THE ROLE OF THE RULES OF ORIGIN IN THE AUTOMOTIVE TRADE BETWEEN VENEZUELA WITH ARGENTINA AND BRAZIL WITHIN THE FRAMEWORK OF ALADI AND MERCOSUR

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ABSTRACT

The following paper introduces to the comprehension of rules of origin as an important tool to commercial exchange with countries such as Argentina and Brazil in automotive sector, access market mechanism to obtain tariff benefits and stimulate domestic production in countries that takes part in the dynamics of regional integration. It is important to remind that Venezuela is found in an adaptation process of its local legislation into the communitarian regulations of South American Common Market (MERCOSUR), however, the Latin-American Association of Integration (ALADI), allows scenarios to subscribe bilateral or multilateral agreements on those items negotiated in the context of (MERCOSUR). As main objectives proposed are to identify regulatory elements that have incidence in the compliance of rules of origin in automotive sector in MERCOSUR, review the behavior of international trade of vehicles with Argentina and Brazil during the period 2002-2012 and comparative study of the Complementary Economic Agreement Nº14 and Nº59. This is a documentary investigation supported with descriptive research design. Among the most important results is that Venezuela is not making the rules to generate increased production and exports and requires more time to negotiate a trade agreement with their automotive counterparts Argentina and Brazil.

KEY WORDS: Origin; Preference; Production; Colombia; MERCOSUR.

INTRODUCTION

The setting of the Latin American Integration Association (ALADI) has been conducive to Venezuela to sign several trade agreements with other countries in this scheme based on bilateral or multilateral facilitate trade with partners in the region and promote industrial development, meet different consumer needs and improve the channels of distribution of various products consumed or processed in the country, in addition to generating important source of employment, technological development and attracting investment to the country.

According to the Latin American Integration Association (ALADI), rules of origin serve as minimum requirements for manufacturing, elaborating or processing a product must meet to be considered as originating in the exporting country by the importing country of goods.

In this sense, complex areas, but key to the development of the economy of any country as the automotive industry require the use of special rules of origin to enable the development of local components to generate complementary processes in assembly operations to be inserted later in regional market and give preferential benefits to similar products manufactured in partner countries.

Therefore, it is important to ensure the justification of tariff preferences by applying rules of origin, trade policy instrument essential to enable verification of previous production processes and introduce national raw materials or partner countries in the development of final goods export objects.

In terms of regional integration, Venezuela as a transition in its final integration into MERCOSUR in the Economic Complementation Agreement No. 59 a preliminary stage for the exchange of automotive goods with each of the countries belonging to the Economic Complementation Agreement No. 18 results in the association of member countries of MERCOSUR, who so far have failed to produce a Community agreement on automotive matters, since these could not be negotiated jointly, so that trade has been established in this area through bilateral agreements such as the Economic Complementation Agreement No. 14 existing between Argentina and Brazil, the main producers of armored vehicles in South America.

The following research is a study of the rules of origin applied by automotive Venezuela under the Economic Complementation Agreement No. 59 for trade with Mercosur countries and comparing the same with the Economic Complementation Agreement No. 14 of Argentina and Brazil. Also are made comparative schemes of who

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has been led the production and trade of vehicles between these countries during 2002-2012.

DEVELOPMENT

Application of Standards Automotive Origin between Venezuela and MERCOSUR

Venezuela even as a member of the Andean Community (CAN), signed in October 2004 together with Colombia and Ecuador, the Economic Complementation Agreement No. 59 with MERCOSUR countries, representing an important step to stop the development of a free trade area with this important block of South integration.

In this sense, Venezuela by process of bringing its two major trading blocs in MERCOSUR integration process deepens in order to implement various mechanisms to allow preferential access to this market enjoy tariff preferences given by a standard General origin and specific requirements of origin for products of complex processing as the automotive sector.

It is important to remark that, despite the accession of Venezuela as a full member in MERCOSUR on July 2012 and make changes to the ACE N ° 59 by the ninth additional protocol to act as an independent country of CAN in this agreement, the provisions of the scheme automotive origin under ECA No. 59 is still valid, ie, the formula of materials applied in the Andean scene in armored vehicles to enter MERCOSUR remains.

Furthermore, Venezuela has bilateral Economic Complementation Agreements with Uruguay (ECA No. 63), Argentina (ECA No. 68) and Brazil (ECA No. 69), which provides legal texts where products which have no specific requirement Origin (SRO) agreed under the rules of origin of the ACE N ° 59, the specific requirements of origin MERCOSUR (SRO No. 18) shall apply from 1 January 2014. In this regard, it is noteworthy that the automotive sector Community legislation has automotive source for not being negotiated at present, therefore, the States Parties of MERCOSUR, have been developing its automotive policy bilaterally.

Also, the Economic Complementation Agreement No. 59 by Annex IV, is the setting for the rules of origin for trade with MERCOSUR countries. In Appendix II are established the specific rules of origin for the automotive sector are fixed.

Similarly, the general rule of origin not only plays a key role in facilitating access for goods originating from countries in a region not subject to the SRO, but through Annex IV

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some additional provisions to strengthen the criteria for granting rise to well produced in an exporting country. Article 6 establishes the criterion of accumulation, where members of an economic region can use inputs from the parties considered as originating in the exporting country.

It is noteworthy that there is no existing Community legislation in the field MERCOSUR (ACE N ° 18) which Additional Protocols No. 31 and 36 were the basis for developing negotiations with Venezuela, Colombia and Ecuador as part of the ACE N ° 59, but not could realize a free trade area and common policies for the MERCOSUR automotive industry.

Therefore, the MERCOSUR countries handle these scenarios on the formation of bilateral agreements such as those between Brazil and Uruguay by ACE No. 2, Argentina and Uruguay through the ACE N° 57 or Argentina and Brazil under the figure of ACE N° 14, which provide for the making of a political binational carmaker origin provisions to allow access of goods between the two sides, but the ACE N° 14 is who has more dynamic development of the automotive trade in MERCOSUR.

For the scenario of MERCOSUR, the ACE N° 59, automotive goods processed in Argentina and Brazil must meet as a condition of origin with a formula of minimum regional content than sixty percent (60%) which is calculated as follows:

$$\mathbf{ICR = \left\{1 - \frac{\sum \text{ of the CIF value of imported auto parts from outside the region}}{\text{Value of the final good ex - factory before taxes}}\right\} x\ 100 \geq 60\%}$$

In the case of Paraguay and Uruguay they must compliance with a requirement to incorporate a source of added value not less than fifty percent (50%) on the value of the final good.

For scenarios of MERCOSUR countries, particularly Argentina and Brazil automotive agreement (ECA No. 14), the value of imported components shall not exceed forty percent (40%) of the FOB (Free On Board) on export, involves include labor costs, capital goods, etc. It also allows the incorporation of originating goods of the parties to set quantitative restrictions and export vehicles per year, for periods of transient time.

In the case of Uruguay, another country with automotive agreement with Argentina and Brazil, major vehicle manufacturers MERCOSUR under the ACE N° 57 and N° 2, respectively. In the ACE N° 2 the SRO arises meet a Regional Index Content (ICR) minimum of fifty percent (50%), this explains that imported inputs or MEIV components from third countries in any vehicle must exceed fifty percent (50%) of incorporation of the final good.

In the ACE N° 57 between Argentina and Uruguay the scenario is similar to the provisions of the ACE N° 2 as the minimum ICR compliance of fifty percent (50%), however, Article 5 (ECA No. 57) established that when the Uruguayan automakers meet ICR with sixty percent (60%) are not subject to quantitative barriers to entering Argentine territory, provided that these fees apply bilateral exports of vehicles between the parties for a period of years to go to a trade without limitations later.

Moreover, the ACE N° 2, 14 and 57 make up auto policies that may converge in the future development of a MERCOSUR Community Automotive Policy, provided that these countries also have a system of automotive origin Venezuela by ACE N ° 59 also have common features related to the origin and the calculation of ICR for new models in which countries such as Argentina and Brazil must meet a minimum of sixty percent (60%) from the third calendar year of its release. In Paraguay and Uruguay is fifty percent (50%) after the fifth year of the start of production.

Following is presented the compliance ICR table for new models for MERCOSUR countries, in both the ACE N ° 59 and bilateral trade scenarios Intra MERCOSUR:

Table N° 1: Regional Content for New Vehicles Percent Index

Launch Period	Argentina and Brasil	Paraguay and Uruguay
First Year	40%	30%
Second Year	50%	35%
Third Year		40%
Fourth Year		45%

Source: Own Elaboration

It should be noted that the difference in conditions between Argentina and Brazil, in relation to Paraguay and Uruguay are due to the different levels of development between countries existing in MERCOSUR, taking into account the principle of multilateral trade in the World Trade Organization (WTO) known as Special and Differential Treatment, adapted to the regional ALADI perspective, through the Article 12 of the Trade of Montevideo of 1980, which identifies the different levels of development of countries and the most favorable conditions for countries with low levels of economic development as Paraguay and Uruguay.

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In the case of the sale of autoparts in MERCOSUR, it must comply with the general rules of origin criteria which are covered by Community legislation in the Forty Fourth Additional Protocol of ECA No. 18.

Analysis of results of the behavior of international vehicles trade in Venezuela, Argentina and Brazil as countries producing vehicles during the period 2002-2011

The Specific Requirements of Origin that Venezuela applied in the field of ACE N° 59 and bilateral dynamic Intra MERCOSUR, have significant differences in the application of the formulas and goals incorporating national components to meet the minimum requirements to qualify for preferences tariff. Moreover, the industrial and commercial Venezuelan automotive scenario has a high demand for vehicles where both vehicles produced domestically and those from abroad are marketed.

On the other hand, Venezuela to compete on fair terms is important to consider the levels of vehicle production in its main trading partners and also production levels of Argentina and Brazil who are the main producers of MERCOSUR in South America in vehicles under the long history of their bilateral agreement ECA No. 14 since 1991.

Table N° 2: Comparison of major vehicle manufacturers in South America (vehicle units)

Country / Pruduction Numbers			
Year	**Argentina**	**Brazil**	**Venezuela**
2002	159,401	1,792,660	82,805
2003	169,176	1,827,791	46,884
2004	260,402	2,210,062	111,053
2005	319,755	2,530,840	154,961
2006	432,101	2,611,034	171,715
2007	544,647	2,977,150	172,418
2008	597,086	3,220,475	135,042
2009	512,924	3,182,923	111,554
2010	716,540	3,648,358	104,357
2011	828,771	3,407,861	102,409
2012	764,495	3,342,617	104,083
Total	5,305,298	30,751,771	1,297,281

Source: Own Elaboration

The table shows the numbers of units of vehicles produced in Venezuela in relation with the similar produced in Argentina and Brazil, where it is seen that the amounts in marked contrast to the two countries who have had during the study period a noticeable stepwise increase in volume production, although discrete declines for 2012. In the case of Brazil the manufacture of 2011 and 2012 had decline they reached its peak in 2010, the levels of production of vehicles in 2012 was thirty-three times higher than Venezuela and Argentina also seven times higher for the same year.

As for the existing bilateral trade between Argentina and Brazil by ACE N ° 14, then the ratio of trade expressed in units of vehicles between 2003 and 2010 is presented:

Table N° 3: Bilateral Trading of armored vehicles Argentina - Brazil Years 2003-2010 (vehicle units)

Year	Argentina	Brazil	Total
2003	39,630	88,054	127,684
2004	42,470	193,016	235,486
2005	54,955	273,045	328,000
2006	95,833	240,893	336,726
2007	175,176	280,682	455,858
2008	218,379	310,332	528,711
2009	283,468	271,906	555,374
2010	353,454	426,834	780,288
Total:	1,263,365	2,084,762	3,348,127

Source: Own Elaboration

In relation with the table, you can find the dimensions of trade between the two largest economies in South America, which reaffirms, on one hand, the large volume of vehicles passing between the two countries under the application of ACE N ° 14, further mastery of Brazilian exports to Argentina in a 2:1 during the period specified negotiations rules of bilateral origin countries MERCOSUR should be cautious by virtue of the size of the Brazilian market and Argentina and the management of bilateral agreements between MERCOSUR countries in this sector.

Remarkably, Venezuela compared to other MERCOSUR countries in the ECA No. 59, continues to meet requirements formula whose materials are less rigid, since the implementation of and compliance with the same levels of incorporation into categories allows shortcut automotive goods in the MERCOSUR. In contrast, the addition of value-added formula in MERCOSUR is different, is under cost construction structure to determine the price at factory gates.

In this regard, below are shows the cost structure of the Ministry of Popular Power for Trade used to describe the origin of products for export:

Table N° 4: Cost structure for export product

Direct Costs	CIF Value Imported Raw Materials
	National Raw Materials
	Manpower
	Depreciation
	Other Direct Costs

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	TOTAL DIRECT COSTS
Indirect Costs	Selling Expenses
	Advertising Expenses
	Administrative Expenses
	Other Indirect Costs
	TOTAL INDIRECT COSTS
Net	
Door Price Factory	
Domestic Shipping	
Export Value FOB	

Source: Own Elaboration

According to this structure, the formula used by Venezuela in the ACE N ° 59 is based on the sum of domestic and imported inputs, determining the incidence of local components in total vehicles assembled materials. The Formula only assesses the integration of originating materials, incorporation does not provide for cost of capital or labor does not establish quantitative export restrictions.

For States Parties of MERCOSUR, the conditions where the sum of national direct costs, indirect costs and utility must generate a minimum percentage of compliance of fifty percent (50%) for Argentina and Brazil, and sixty percent (60%) Paraguay and Uruguay with respect to Factory Gate Price (EX - WORK). You must subtract the incidence of imported raw material costs, which should not exceed the other elements that are part of the local costs of production.

A comparative table summarizing the goals of inclusion in the application of SRO to be fulfilled by Venezuela in its relationship with Colombia and Mercosur countries is as follows.

Comparative Table: Economic Complementation Agreement Argentina - Brazil (ECA No. 14) / Economic Complementation Agreement Venezuela - Other MERCOSUR countries (ECA No. 59)

Below is a table comparing the regulatory framework of the ECA N° 14 and ECA N° 59 as the operation of the rules of origin necessary to generate trade for market access tariff preferences requirement:

Table N° 5: Comparison of Specific Origin Requirements ECA N° 59 and Bilateral Agreement Argentina - Brazil ECA N° 14

SPECIFIC REQUIREMENTS COMPARISON OF ORIGIN ECA Nº 59 AND BILATERAL AGREEMENT ARGENTINA-BRAZIL ECA Nº 14		
TOPIC	**ECA N° 14**	**ECA N° 59**
Rules of	Thirty Eighth Additional Protocol	Annex IV, Appendix II

Origin		
Effective	The Agreement is effective from 01-01-1991. According to Article 29 applies from the date of subscription and is indefinite. By the 38th Additional Protocol remains in effect the Common Automotive Policy Agreement between Argentina and Brazil, according to Article 3 applies from 01/07/2008 until 30/06/2014.	Signed on 18/10/2004 Internalized by Argentina in 13/01/2005, Brazil 31/01/2005 and Venezuela 07/01/2005. According to Article 46 of the text No. 59 ACE this agreement is indefinite.
Nature of Agreement	The Partial Agreement of Economic Complementation No. 14 signed by the governments of Brazil and Argentina, whose founding agreement for the establishment of a common market between the two countries dates back to December 20, 1990 by the Additional Protocol 31°, which includes a common automotive policy between the two countries, and its validity was extension until December 31, 2005, entered into force on free trade as of January 1, 2006. However, the free market will not be settled between the Governments of Argentina and Brazil, deciding extensions through the Additional Protocols 32°, 33° and 35°. Thus it was through the Additional Protocol No. 38 No. 14 ACE maintaining effective from June 1, 2008 until June 30, 2014.	The trade in the automotive field between Venezuela and MERCOSUR is regulated through Annex IV, Appendix 2, Article 5 of the Economic Complementation Agreement No. 59, in which the Rules of Origin for products Automotive Sector is established. The same was signed in December 2004 and entered into force in the first quarter of 2005. The signatory countries of the ECA No. 59, became engaged in retain each his own auto policy, ie the countries of MERCOSUR even without an agreement in place, keep the Agreement on Automotive Policy, ACE 18 and Venezuela continue to apply the provisions initially agreed under the ECA No. 59.
Application Scope	a) cars and light commercial vehicles (up to 1500 Kg. carrying capacity), b) buses, c) trucks, d) tractor units for semi-trailers, e) chassis with engine, including cabs, f) trailers, g) body and cabs, h) agricultural tractors, combine harvesters and self-propelled agricultural machinery, i) self-propelled road machinery, and auto parts (Articule 1)	1. Automóviles and other vehicles with maximum total weight exceeding 5,000 kg load 2. Buses 3. Other vehicles of total weight exceeding 5,000 kg maximum load-five thousand pounds - (trucks, road tractors for semi-trailers and chassis with engine and cab total weight exceeding 5,000 kg maximum load five thousand pounds); 4. Bodies; 5. Trailers and semi-trailers; and 6. Agricultural tractors, combines, self-propelled farm machinery and road machinery. 7. Automotive parts (Articule 1)
Vehicles Category	Is not covered in the regulations.	1, 2a and 2b.
Specific Requirement of Origin	The origin is handled by a formula called Regional Content Index	To determine the origin of goods and automotive purposes to benefit from planned release program in ECA No. 59,

<table>
<tr><td></td><td>CIF Value MNO Σ
ICR = {1 - ________________100 ≥ 60%
While final value EX WORK
(Article 16)</td><td>defined countries rum in Article 2 a formula called Regional Component Index (ICR), which varies depending on the country.

Will remain ICR goal percentages of 2011 while Signatory Parties of ACE No. 59 considering whether to increase or decrease the percentage of ICR and tariff preferences provided as applicable, governing from 2012.</td></tr>
<tr><td>Minimum percentage to comply Origin</td><td>A minimum of 60% local content is set to give the origin and benefit of the liberalization program. (Article 2)

In the case of new models in a maximum period of two (2) years and fulfill the requirement of incorporating at least 40% regional content at the beginning of the first year and 50% at the start of the second year, reaching 60% in the beginning of the third year. (Article 18)</td><td>Until 31-12-2011
Category 1: 36.5%
Category 2a: Chassis 36.5% and 19%
Category 2b: 19%

According to Article 2, from 2012 the ICR to be achieved Venezuela is 50% for category 1, 50% (vehicles) and 37.5% (chassis) in category 2a and category 2b 37.5% through 2017. Until is not negotiated how is compliance, remain for 2012 and beyond (until 31/12/2017) the ICR effect at 2011.

In the case of Argentina and Brazil the minimum ICR is 60%. Paraguay and Uruguay not less than 50% ICR.

For bodies, trailers and farm equipment From 01/01/2010 to 31/12/2017 ICR minimum will be 55%. From 2012 and beyond will try to increase the ICR to 60%. Until a satisfactory solution is reached the requirement of 55% is maintained.

According to Article 3 establishes the ICR for new car models, commercial vehicle, truck and bus, and related assemblies and subassemblies. In this sense the minimum compliance is as follows:

<table>
<tr><td>Launch Period</td><td>Argentina and Brazil</td><td>Paraguay and Uruguay</td></tr>
<tr><td>First year</td><td>40%</td><td>30%</td></tr>
<tr><td>Second year</td><td>50%</td><td>35%</td></tr>
<tr><td>Third year</td><td></td><td>40%</td></tr>
<tr><td>Fourth Year</td><td></td><td>45%</td></tr>
</table></td></tr>
<tr><td>Preferential Treatment</td><td>Apply tariff preferences in bilateral trade, especially in marketing with a margin of preference of 100% (0% ad-valorem tariff intra-zone), provided they comply with the provisions on rules of origin and the limits on Flex for</td><td>According to Article 2 and 5, for each category of vehicles and auto parts groups (Appendices II and III) were analyzed from 2012 commercial release schedule until 2017 to set up a mutually satisfactory solution is reached is will continue to apply</td></tr>
</table>

	each country. (Articles 9, 10, 11) Flex on bilateral trade until 31/06/2013 - trade mechanism administered by deflection coefficient is set to exports. As of 01/07/2013 the automotive trade will be free of tariffs and quantitative restrictions. (Article 11) Establishing a model of managed trade for vehicle access, auto parts and new models between the two countries with total preferences, which depend on the deflection coefficient for the value of exports to 6/31/2013 and fulfill the degree is contemplated industrial development to meet the Index of Regional Content. (Article 11 and 13) The above trade diversion ratio to exports (flex) has a partial preference of 25% (auto) and 30% (vehicles). (Article 13).	the tariff preferences granted and received by each signatory country to the 2011 numbers. In the release program referred to in Appendix II of the ACE N ° 59 for vehicles in categories 1.2a and 2b applies until 31/12/2011. From 01/01/2012 Venezuela to Argentina and Brazil receive a preference of 55%. Similarly, existing tariff preferences granted by Venezuela to MERCOSUR countries for vehicles in each category is 54%. According to Article 2 for each category will be analyzed from 2012 commercial release schedule until 2017 to set up a mutually satisfactory solution will continue to apply the current tariff preferences for 2011 is met.
Rating Source for Auto Parts	General Rule of Origin applies in MERCOSUR, as defined in Article 3 of the Forty-Fourth Additional Protocol to ECA No. 18 (Article 17).	According to Article 5, these can be classified as fully produced, produced from originating inputs or substantial transformation with change of heading. Failure to comply with the jump starting from 2012 for products included in Appendix II imported CIF value does not exceed 50% of the FOB value of the export and those of Appendix III not exceed 45% of the FOB value of the product.
Material Imported Vehicle Assembly (MEIV)	The auto parts not produced in MERCOSUR are imported for production will be taxed a fee of 2%. (Article 6).	Is not covered by these rules. However, Article 7 makes definitions of: auto parts, casting, assembly, body, model name, plant, platform and subsets.

Source: Own Elaboration

The comparative table shows how are applied the rules of origin in the context of automotive trade between Argentina and Brazil who handled within the framework of MERCOSUR scheme bilateral exchange rate, while under the scenario of ACE N° 59 apply standards established source for application and eligibility requirements for each participating country preferences but without interference with the auto policies of each country.

Venezuela in the process of standardization for MERCOSUR country, while not the conditions for bilateral or community agreements in the context generate MERCOSUR remains in force implementing the requirements of the ACE N° 59. In addition, this is consistent with Article 5 of the Protocol Accession of Venezuela to MERCOSUR.

Continued trade liberalization program for the automotive sector raised under the Additional Protocol No. 31 and 36 of the ACE N° 18 (01/02/2001 to 31/12/2006) was never materialize as planned for this industry in MERCOSUR States since January 1, 2007, so until now, each country follows its policy keeping its internal automotive trade relations through bilateral agreements registered under the framework of ALADI.

However, by Additional Protocol No. 44 the General Rules of Origin force is established and applied to products containing SROs from various sectors of industry and agriculture, but not applied to automotive vehicles to transport passengers or freight.

Given the absence of a political community automotive, business negotiations in this sector have historically handled bilaterally, such is the case of agreements between Brazil and Uruguay by ACE No.2 or Argentina and Brazil, which have established since 1991 trade mechanism under the Economic Complementation Agreement N ° 14, the Additional Protocol No. 38 according to Article 3 is effective from 1 July 2008 until 30 June 2014.

In this sense, Venezuelan automotive onstage ECA No. 59, to enjoy preferences in the MERCOSUR market keeps the formula of materials, which requires the progressive incorporation of parts and pieces, but seen the culmination of the Andean Convention Automotive and support the provisions of the Additional Protocol No. 9 to No. 59 ACE refers to Venezuela as an independent party of the Andean Community, no longer applies the source of accumulation that allows the incorporation of Andean component parts to complement and parts for vehicle assembly to qualify as originating in Venezuela.

This creates a disadvantage for Venezuela, since not having signed agreements at the level of the CAN and MERCOSUR implies that the original materials must be exclusively produced in Venezuela.

Moreover, when negotiating an agreement with producing vehicles countries in MERCOSUR as a full member of it, implies the adoption of formula added value as formulated in the Additional Protocol Nº 36 of the ACE Nº 18, which currently applies within the ACE Nº 14 (Argentina-Brazil) and ACE Nº 2 (Brazil-Uruguay) and entails compliance, according to the country to negotiate with Regional Indexes Content that range from fifty percent (50%) or sixty percent (60%).

It should be noted that under the ECA Nº 59 on Article 2 calls for Venezuela from January 2012 seeks to increase the ICR in fifty percent (50%) which means that the stage would be in the same target required to Paraguay and Uruguay within this agreement.

This value-added formula applied by Mercosur countries, according to the cost structure scheme for determining origin, recognized the inclusion of raw materials and local labor, use of capital, promoting research and technological development and other factors. A condition in which the CIF (cost, insurance and freight) value of imported components does not exceed forty percent (40%) of the FOB (free on board) export the final vehicle is fixed.

Applying a formula value added by Venezuela as it is used in bilateral trade in some countries of MERCOSUR is feasible according to the provisions of Article 14 of the Joint Resolution No. 1951/310 (2007), on mechanisms to promote the development of the automotive industry in Venezuela which seeks aim to incorporate parts and pieces to assemble the vehicles in an amount not less than fifty percent (50%) to the final value of the vehicle at the latest the year 2013.

Also, it provides for the entry of unarmed motors to the country to incorporate them national automotive components, a condition that is favorable to the commitment to incorporate local content in domestic production of motor vehicles. Therefore, the implementation of value-added formula is an advantage to the productive development of domestic automakers, resulting in:

a) Major Technology Transfer

b) Development of new Small and Medium Enterprises (SMEs)

c) Icreased job creation and training of human resources

d) Specialization and development of new domestic auto parts

e) Attracting new foreign investment and national sector

f) Mayor endogenous development from production chains such as energy, steel, plastic, textile, etc.

g) Increased supply of domestic auto parts

However, Venezuela to deepen access to Mercosur markets like Brazil and Argentina, who according to figures from the International Organization of Motor Vehicle Manufacturers (OICA), ranked seventh and twentieth position in world production of vehicles for 2012, and also exports large volumes of automotive goods at the regional and global levels, may be important to generate strategic partners for the development of the domestic auto industry alliances.

Venezuela has a lower level of development and strong asymmetry in the size of the automotive industry in relation to its Argentina and Brazilian like, considering that car production in 2012, according to figures CAVENEZ, was 104,083 units and highly dependent on imported auto parts.

Therefore, in order to consolidate negotiations with MERCOSUR countries must be counted with a solid industrial platform to ensure effective enforcement of the rules of origin and to generate a share in the regional market.

Knowing the size of the industry and the production capacity of the assembly and related sectors of Argentina and Brazil, consistent agreements should be generated to prevent trade imbalances and the proper application of the principle of special and differential treatment set by the WTO, as to foreseeable compliance with specific requirements of origin through formulas and levels of incorporation of local materials and adequate to enable participation in the trade area of countries MERCOSUR region.

Its important to mention that Venezuela according to figures CAVENEZ, from May 2009 does not export vehicles, while Argentina and Brazil for 2012, according to LA Automotive Manufacturers Association (ADEFA) and the National Association of Automobile Manufacturers (ANFAVEA) exported to the world 413,471 and 445,063 vehicle units respectively.

It is also important to note that the majority of vehicle production in Venezuela is concentrated in companies affiliated to the Automotive Chamber of Venezuela (CAVENEZ) that for the year 2012 produced a total combined of 47 models from 7 major assemblers vehicles in the country divided between private cars, commercial, freight and public passenger transport for sales in the country, but all have a history of export during the period of the Andean Automotive Agreement. As for the bilateral trade between Argentina and Brazil, then a relationship of reciprocal export armored vehicles between the two countries for the years 2003-2010 is made:

Table N° 6: Bilateral Exchange Commercial Vehicles Armed Argentina - Brazil Years 2003-2010 (vehicle units)

Year	Argentina	Brazil	Total
2003	39,630	88,054	127,684
2004	42,470	193,016	235,486
2005	54,955	273,045	328,000
2006	95,833	240,893	336,726

2007	175,176	280,682	455,858
2008	218,379	310,332	528,711
2009	283,468	271,906	555,374
2010	353,454	426,834	780,288
Total:	1,263,365	2,084,762	3,348,127

Source: ADEFA / ANFAVEA / Own Elaboration

In relation to the table shown below we can find the dimensions of trade between the two largest economies in South America, which reaffirms, on the one hand, the large volume of vehicles passing between the two countries under the application of the ACE N 14, further mastery of Brazilian exports to Argentina in a 2: 1 for the period specified.

Considering that the Argentina industry is comprised of eleven automakers and Brazilian twenty-six, according to trade associations ADEFA and ANFAVEA, and higher levels of production and export, it is recommended that the Venezuelan State to keep this sector within the scope of sensitive negotiations with MERCOSUR and to define a trading strategy in which the rules of origin can feasibly be met and conducive to productive sectors interests of the country, as the sector has significant investments and also generates many direct and indirect jobs in Venezuela.

Negotiations with MERCOSUR must be cautious in light of the size of the market in Brazil and Argentina and the management of bilateral agreements between MERCOSUR countries in the case of automotive sector.

According to MERCOSUR Protocol of Accession Article 6, until Venezuela adopt the standard expected MERCOSUR will remain at the ACE Nº 59 on Origin valid until 01-01-2014.

However, its important to remember that for the automotive sector liberalization program freezes at 01-01-2012 preferences remained static until December 31, 2017, enabling the planning situation in auto negotiations in Mercosur matter to reach an agreement allowing Venezuela to make profits in the trade, however, negotiated in the short term would be detrimental to the country due to the high levels of asymmetries in production levels between countries of the block and the specific requirements of origin established between Brazil and Argentina are more demanding than those applied with the Andean countries.

In ECA 59 goals incorporation required until 2011 remain, however when negotiating a Community rule MERCOSUR between 2012-2018 increased goals incorporation which would be equivalent arises are required of countries like Paraguay and Uruguay, but according to the figures of foreign trade and production of Venezuela can be demonstrated that this is in sharp disadvantage with its partners in Argentina, Brazil, so it should be noted that the negotiations with MERCOSUR should be designed rules of origin which can be exploited by Venezuela timely to increase productivity levels and incorporation of local and regional components that would meet domestic demands and export to these countries in order to prevent serious imbalances that may affect the progress of the industry Venezuelan automotive.

CONCLUSION

The rules of origin play a major role in the commercial and productive development of a country in the integration process, and allows the unification of policies that allow this deeper economic type processes and cooperation in various fields such as financial, fiscal, or technological Industrial.

In this regard, the benefits derived from the rules of origin extend to the plane where the exporter is to facilitate the entry of their products into the territory of partner countries, ensuring more secure market for the importer to obtain goods I desired freed from customs duties, lowering costs in relation to similar goods from third countries. Participating States should use them to increase their production as a result of fiscal sacrifice generated by trade liberalization.

Also, to the extent that rules of origin becomes more demanding, it commits the industry to generate greater incorporation of local content, implies greater cooperation in the case of the Venezuelan assemblers with national and regional auto parts companies to integrate production processes and strategic alliances that generate benefits to the sector.

In the same way, the relationship of Venezuela to Argentina, Brazil and other South American countries should translate into additional search mechanisms for trade, not only to facilitate exports, but the attraction of foreign investment by establishing multinational and local companies enabling the country to insert in the regional market and obtain appropriate technology transfer.

Remarkably, while Community legislation for the automotive sector MERCOSUR is not agreed, shall survive the conditions patterned on the ACE N ° 59 and the possibility of using reasonable space to negotiate an automotive agreement as possible from 2018.

Finally, in the case of MERCOSUR, the Argentina and Brazilian industry has an important platform assembly plants with high levels of production and export tradition both

South America and the rest of the world, therefore, it is recommended that the Venezuelan State to keep this sector within the scope of sensitive sectors in negotiations with MERCOSUR and define a trading strategy in which the rules of origin can feasibly be met and favors the interests productive and economic expansion, given that this sector has significant investments and also generate many direct and indirect jobs throughout the territory of Venezuela.

BIBLIOGRAPHY

Please refer to articles Spanish Bibliography.

BIOGRAPHICAL ABSTRACT

Please refer to articles Spanish Biographical abstract.