review the technical, industrial, trade, safety and public health standards of the signatory countries and shall recommend such actions as it may consider necessary to ensure that the above-mentioned standards do not constitute an obstacle to reciprocal trade.

CHAPTER XII. OTHER SERVICES

*Article 28*

The signatory countries shall promote the adoption of measures to facilitate the provision of services by one country in the other. To that end, they invite the Administrative Commission provided for in article 34 to formulate appropriate proposals, taking into account any negotiations on these matters which may take place within the framework of GATT.

CHAPTER XIII. HARMONIZATION OF OTHER STANDARDS

*Article 29*

The signatory countries undertake to harmonize all other standards that are considered essential to the implementation of this Agreement.

## CHAPTER XIV. ECONOMIC COOPERATION

*Article 30*

The signatory countries shall promote cooperation in such economic areas as trade policies and procedures; financial, monetary and fiscal policies; animal and plant health and foodstuffs standards; energy and fuel; transport and communications; and modern services such as technology, engineering, and advisory and other services.

With a view to carrying out specific cooperation activities in the economic field, ministers in the fields in question may conclude agreements in those areas in which they are competent.

*Article 31*

The signatory countries, with the participation of their respective private sectors, shall promote complementary economic activities in the goods and services sectors.

## CHAPTER XV. TRADE PROMOTION

*Article 32*

The countries signatories to this Agreement shall jointly organize trade promotion programmes which include, *inter alia*, the organization of shows, fairs and exhibitions, and meetings and exchange visits by entrepreneurs, information on supply and demand and market studies.

## CHAPTER XVI. SETTLEMENT OF DISPUTES

*Article 33*

In order to settle any disputes which may arise from the interpretation of, or compliance or non-compliance with, the provisions of this Agreement, or any other dispute not addressed in chapter VI, the signatory countries shall be bound by the following procedure:

(a) The affected Party shall submit a claim to the competent national body referred to in article 34 of this Agreement, which shall without delay begin the necessary consultations with the competent body of the other Party.

If no solution to the conflict is found within a period of 15 days from the date of submission of the claim, the competent national body which initiated the consultations shall request the intervention of the Administrative Commission provided for in article 34 of this Agreement.

(b) The Administrative Commission shall duly consider the petitioner's claims and the arguments of the defence, respectively, and may request relevant technical reports, with a view to achieving a mutually satisfactory settlement, either through the action of the Commission itself or through the participation of a mediator chosen by the Commission from among the names contained in a list of experts which the Commission shall draw up annually for this purpose.

The duration of the procedure described in subparagraph (b) may not be more than 30 days from the date on which the Commission's intervention is requested.

(c) If the dispute cannot be resolved in this way, the Administrative Commission shall immediately appoint an Arbitration Panel made up of two experts from each signatory country, who shall be chosen from the list referred to in the preceding paragraph, and a fifth arbitrator who shall chair the panel and who may not be a national of either of the signatory countries.

If no agreement can be reached on the appointment of the fifth arbitrator, the appointment shall be made by the Secretary-General of LAIA or by such person as he may appoint.

(d) The arbitration proceeding shall be governed by the regulations which the Administrative Commission has established for this purpose.

Notwithstanding the arbitrators' power to resolve the dispute in a responsible manner, they shall take particular account of the norms laid down in this Agreement and of the rules and principles of applicable international agreements.

Where appropriate, the arbitrators' decision shall indicate the specific measures which may be taken by the country that suffers harm as a result of non-compliance with or an improper interpretation of the Agreement, or of any action or omission that prejudices the rights derived from the implementation of the Agreement.

The specific measures provided for in the preceding paragraph may take the form of a suspension of concessions equivalent to the damage caused, a partial or total withdrawal of concessions, or any other measure taken under the provisions of the Agreement.

The arbitrators shall have a period of 30 days, which may be extended by a period of equal length, from the date of their appointment within which to issue their decision.

This decision shall not be subject to any appeal, and failure to comply shall result in the suspension of the Agreement until such time as the causes which gave rise to the suspension are removed. If the situation in question persists, the affected party may denounce the Agreement on the grounds of non-compliance with its provisions.

## CHAPTER XVII. ADMINISTRATION OF THE AGREEMENT

### *Article 34*

In order to ensure the most effective implementation of this Agreement, the signatory countries agree to establish an Administrative Commission.

This Commission must be constituted within 30 days of the signing of this Agreement and shall establish its own rules of procedure at its first meeting.

Each signatory country shall appoint a competent national body to act as the national secretariat of this Agreement. The functions of these bodies shall be set out in the Administrative Commission's rules of procedure.

The Commission shall have the following powers:

- (a) To ensure compliance with the provisions of this Agreement;
- (b) To recommend modifications to this Agreement to the Governments of the signatory countries;

(c) To make such recommendations to the Governments of the signatory countries as it considers appropriate for settling any disputes which may arise from the interpretation or implementation of this Agreement;

(d) To appoint mediators and arbitrators for the settlement of disputes;

(e) To regulate the arbitration proceedings for the settlement of disputes;

(f) To review the rules of origin contained in this Agreement and to propose changes thereto;

(g) To propose and to establish specific requirements concerning origin;

(h) To define the procedures for the implementation of the rules concerning safeguard clauses;

(i) To follow-up the pricing practices and policies in specific sectors with a view to identifying situations that may give rise to significant distortions in bilateral trade;

(j) To follow-up the export-promotion mechanisms in operation in member countries with a view to identifying any distortions of competition to which they might give rise and to promote the harmonization of such mechanisms, in keeping with the liberalization of reciprocal trade;

(k) To review the annexes to this Agreement, which concern the preferences granted by the two countries under LAIA, once the annexes are transposed from the LAIA Nomenclature (CCCN) to the Harmonized System of Customs Classification, with a view to making any adjustments which it may deem necessary;

(l) To submit to the Parties a periodic report on the functioning of this Agreement, together with any recommendations which it considers useful for its improvement and for ensuring that maximum benefit is derived from it;

(m) To establish mechanisms and bodies to ensure the active participation of business sector representatives; and

(n) Such other powers as may be granted under this Agreement or as may be granted to it by the signatory countries.

#### CHAPTER XVIII. VALIDITY

##### *Article 35*

This Agreement shall enter into force on the date of its signature for an indefinite period of time.

#### CHAPTER XIX. DENUNCIATION

##### *Article 36*

If either signatory country wishes to withdraw from this Agreement, it must inform the other signatory country of its decision 180 days prior to depositing the relevant instrument of denunciation with the General Secretariat of LAIA.

Once the denunciation has been formalized, the rights acquired and obligations contracted under this Agreement shall automatically cease to apply for the denouncing country, except in respect of negotiated preferences received or granted for the importation of products, which shall remain in force for a period of one year from the date of the deposit of the respective instrument of denunciation, unless at the time of the denunciation the signatory countries agree on a different time period.

## CHAPTER XX. OTHER PROVISIONS

*Article 37*

The signatory countries agree to grant adequate protection under their national legislation to intellectual and industrial property.

*Article 38*

The signatory countries shall promote coordinated action in international economic forums and in their relations with the industrialized countries with a view to improving their products' access to the major international markets.

*Article 39*

The signatory countries undertake to keep each other informed of their foreign trade regimes and statistics, through the competent national bodies provided for in article 34 of this Agreement. Any modification of the foreign trade regimes must be communicated within 30 days of the date of its promulgation.

*Article 40*

It is recommended that contracts entered into by private individuals which rely on the instruments provided for in this Agreement should preferably be based on the rules of the Inter-American Commercial Arbitration Commission.

## CHAPTER XXI. ACCESSION

*Article 41*

In fulfilment of the provisions of the Montevideo Treaty of 1980, this Agreement shall be open to accession, following negotiations, by the other countries members of the Latin American Integration Association (LAIA).

## CHAPTER XXII. TRANSITIONAL PROVISIONS

The signatory countries shall immediately take the necessary steps to formalize this Agreement on Economic Integration in LAIA, in accordance with the provisions of the Montevideo Treaty of 1980 and with the resolutions of the Council of Ministers.

They shall also undertake the necessary formalities for rendering null and void Partial Scope Agreement No. 37 and the reciprocal preferences set out in trade agreements Nos. 1, 5, 16 and 21, which were entered into by the two countries within the framework of LAIA.

DONE at Santiago, Chile, on 22 September 1991, in two equally authentic originals.

For the Government  
of the Republic of Chile:

ENRIQUE SILVA CIMMA  
Minister for Foreign Affairs

ALEJANDRO FOXLEY RIOSECO  
Minister of Finance

For the Government  
of the United Mexican States:

FERNANDO SOLANA MORALES  
Minister for Foreign Affairs

JAIME SERRA PUCHE  
Minister of Trade  
and Industrial Development

ANNEX 1<sup>1</sup>

PRODUCTS SUBJECT TO THE SPECIAL TARIFF REDUCTION PROGRAMME  
PROVIDED FOR IN ARTICLE 3 (c)

ANNEX 2<sup>1</sup>

PRODUCTS PREVIOUSLY NEGOTIATED WITHIN THE FRAMEWORK OF LAIA  
AND SUBJECT TO THE TARIFF PREFERENCES PROVIDED FOR IN ARTICLE 5

ANNEX 3<sup>1</sup>

PRODUCTS TO WHICH THE LIBERALIZATION PROGRAMME SHALL NOT APPLY,  
IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 6

ANNEX 4<sup>1</sup>

PRODUCTS SUBJECT TO THE REGIME ESTABLISHED IN CHAPTER IV,  
“AUTOMOTIVE SECTOR”

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<sup>1</sup>Not published herein in accordance with article 12 (2) of the General Assembly regulations to give effect to Article 102 of the Charter of the United Nations, as amended.