

ANNEX III

APPENDIX IV

Understanding on Free Zones

SACU and MERCOSUR agree to continue their work to develop a common approach to the treatment of products manufactured or produced in Free Zones. In doing so, they will ensure balance in the PTA and consider the specific role and impact of Free Zones in the economic development of the Signatory Parties. For that purpose:

1. Within ninety (90) days after the signing of the Preferential Trade Agreement (PTA) between MERCOSUR and SACU, the Signatory Parties will designate focal points (names, titles, positions, contacts) for carrying out the commitments established in this Understanding.
2. Within thirty (30) days after the designation of the focal points, MERCOSUR and SACU will create a Joint Working Group to:
 - (a) analyze the rules, operations and overall procedures of Free Zones in MERCOSUR and SACU,
 - (b) facilitate missions, that may include Embassy officials, to visit Free Zones in the respective territories of the Parties in order to verify *in loco* the conditions under which they operate (including customs controls), and
 - (c) make recommendations on the treatment of goods from Free Zones under the PTA, taking into account the importance of effective customs controls and compliance with rules of origin of the PTA.
3. Within the Joint Working Group, MERCOSUR and SACU will exchange requests for documents and information they may consider necessary for the assessments on their Free Zones. Both sides will respond to questions and requests within a reasonable period of time after receiving them.
4. The Joint Working Group shall submit its findings and proposals to the Joint Administration Committee for a decision.