

### 7.3 Making the Relationship Formal

The growing importance of Argentina's economic ties with the NAFTA countries is one of the most important forces which would drive an Argentine accession to the NAFTA. Argentina needs to protect its economic interests with the NAFTA countries. One of the most effective ways for Argentina to protect these interests is to formalize its economic relationships with the NAFTA countries within the framework of a clear set of rules. The NAFTA agreement provides such a framework.

## 8. MERCOSUR Obligations and NAFTA Accession

Despite the strong economic logic in its favour, an Argentine accession to the NAFTA would not necessarily be an easy process. In particular, Argentina's membership in MERCOSUR complicates matters. Argentina is obligated to give most favoured nation (mfn) treatment to the other MERCOSUR parties for trade in goods (but not services) and investment. The NAFTA goes beyond MERCOSUR in both these areas. Therefore, Argentina, on acceding to NAFTA, would face the choice of whether to honour this mfn commitment by unilaterally extending certain benefits exchanged between Argentina and the NAFTA partners related to merchandise trade and investment to its MERCOSUR partners, or whether to take the political choice of offering these benefits only on a reciprocal, negotiated basis regardless of the letter of the Treaty of Asunción and its related Protocols. In addition, as Argentina shares MERCOSUR's common external tariff with its other members, the elimination of import duties between Argentina and the NAFTA could create concern in Brazil (for example) about North American goods circumventing the CET by using Argentina as a back-door into Brazil, given the elimination of import duties between the MERCOSUR countries. This possibility requires a discussion of rules of origin, the usual control mechanism implemented to prevent such circumvention.

### 8.1 Trade in Goods

The Treaty of Asunción, the primary treaty for MERCOSUR, states in Chapter One, Article 8 (d) that:

*They [the States Parties] shall extend automatically to the other States Parties any advantage, favour, exemption, immunity or privilege granted to a product originating in or destined for third countries which are not members of the Latin American Integration Association.<sup>76</sup>*

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<sup>76</sup> From a translation, see *International Legal Materials*, Volume XXX, Number 3, May 1991, p. 1045.