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Barbara Khol

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U.S. Objects To Special Treatment Of Mercosur By Gatt

by Barbara Khol

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On July 13 in Geneva, US representatives at General Agreement on Tariffs and Trade (GATT) headquarters expressed opposition against according developing nation treatment to the Mercosur customs union (Argentina, Brazil, Paraguay and Uruguay). The US delegation argued that Mercosur in light of size and potential importance in the world market should be subject to GATT's Article 24, which requires that a working group carry out a detailed analysis of border traffic, customs unions and free trade area rules. Consequently, Mercosur would be accorded the same treatment as the European Economic Community (EEC) and other regional trade blocs. The US argument was supported by Japan, Canada and Switzerland. Mercosur member-nation delegations rejected the US position, asserting that GATT's special treatment regarding developing nations is relevant. The clause in question requires simple notification by developing nations of trade agreements to the GATT trade and development committee, thus dispensing with the working group. Committee approval is effectively automatic. The special treatment clause was applied in the cases of the Andean Pact, and the Latin American Integration Association (ALADI), among others. "Differential and favorable" treatment accorded to developing nations in international trade issues was approved in 1979 during the Tokyo Round. The Association of Southeast Asian Nations and India support the Mercosur member-nations' position. The India delegate, B.K. Zutschi, heads the GATT Council. EEC delegations proposed a compromise: a Committee task force examination of Mercosur agreements to determine adherence to certain unspecified GATT rules. The EEC also suggested that any GATT member-nation could request "clarification" during the review of Mercosur structure and procedures. Task force recommendations would then be submitted to the Council. Mercosur delegations said they were prepared to accept the EEC proposal on the condition that such action is not interpreted as annulment of the preferential clause. On July 14, the GATT Council postponed evaluation of the US delegation's complaint until the next scheduled Council meeting on Sept. 29.

With the support of Australia, Hungary and Czechoslovakia, the US delegate reiterated demands submitted July 13 to the GATT Trade and Development Committee. In addition, the US delegation rejected the EEC compromise proposal. In Montevideo, Foreign Ministry spokesperson Sergio Jellinek said the issue should not be "dramatized." After pointing out that Washington's position was already known, he said, "The US government cannot veto GATT resolutions...We are not dealing with the UN Security Council." Rubens Barbosa, head of Mercosur affairs at the Brazilian Foreign Ministry, said another advantage of the special treatment clause concerns illegal trade conflict resolution. In the event a non-Mercosur nation submits a complaint to GATT against Mercosur, the burden of proof would be up to the complainant. (Sources: Agence France-Presse, 07/13/92, 07/14/92; Gazeta Mercantil, Jornal do Comercio, Estado de Sao Paulo, O Globo, Jornal do Brasil, 07/15/92)

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