



PREFERENTIAL TRADE AGREEMENT

BETWEEN

**THE COMMON MARKET OF THE
SOUTH (MERCOSUR)**

AND

**THE SOUTHERN AFRICAN CUSTOMS
UNION (SACU)**

The Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay and the Oriental Republic of Uruguay, State Parties to the MERCOSUR,

and

the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, the Republic of South Africa and the Kingdom of Swaziland, Member States of SACU:

WHEREAS the Framework Agreement for the Creation of a Free Trade Area between MERCOSUR and the Republic of South Africa provides for a first stage of actions aimed at increasing trade, including the mutual granting of tariff preferences;

WHEREAS the SACU Agreement of 2002 makes provision for the establishment of a Common Negotiating Mechanism for Botswana, Lesotho, Namibia, South Africa and Swaziland in regard to trade relations with third Parties;

WHEREAS Article 27 of the Treaty of Montevideo 1980, of which the MERCOSUR State Parties are Signatory Parties, authorizes the conclusion of Partial Scope Agreements with other developing countries and economic integration areas outside Latin America;

WHEREAS implementation of an instrument providing for the granting of fixed preferences during said stage will facilitate subsequent negotiations for the creation of a Free Trade Area;

WHEREAS the negotiations needed to implement the granting of preferences and to establish trade disciplines between the Parties have been conducted;

WHEREAS these negotiations have taken into account the principle of special and differential treatment for the smaller and the lesser developed economies in MERCOSUR and SACU;

WHEREAS the Parties recall the Understanding between SACU and MERCOSUR on Conclusion of their Preferential Trade Agreement signed in Belo Horizonte on the 16th of December 2004;

WHEREAS regional integration and South-South trade, including through the creation of free trade areas, are compatible with the multilateral trading system, and contribute to the expansion of world trade, to the integration of their economies into the global economy, and to the social and economic development of their peoples;

WHEREAS the process of integrating their economies includes the gradual and reciprocal liberalization of trade and the strengthening of economic co-operation ties among themselves;

WHEREAS the Contracting Parties reiterate their will to promote the South Atlantic as a zone of peace and cooperation;

HEREBY AGREE AS FOLLOWS:

Chapter I
Purpose of the Agreement

Article 1

For the purposes of this Agreement, the 'Contracting Parties' (hereinafter referred to as 'Parties') are MERCOSUR and the SACU States acting jointly as SACU. The 'Signatory Parties' are the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, the Oriental Republic of Uruguay, the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia, the Republic of South Africa and the Kingdom of Swaziland.

Article 2

The Parties hereby agree to establish fixed preference margins as a first step towards the creation of a Free Trade Area between MERCOSUR and SACU.

Chapter II
Trade Liberalisation

Article 3

Annexes I and II to this Agreement contain the tariff preferences and other conditions agreed for the importation of negotiated products from the respective territories of the Signatory Parties.

- a) Annex I sets forth the preferences granted by MERCOSUR to SACU;
- b) Annex II sets forth the preferences granted by SACU to MERCOSUR.

Article 4

The products included in Annex I and II are classified in accordance with the Harmonised System (HS) 2007.

Article 5

Tariff preferences shall be applied to customs duties in force in each Signatory Party at the time of importing the relevant product.

Article 6

A customs duty includes duties and charges of any kind imposed in connection with the importation of a good, but does not include:

- a) internal taxes or other internal charges imposed consistently with Article III of the General Agreement on Tariffs and Trade 1994 (GATT 1994);
- b) antidumping or countervailing duties in accordance with Article VI and XVI of GATT 1994, the World Trade Organisation (WTO) Agreement on Implementation of Article VI of the GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures;
- c) safeguard duty or levy imposed in accordance with Article XIX of GATT 1994, the WTO Agreement on Safeguards and Article 1 of Annex IV (Safeguards) of this Agreement;
- d) other duties or charges imposed in a manner that is not inconsistent with:
 - i.- Article VIII of GATT 1994; or
 - ii.- the Understanding on the Interpretation of Article II:1 (b) of the GATT 1994;
- e) duties imposed by the Governments of the Republic of Botswana, the Kingdom of Lesotho, the Republic of Namibia and the Kingdom of Swaziland for the development of infant industries pursuant to Article 26 of the SACU Agreement 2002. In such cases, the SACU Signatory Party intending to apply any such duties shall promptly notify the Joint Administration Committee and shall enter into consultations where these duties adversely affect the preferential exports of the Republic of Paraguay and/or the Oriental Republic of Uruguay, aiming at a mutually satisfactory solution to the matter, which shall be notified to the Joint Administration Committee.

Article 7

1. Except as otherwise provided for in this Agreement or in GATT 1994, the Signatory Parties shall not apply non-tariff restrictions to the exchange of products included in the Annexes to this Agreement.
2. Non-tariff restrictions shall refer to any administrative, financial, exchange-related or other measure whereby a Signatory Party prevents or hinders mutual trade by virtue of a unilateral decision.

Article 8

For the purposes of this Agreement, used products shall be subject to the domestic regulations of the Signatory Parties.

Article 9

In order to facilitate the attainment of the objectives set out in Article 2, the Signatory Parties undertake to develop customs cooperation, as specified in the Annex VII of this Agreement.

Chapter III Rules of Origin

Article 10

The products included in Annexes I and II of this Agreement shall meet the rules of origin specified in Annex III in order to qualify for tariff preferences.

Chapter IV National Treatment

Article 11

In matters relating to taxes, fees or any other domestic duties, the products originating from the territory of any of the Signatory Parties shall receive in the territory of the other Signatory Parties the same treatment applied to the national product in accordance with Article III of GATT 1994.

Chapter V Customs Valuation

Article 12

On matters related to customs valuation, the Signatory Parties shall refer to Article VII of GATT 1994 and the WTO Agreement on the Implementation of Article VII of GATT 1994.

Chapter VI Exceptions

Article 13

Nothing in this Agreement shall be construed to prevent a Party or Signatory Party from adopting or enforcing measures consistent with Articles XX and XXI of the General Agreement on Tariffs and Trade of 1994.

Chapter VII Safeguard Measures

Article 14

The implementation of safeguard measures concerning the imported products that are the object of the tariff preferences established in Annexes I and II shall be carried out according to the rules agreed upon in Annex IV of this Agreement.

Chapter VIII Antidumping and Countervailing Measures

Article 15

In applying antidumping and countervailing measures, the Signatory Parties shall be governed by their respective legislation, which shall be consistent with Articles VI and XVI of the GATT 1994, the Agreement on Implementation of Article VI of GATT 1994 and the WTO Agreement on Subsidies and Countervailing Measures.

Article 16

The Signatory Parties undertake to give notice, within thirty (30) days and through their competent bodies, of the initiation of investigations in connection with dumping practices or subsidies affecting mutual trade, as well as the preliminary and final conclusions thereof.

Chapter IX Technical Barriers to Trade

Article 17

1. The provisions of this Chapter are intended to prevent technical regulations and standards, conformity assessment procedures and metrology of the Signatory Parties from becoming unnecessary technical barriers to mutual trade.
2. This Chapter applies to all standards, technical regulations and conformity assessment procedures as defined in the WTO Agreement on Technical Barriers to Trade (TBT Agreement).
3. This Chapter does not apply to sanitary and phytosanitary measures as defined in Annex A of the WTO Agreement on Sanitary and Phytosanitary Measures (SPS Agreement).

Article 18

For the purposes of this chapter, definitions as per Annex 1 of the WTO TBT Agreement and the decisions of the WTO TBT Committee established pursuant to Article 13 of the WTO TBT Agreement shall apply.

Article 19

The Parties or Signatory Parties affirm their existing rights and obligations in respect of technical regulations, standards and conformity assessment procedures with respect to each other under the WTO TBT Agreement.

Article 20

The Parties or Signatory Parties shall intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating market access. In this process, the Parties or Signatory Parties shall seek to identify initiatives that are appropriate for particular issues or sectors.

Article 21

1. The Parties or Signatory Parties shall strengthen their mutual cooperation in the field of technical regulations and standards, conformity assessment and metrology in order to enhance mutual understanding of their respective systems with the aim of facilitating access to their respective markets.
2. For such purpose, the Parties or Signatory Parties undertake the following cooperation:
 - a) to promote the application of the WTO TBT Agreement;
 - b) to strengthen their respective bodies dealing with standardisation, technical regulation, conformity assessment and metrology, as well as their information and notification systems;
 - c) to strengthen the technical reliability of standardisation, technical regulation, conformity assessment and metrology bodies;
 - d) to increase participation and seek coordination of common positions at international organisations on issues related to this Chapter;
 - e) to support the development and application of international standards;
 - f) to exchange information on the variety of mechanisms to facilitate the acceptance of conformity assessment results;
 - g) to strengthen mutual technical confidence between the competent bodies, aiming at negotiations of mutual recognition on technical regulations and standards,

conformity assessment and metrology in accordance with the criteria set by relevant international organisations or the WTO TBT Agreement.

Chapter X

Sanitary and Phytosanitary Measures

Article 22

This Chapter applies to all sanitary and phytosanitary measures of a Party or Signatory Party that may, directly or indirectly, affect trade between the Parties. For the purposes of this Chapter, sanitary or phytosanitary measure means any measure referred to in Annex A, paragraph 1, of the WTO SPS Agreement.

Article 23

The Parties or Signatory Parties reaffirm their rights and obligations set out in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.

Article 24

Sanitary and Phytosanitary Measures shall be subject to the conditions established in Annex VI of this Agreement.

Chapter XI

Administration of the Agreement

Article 25

The Parties agree to create a Joint Administration Committee (hereinafter referred to as "the Committee") comprised of the Common Market Group, or its representatives, on the side of MERCOSUR, and representatives of SACU or the Common Negotiating Mechanism on the side of SACU.

Article 26

The Committee shall hold its first meeting within sixty (60) days of the entry into force of this Agreement to establish its working procedures.

Article 27

The Committee shall meet ordinarily at least once every year, at such venues as shall be agreed by the Parties, and extraordinarily at any time, at the request of a Party.

Article 28

The Committee shall adopt its decisions by consensus and shall have the following functions, *inter alia*:

- a) to ensure the proper functioning and implementation of this Agreement, its Annexes and Additional Protocols and the dialogue between the Parties;
- b) to consider and submit to the Parties any modifications and amendments to this Agreement;
- c) to evaluate the process of trade liberalisation established under this Agreement, study the development of trade between the Parties and recommend further steps to create a free trade area in accordance with Article 2;
- d) to perform other functions that may arise from the provisions of this Agreement, its Annexes and any Additional Protocols;
- e) to establish mechanisms to encourage the active participation of the private sectors in trade between the Parties;
- f) to exchange opinions and make suggestions on any issue of mutual interest relating to trade, including future action;
- g) to address non-tariff measures that unnecessarily restrict trade between the Parties.

Chapter XII Further Market Access

Article 29

The Parties undertake to continue to explore the possibilities for enhancing market access among themselves.

Article 30

1. The Parties recognize the particular importance of enhancing market access for smaller economies in MERCOSUR and SACU.
2. In this regard, the Parties instruct the Committee to accord priority to this objective.

Chapter XIII Settlement of Disputes

Article 31

Any disputes arising in connection with the application of, interpretation of, or non-compliance with this Agreement shall be settled in accordance with the rules established in the Annex V of this Agreement.

Chapter XIV

Amendments and Modifications

Article 32

Any Party may initiate a proposal to amend or modify the provisions of this Agreement by submitting such proposal to the Committee. The decision to amend shall be taken by mutual consent of the Parties.

Article 33

The amendments or modifications to this Agreement shall be adopted by means of Additional Protocols thereto.

Chapter XV

Incorporation of New Members

Article 34

If one of the Parties incorporates one or more new Member States, it shall notify the other Party and afford adequate opportunity for negotiations.

Article 35

The incorporation into this Agreement of new members to MERCOSUR or to SACU, as Signatory Parties, shall be formalised through an Accession Protocol reflecting the results of the negotiations held pursuant to Article 34.

Chapter XVI

Entry into Force, Notification and Termination

Article 36

This Agreement shall be subject to the signature of all the Signatory Parties and shall enter into force thirty (30) days after all Signatory Parties have formally notified, through diplomatic channels, the completion of their respective internal procedures to that effect. For MERCOSUR the notification shall be done by the MERCOSUR Pro Tempore Presidency and for SACU the notification shall be done by the SACU Secretariat.

Article 37

This Agreement shall remain in force until the date of entry into force of the agreement for the creation of a Free Trade Area between MERCOSUR and SACU, unless terminated by either Party, giving to the other Party twelve (12) months written notice of its intention to terminate this Agreement.

Chapter XVII

Withdrawal

Article 38

Any Signatory Party which withdraws from the SACU Agreement or the MERCOSUR Agreement shall, *ipso facto*, on the same day as the withdrawal takes effect, cease to be a Signatory Party to this Agreement. In that case, the notice of withdrawal from the SACU Agreement or the MERCOSUR Agreement shall be notified to all Signatory Parties within sixty (60) days and shall be deemed to be a notice of withdrawal from this Agreement.

Article 39

Once withdrawn, the rights and obligations assumed by the withdrawing Signatory Party shall cease to apply, but it shall be bound to comply with the obligations and continue to enjoy the rights in connection with the tariff preferences established in Annexes I and II of this Agreement for a term of one year, unless otherwise agreed upon. The Committee shall evaluate the impact of the withdrawal on the balance of rights and obligations of this Agreement and, as appropriate, recommend adjustments to the Parties.

Chapter XVIII

Depositary

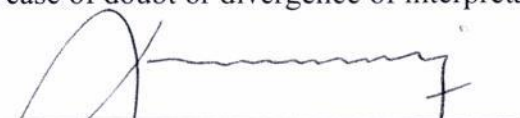
Article 40

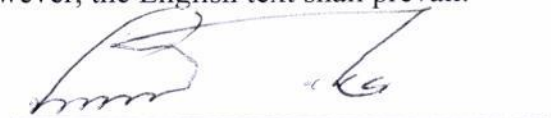
The Government of the Republic of Paraguay shall be the Depositary of this Agreement for MERCOSUR. The SACU Secretariat shall be the Depositary of this Agreement for SACU.

Article 41

In fulfilment of their depositary functions, the Government of the Republic of Paraguay and the SACU Secretariat shall notify the State Parties of MERCOSUR and Member States of SACU respectively, of the date on which this Agreement shall enter into force./

Done in the city of Salvador, Brazil, on the 15th day of December 2008.
and in the city of Maseru, Lesotho, on the 3th day of April 2009, in two
copies in the Spanish, Portuguese and English languages, all texts being equally authentic.
In case of doubt or divergence of interpretation, however, the English text shall prevail.


FOR THE ARGENTINE REPUBLIC

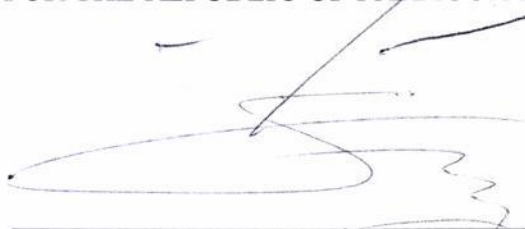

FOR THE REPUBLIC OF BOTSWANA


FOR THE FEDERATIVE REPUBLIC
OF BRAZIL

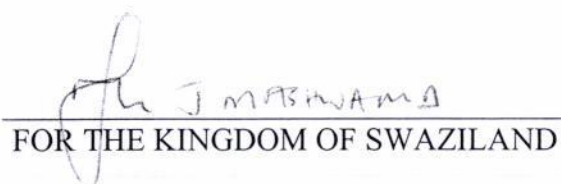

FOR THE KINGDOM OF LESOTHO


FOR THE REPUBLIC OF PARAGUAY


FOR THE REPUBLIC OF NAMIBIA


FOR THE ORIENTAL REPUBLIC OF
URUGUAY


FOR THE REPUBLIC OF SOUTH AFRICA


FOR THE KINGDOM OF SWAZILAND

