



-Argentina-
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GENERAL FEATURES OF TRADE POLICY

If it is true to say that Argentina and Europe have a common history this is also true at economic level. Europe always represented a core element on Argentinean trade and economic policy. Favoured, by the last decade opening up of the economy the traditional trade flows shown high performances. The EU is currently the country's first supplier and second client .

EU export increase has as principal explanation in the industrial modernisation and the privatisation process, in particular on public services. This has been flanked by important FDI flows, where the EU secured its leadership.

On the other side, Argentina could benefit of the increased market access for its agricultural commodities as result of the WTO Uruguay Round. Europe again is by far the first agricultural client.

Argentinean economic performances, that reached their zenith in '97, have since that decreased or stagnated. External shocks as the Asian crisis and the Brazilian devaluation have consistently affected the country production and its capacity to benefit from financial inflows either from FDI or international borrows. Macroeconomic difficulties resulted on an exacerbated use of tariff and non-tariff barriers to protect domestic industries, without forgetting the traditional important utilisation of WTO trade defence mechanism in the past.

Argentina is an active member of Mercosur that represents its main client. Future economic and political relations with Argentina could only being understood now via the negotiation for an Association Agreement between the EU and the Mercosur. Respecting the WTO requirements substantial trade liberalisation among the parties will be pursued, beside assuring a more transparent and predictable use of trade defence instruments.

Argentina is an important and active player in the WTO. Following the opening up of its economy during the 90's trade and investment have become determining factors in ensuring Argentinean growth. The interest of Argentina in a well-functioning multilateral system as well as further trade liberalisation should be evident. Given Argentina's heavy dependence on agricultural exports (Argentina represents 0.5% of the total world trade, but 5.2% of the world trade in agricultural goods), it aggressively pursues this agenda. Argentina is in favour of a new round, both as regards traditional market access issues as well as new issues such as investment and competition.

Further information about the framework for trade between the EU and Argentina is available at the European Commission's **Directorate General for Trade (DG Trade)** website, specifically on the pages in **Bilateral Trade Relations with Argentina**.

The following table is an overview of the tradeflow between the European Union and Argentina

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	648,041,680	47,491,750
	1997	697,330,110	52,256,650
	1998	777,733,570	53,842,350
	1999	801,122,540	47,526,070
	2000	895,329,210	46,097,290
	2001	858,950,020	33,829,560
	2002	908,097,090	10,002,280
	2003	1,015,692,580	6,709,360
Vegetable products	1996	967,923,420	24,978,150
	1997	725,145,890	34,458,400
	1998	1,031,381,220	38,888,430
	1999	1,100,167,460	37,656,980
	2000	930,624,150	50,703,860
	2001	1,004,346,260	35,014,810
	2002	1,106,959,380	12,098,610
	2003	958,704,170	14,415,630
Animal or vegetable fats	1996	27,995,680	6,613,970
	1997	45,668,170	9,454,630
	1998	56,205,660	5,472,090
	1999	118,718,560	3,692,030
	2000	70,583,800	5,747,540
	2001	51,440,680	4,104,270
	2002	250,715,550	2,407,430
	2003	207,390,030	1,909,310
Prepared foodstuffs	1996	1,295,377,310	76,210,590
	1997	1,380,606,870	85,442,500
	1998	1,249,482,300	101,541,460
	1999	1,536,591,570	89,300,100
	2000	1,971,809,420	94,142,840
	2001	2,084,865,220	77,349,130
	2002	2,212,238,080	16,811,880
	2003	2,188,116,210	19,717,060
Mineral products	1996	18,416,280	101,770,540
	1997	15,570,670	98,807,530
	1998	108,597,170	68,113,660
	1999	121,726,750	37,048,030
	2000	129,544,050	70,883,500
	2001	210,796,330	34,546,140
	2002	277,450,100	22,963,750
	2003	267,495,610	28,279,600
Chemical products	1996	128,416,840	638,504,420
	1997	141,799,350	775,617,490
	1998	139,160,390	891,957,640
	1999	155,535,320	859,104,380
	2000	163,875,700	929,659,260
	2001	163,847,790	889,172,000
	2002	184,476,850	537,322,470
	2003	171,603,390	615,135,980
Plastics & rubber	1996	14,960,320	204,531,590
	1997	14,016,410	313,058,260
	1998	17,592,230	320,823,570
	1999	33,966,500	263,107,990
	2000	45,115,390	256,461,490
	2001	58,457,400	235,531,220
	2002	78,294,900	112,115,380
	2003	53,206,370	151,121,670
	1996	182,491,250	8,491,370
	1997	179,947,860	7,631,010

Hides & skins	1998	112,810,020	13,159,020
	1999	82,446,430	10,850,790
	2000	125,936,350	11,446,620
	2001	135,219,380	9,146,930
	2002	90,503,920	12,015,580
	2003	110,183,980	9,366,620
Wood & wood products	1996	41,805,500	16,474,110
	1997	37,261,950	24,830,290
	1998	38,450,640	34,767,880
	1999	32,781,600	40,614,590
	2000	28,596,900	40,865,540
	2001	23,935,180	38,142,960
	2002	26,636,140	26,910,090
	2003	39,089,390	35,996,960
Wood pulp products	1996	43,341,840	247,426,070
	1997	57,506,260	350,495,530
	1998	44,647,460	367,608,600
	1999	42,749,870	312,660,760
	2000	57,816,050	363,947,830
	2001	53,751,310	284,043,080
	2002	48,821,040	88,875,230
	2003	50,811,580	104,625,290
Textiles & textile articles	1996	108,444,710	90,441,240
	1997	104,831,580	114,474,220
	1998	76,208,150	133,472,420
	1999	68,492,050	102,340,720
	2000	91,421,590	113,368,630
	2001	98,844,860	91,287,290
	2002	98,192,100	35,955,940
	2003	105,698,520	42,922,900
Footwear, headgear	1996	9,734,040	6,657,870
	1997	10,963,760	6,186,030
	1998	4,774,830	6,749,300
	1999	3,111,770	5,440,840
	2000	2,279,560	5,480,560
	2001	2,181,580	5,285,470
	2002	2,871,220	1,679,670
	2003	5,348,000	1,501,400
Articles of stone, plaster, cement, asbestos	1996	8,212,600	70,140,660
	1997	8,283,950	87,506,250
	1998	8,006,370	103,987,610
	1999	7,188,070	86,851,330
	2000	7,841,750	85,288,690
	2001	8,499,920	66,487,650
	2002	10,415,980	24,250,480
	2003	14,397,430	32,416,870
Pearls, (semi-)precious stones, metals	1996	2,575,670	21,716,820
	1997	183,600	20,197,430
	1998	539,240	19,707,480
	1999	1,488,050	25,010,240
	2000	39,823,030	33,332,660
	2001	33,420,110	32,542,210
	2002	27,907,420	4,190,460
	2003	16,523,620	3,423,570
Base metals & articles thereof	1996	127,426,080	226,972,990
	1997	103,191,790	313,961,820
	1998	109,180,060	346,885,570
	1999	157,902,330	312,177,430
	2000	246,172,830	271,048,290
	2001	250,926,050	217,641,270
	2002	260,910,900	93,465,850

	2003	266,513,350	124,798,380
Machinery & mechanical appliances	1996	48,463,410	2,082,583,060
	1997	54,551,670	2,601,856,190
	1998	58,906,570	2,651,768,860
	1999	61,535,380	2,061,033,560
	2000	85,360,150	1,964,217,180
	2001	112,590,600	1,583,053,310
	2002	99,388,770	470,099,440
	2003	83,215,420	698,742,700
Transportation equipment	1996	20,486,940	959,695,210
	1997	25,493,400	1,260,390,500
	1998	59,587,730	1,162,672,390
	1999	142,893,320	827,997,130
	2000	85,207,940	819,113,780
	2001	54,650,710	623,890,860
	2002	120,686,080	296,476,440
	2003	131,405,980	330,400,680
Instruments - measuring, musical	1996	5,199,210	290,035,960
	1997	7,803,540	217,260,000
	1998	7,586,640	216,408,470
	1999	7,197,850	217,959,290
	2000	7,081,810	206,129,440
	2001	7,947,100	180,844,180
	2002	6,289,510	76,568,060
	2003	5,994,150	119,558,990
Arms & ammunition	1996	247,630	2,560,790
	1997	202,290	4,408,200
	1998	37,610	4,744,750
	1999	9,270	5,131,670
	2000	30,330	7,006,800
	2001	45,050	6,136,240
	2002	203,720	1,632,210
	2003	156,610	2,456,680
Miscellaneous	1996	4,680,880	71,863,400
	1997	7,084,680	116,340,130
	1998	7,470,250	129,224,850
	1999	6,333,220	122,991,930
	2000	9,891,680	112,100,500
	2001	19,819,830	79,266,970
	2002	19,621,590	26,422,730
	2003	15,896,570	29,131,120
Works of art	1996	1,133,650	466,420
	1997	1,075,810	916,930
	1998	2,303,990	5,560,230
	1999	1,219,620	3,989,110
	2000	5,121,180	1,894,790
	2001	4,214,430	5,976,570
	2002	2,918,520	1,128,900
	2003	6,161,260	2,405,170
Other	1996	10,548,690	31,128,240
	1997	8,343,690	14,459,940
	1998	17,499,320	27,642,030
	1999	15,979,190	31,931,900
	2000	21,345,160	32,844,380
	2001	20,108,520	32,952,720
	2002	20,547,720	25,671,020
	2003	7,424,840	27,824,450

2001-10-30 commodities, the agricultural sector represents the country key international factor. Being the EU the main client of a large range of Argentinean agricultural products , the sanitary and phytosanitary aspects are of particular relevance in the EU/Argentina bilateral relations. EU sectorial export is mainly concentrated on alcoholic beverages, however, high quality processed products are experiencing an increased demand.

Automotive last updated on 2001-10-30 Argentina was the main promoter of the 2000 Mercosur Automotive Agreement that establishes compensated trade among members and a common import tariff treatment . Local content has been fixed to 60%

The automotive sector is still outside the Mercosur Agreement , however its full liberalization is expected by year 2006.

Ceramics and Glass last updated on 2001-10-29 Argentina ceramics production was substantially increased as result of construction boom during the '90s. However, the sector is heavily cartelized and protected as the main producer had its activities in the Patagonian region.

Mining last updated on 2001-10-29 Mining activities were traditionally concentrated on the Chilean side of the Andean Cordillera, however also the Argentinean side could have a promising future. On the metals sector more than 50 big companies are currently in activity much of them of EU origins. The non-metal production, is, on the contrary, concentrating the interests of the small and medium enterprises. Argentina is also an important producer of oil and gas, mainly exported to neighbouring countries.

Pharmaceuticals last updated on 2001-10-29 Argentinean pharmaceutical market is worth 5.000 MIOUS\$ year, which represents the ninth world market place. Annual turnover is equally shared among domestic and multinational producers. Pharmaceutical patents receive full protection only since November 2000, after the entry into force of the WTO TRIPS Agreement.

Textiles and Leather last updated on 2001-10-29 Argentina imposes specific duties, expressed in USD per kg. or per item, on textile and clothing products and shoes. Specific duties are applied when they give a higher result than the applied ad valorem rates, but, since May 1999 and following a negative WTO panel ruling, only up to the bound WTO tariff level, which is either 26 or 30% for textile and clothing products and 35% for shoes.

However, they are still of great concern for Community exporters, both for their level and for the continuous disputes with the Argentinean customs arising on their calculation, such as differences in weight, questioning of the customs classification of the goods (the specific duties vary quite substantially according to the customs position), etc.

Hides and skin production is of particular interest for international and EU leather industry. Cartelization of local tannery industry and an export tax of 5% limit export flows.

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TARIFFS AND DUTIES

Argentina uses an eight-digit tariff nomenclature based on the Harmonized System (HS96) and closely related to the uniform nomenclature of the Latin American Integration Association (LAIA). Tariffs are in theory charged on ad valorem basis. Argentina has bound all tariff headings at a uniform ad valorem rate of 35% with the exception of motorcycles, most motor vehicles and a small number of components, which will be bound at 35% only from 1 January 2003.

Argentina's tariff levels are best understood by separating the commitments that the Argentine

government made in the Uruguay Round from commitments made to Mercosur .

- On January 1, 1995, the Argentine government committed to eventually replacing its tariff structure with a Mercosur common external tariff (CET). Tariffs were lowered and harmonised within this framework.

The Mercosur Tariff schedule

1) intra-Mercosur trade

Import tariffs between the Mercosur State Parties were abolished on 31 December 1994, with some exceptions under the so-called "Adaptation Regime" (Régimen de Adecuación).

) Mercosur's external trade

The Mercosur Common External Tariff (CET) entered into force in 1995 on the basis of the Protocol of Ouro Preto. CET is applied by the four Mercosur countries, Argentina, Brazil, Paraguay and Uruguay.

According to the schedule, Argentina and Brazil were due to be fully incorporated into the CET by 1 January 2001, with the exception of telecommunication and information technology products for which the four Mercosur countries have a transitional period ending on 31 December 2005. In addition, Uruguay and Paraguay have a transitional period until the latter date for capital goods, and Paraguay has a separate basic list of temporary exceptions. Over time, number of (temporary) modifications were made. In 1997, the CET was increased with 3% for a period of three years. This increase was extended at a level of 2.5% for another 2 years at the Mercosur Summit in December 2000. In addition, that Summit gave each Mercosur Member permission to apply for 100 products national tariffs deviating from the CET

In summary, the following deviations to the CET exist :

1. Transitional increase of the CET: the 1997 CET increase of 3% was due to be eliminated by 31 December 2000. At the Mercosur Summit of last December, Mercosur decided to maintain the increase at 2.5% (i.e. reduction of 0.5%) until 31 December 2002. Mercosur Members may have exceptions to this increase (i.e. not apply the extra 2.5%).

2. Exception lists: at this moment, there are four types of exception lists

a. Capital goods and telecom: in force in all Mercosur countries, until 31 December 2005

b. Capital goods: in force in Paraguay and Uruguay, until 31 December 2005

c. Basic list: in force in Paraguay, for a maximum of 399 items

d. New lists (December 2000 Summit): applicable to the four Mercosur members until 31 December 2002, for up to 100 tariff lines. If negotiations on these lists do not lead to conclusion, each country can maintain up to 100 tariff lines of its previous Basic List (i.e. the lists of exceptions which Brazil, Argentina and Uruguay had to eliminate by 31 December 2000). Each half-year, Mercosur members can replace 20 tariff lines from its list with 20 new tariff lines.

In addition, on 7 April 2001, the Mercosur Ministerial meeting approved a special waiver to Argentina waiver up to 31 December 2002. These changes to the tariffs entered into force 30 March, one day after the publication of the resolution (MOE 8/2001) implementing the measures. Although Argentina announced these measures would be of a provisional nature, the resolution does not contain any expiry date. The changes relate to extra-Mercosur imports.

Under this waiver, consumption goods are increased up to 35% and capital goods are reduced to zero duties. Products for further processing such, as chemicals remain unchanged. Tariff treatment agreed in the framework of the Mercosur Common Automotive Policy remains unchanged.

However since the 18 June 2001 with the publication of Decree 803/2001 Argentina modified again its duties. The Decree intends to mimic the effect of the dual-exchange system proposed by the New Convertibility Law but not yet entered into force as the parity €/US\$ condition should be met. The Decree adjust import additional levies and export reimbursements on a daily basis following the behaviour of the new currency basket composed in equal part by € and US\$. To make it compatible with the WTO, maximum import duties were reduced from 35 to 27 % in order to absorb the levy calculated to around 7%

at the moment of its entry into force. EU Commission services are currently analysing such compatibility.

In addition to higher than CET applied tariffs in certain sectors, Mercosur party states have also deviations from the CET or tariff suspension programs which in some cases lead to applied levels that are below the CET. Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the **Applied Tariffs section** of this Database.

Even if Mercosur is a Customs Union, this does not mean that it would operate as a common market where the movement of goods is free. This particularly evident in the case of payment of customs duties: if a given product is put into circulation in one Mercosur country (i.e. customs cleared with duties paid) the re-exportation to another Mercosur country means the payment of customs duties again in the country of exportation. There is therefore no free circulation of imported goods within Mercosur.

Argentina applies a 0.5% statistical tax on most imports.

Tariff Levels

● 980024- *Tariff increases* [2002-12-17]

In November 1997, the four Mercosur countries agreed a 3% increase to their Common External Tariff (CET). The increase took effect on 1 January 1998 in Argentina. (As regards other Mercosur countries, Brazil implemented the increase immediately and Paraguay and Uruguay on 1 January 1998).

The increase was originally put in place until December 2000 but it was subsequently reduced to 2,5% in 2000 (D67/00) and to 1,5% in 2001 (D6/01).

The Mercosur Grupo do Mercado Comum (GMC), meeting in Brasilia on 27-28 November 2002, approved the proposal to extend the application of the 1.5 % temporary additional duty to Mercosur's Common External Tariff (CET) until 31 December 2003.

The GMC's decision has to be confirmed by the Conselho do Mercado Comum (CMC).

Agriculture and Fisheries

Internal Taxation

● 020057- *Discriminatory excise tax* [2003-02-03]

Argentine Decree 303, published in the Boletín Oficial on 10 April 2000, reduced the 'Impuesto Interno' uniform tax rate applicable to all spirits with the exception of whisky, as follows:

	Previous rate From 1.1.2000	Current rate From 1.5.2000
Whisky	20%	20%
Brandy, gin, pisco, rum, tequila, vodka	20%	15%
Alcoholic beverages of 30 deg GL or more	20%	15%
Alcoholic beverages of 10-29,8 deg GL	20%	12%

There is therefore, discrimination between the tax rate applied for whisky and for other spirits, which appears to be in contravention of GATT (1994) Article III.

The revised rates were to apply to 31 December 2000 but, in the event, Decree 303/2000 has been extended successively for a further year by Decrees 1244/00 and 108/01. Following these extensions, Decree 303 should have

expired at the end of 2002.

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TRADE DEFENCE INSTRUMENTS

Antidumping measures including undertakings are applied to the following industrial EU products:

- Coated paper and paperboard with specific characteristics and weighing more than 200 g, from Austria, Spain and Sweden (since 23.11.00).
- Twist drill bits with normal Morse taper, from Italy (since 11.09.01)
- Steel discs, from Spain (since 30.07.01)
- Bimetal straight saw blades, from Sweden, which have been subject to undertakings since 17.05.99 for 5 years.

In August 2001 Argentina imposed a definitive safeguard measure in the form of minimum specific duties of US\$0.50 per kg. on imports of canned peaches in syrup. A WTO Dispute Settlement Body (DSB) Panel, in which the EC participates as a third party, was established on 18 January 2002.

The EU canned peaches are also subject to countervailing measures since 09.01.96 as well as EU exports of olive oil, packaged and in bulk (since 02.07.01) and wheat gluten (since 22.07.98).

On 24 April 2002 Argentina revoked the anti-dumping measures against Italian unglazed ceramic flags and paving, hearth or wall tiles, of fine earthenware "porcellanato", unpolished, which were imposed in 1999.

Agriculture and Fisheries

Anti-Dumping Measure

● 990020- CVDs on Wheat Gluten [2004-07-12]

Following an investigation initiated on 23 October 1996, Argentina imposed a countervailing duty on wheat gluten originating in the EC, for a five-year period, on 22 July 1998.

As such, Argentina did not comply with Article 11.11 of the Agreement on Subsidies and Countervailing Measures, since the investigation exceeded the mandatory time limit for conclusion of the investigation of normally one year and in no case more than 18 months after initiation.

The EC also considered that there was a breach of Article 10 of the same Agreement.

- On 27 May 2003, Argentina initiated a review of the said measures. The review is currently on-going and the measures are in force pending on the outcome of the procedure.

Machinery

Anti-Dumping Measure

● 990013- AD investigation on drill bits [2004-06-23]

Following an investigation initiated on 21 February 1997, by Resolution n° 1111/98 of 9 September 1998 (Official Journal of 11 September 1998), Argentina imposed definitive anti-dumping duties on imports of drill bits from Italy, for a two-year period from 12 September 1998.

However, in these circumstances, Argentina did not comply with Articles 1 and 5.10 of the Agreement on Implementation of Article VI of the GATT 1994, since the investigation exceeded the mandatory time limit of one year and in special circumstances 18 months contained in the said articles.

For that reason, the Commission requested consultations with Argentina on 14 January 1999.

On 12 September 2000, Argentina initiated a sunset review of the measure, and decided on 4 September 2001 to extend the measure for a three-year period. The measures are to be expired on 10 September 2004.

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NON TARIFF BARRIERS

Customs inspection of imported goods

The inspection procedure in customs provides that the product can be submitted to three distinct procedures, which can be assigned on the basis of the customs classification and declared value or randomly:

- green track: the product is cleared through customs without preliminary control,
- orange track: only the documentation is controlled,
- red track: the products and the corresponding documentation are controlled.

Some sensitive goods such as textile and clothing products and shoes, being subject to strict documental requirements such as the certificate of origin, are never assigned to the green track. In this context, customs carry out a detailed control on the identity, the weight, the classification of goods as well as on the value, which are a source of disputes.

Certificate of origin

A certificate of origin is required for importation of textile and clothing products to Argentina. Some of the administrative requirements relating to it are extremely burdensome, so much as to impede imports in some cases.

Declaration of quantity and composition

The declaration of quantity and composition has to be submitted by the importer to the Ministry of Industry 10 days before clearing the goods and contain references of the importer, exporter (same code as the exporter code reported on the label, see below the subchapter on labelling requirements), certain data already contained in the Certificate of Origin as well as the product composition. These documents are used for statistical purposes. However all information contained in this document has already been supplied through other documents. It is therefore considered as an additional burdensome requirement. The declaration is not perceived as an obstacle to trade in itself, but added to all other import requirements it contributes to the procedural delays and consequently to hinder exports to Argentina.

Minimum Import Prices

Since the beginning of 1999, Argentinean legislation implemented a new customs control procedure aimed at reacting against under-invoicing of imports called canal morado. It consists of the calculation of custom duties, for goods whose declared value is below an indicative value contained in the customs information system (Sistema Informativo Maria - SIM), or for which there are other reasons to suspect under-invoicing, according to this indicative value and regardless of the declared value of the goods.

These reference values are not published, neither the criteria or parameters used to defining them. The difference between declared values and customs values is in many cases substantial: in a case regarding EC exports the reference value was double compared to the declared value. It therefore seems that the system is established mainly for protectionist, not administrative, purposes.

For clearance to be authorised for goods below the reference value, the customs request a cash deposit or bank guarantee amounting to the difference between the duty calculated on the basis of the declared value and the duty calculated on the basis of the reference value. In order to release the deposit or guarantee, the importer has to submit documentation showing that the declared value is the actual price paid for the

goods. The authorities will examine the file and eventually release the guarantee. However, the examination of the file can take from 65 up to a maximum of 250 days leading to additional costs to the importer.

Import Licensing

Argentina applies automatic import licensing on a variety of sectors in order to implement policy goals (standards and health requirements) contained in its internal legislation.

Non-automatic import licensing is still applied to implement import restrictions of Argentina's automotive regime.

Burdensome labelling requirements apply on the textile and clothing sector.

Quantitative Restrictions and Related Measures

● 990076- Canal Morado [2003-09-08]

Concerned by under-invoicing, Argentina has established an additional import procedure called "Canal Morado" (Resolution 335/99 of 22 January 1999), by which consumer goods are closely controlled, notably concerning the declared price at the time of importation.

Import prices are compared with reference prices set by Resolution 1004/01 (Official Journal dated 10 May 2001) by the Federal Administration of Public Revenue (AFIP). When the declared price is lower than the reference price, the importer has to provide a guarantee for the duties payable on the difference. The customs authorities then carry out the customs evaluation procedures foreseen by decree 857/00 and either reimburse or, as the case may be, retain the amount after verification of the real value.

The verification procedure can take a long time. From the point of receiving the relevant documents, the authorities have 65 + 65 days to examine the issue and a further 120 days following request of the fiscal authorities.

The procedure lacks some transparency and renders trading with Argentina more burdensome and costly.

Agriculture and Fisheries

Sanitary and phytosanitary measures

● 030035-Argentina- Confectionary and Chocolate [2004-12-20]

The Argentinean Administracion Nacional de Medicamentos, Alimentos y Tecnologia, has issued a new Regulation - Disposicion ANMAT 5013/02 - concerning countries of origin and imported products with regard to the BSE risk. The Regulation presents a matrix which distinguishes imported goods as P-prohibited, R-restricted and A-authorized under applicable norms, as well as 4 levels of BSE risk.

Although, in most cases, imports of EU food products are either considered only as R-restricted or A-authorized, EU exporters still face barriers requiring presentation of certain certificates concerning traceability and genetically modified products.

- During the XXXI SPS Committee in October 2004 the Commission has given a general statement on BSE (Bovine Spongiform Encephalopathy). Some WTO members started to lift the ban due to BSE for some EU live ruminants and ruminant derived products (e.g.: China, New Zealand, Brazil, Philippines). The EC requested other WTO members to follow the same line and to respect guidelines as set up by international organizations (OIE)

Standards and Other Technical Requirements

● 030046- Labelling of spirits [2004-02-27]

The Secretaria de la Competencia, Deregulacion y Defensa del Consumidor (SCDDC) has drafted Resolution 44/2002 in order to incorporate the Mercosur technical regulation on the labelling of pre-packaged products (GMC Res 21/02) into Argentine legislation. This was notified to the WTO as notification no. WTO/TBT/ARG/65 of 19 December 2002.

1). Article 5 includes an ingredient list as a mandatory labelling requirement and Article 6.2 provides that the only exception to this is when a food is a single ingredient product, such as sugar, flour, mate (green tea), wine, etc.

However, Argentine Ministerio de Salud y Accion Social (MSAS) (Ministry of Health) Resolution 686, published on 2 September 1998, established that distilled alcoholic drinks made from a single ingredient (excluding water to reduce to bottling strength) are not required to list ingredients, and that Article 1127 bis of theCodigo Alimentario Argentino was to be amended

accordingly. Given Resolution 686/98, it appears that distilled alcoholic drinks should have been included in Article 6.2.1 which gives examples of single ingredient products which are exempted from listing ingredients.

2). Article 6.5 requires identification of the production lot on the label and offers two methods of identification.

However, two additional methods of lot identification are widely used in international trade, namely barcodes and edge codes. Furthermore, lot identification by means of barcodes is foreseen in Article 9.4.4 of Mercosur Resolution GMC-RES 4596 which renders a barcode optional for this identification.

Sanitary and phytosanitary measures

● 040010-Argentina- Bovine meat and meat products [2004-12-20]

Import ban on bovine meat and meat products because of BSE;

EU countries banned by Argentina: Belgium, Austria, Denmark, Spain, Finland, France, UK, IRL, Italy, Portugal

- General statement on BSE to all Third Countries on 17/03/2004 in reaction on the statement of the USA.
During the XXXI SPS Committee in October 2004 the Commission gave a general statement on BSE (Bovine Spongiform Encephalopathy). Some WTO members started to lift the ban due to BSE for some EU live ruminants and ruminant derived products (e.g.: China, New Zealand, Brazil, Philippines). The EC requested other WTO members to follow the same line and to respect guidelines as set up by international organizations (OIE)

● 040061-Argentina- Pork meat [2004-09-23]

Ban on the import of pork meat and pork meat products due to a lack of recognition of free disease status (Classical Swine Fever) for Spain.

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- Spain is free of CSF since 2002. Since then, the Spanish Competent Authorities requested twice the recognition of CSF free status (September 2002 and May 2003). The Argentinean authorities insisted on performing a mission inspection as a pre-condition for lifting the ban. In July 2003 the Argentinean Competent Authorities requested to the Spanish authorities to respond to a questionnaire. In October 2003 the Spanish CA responded to this questionnaire requesting the lift of the ban for pork meat and pork meat products which was lasting since 2001. The Commission (DG TRADE) conducted bilateral meetings pushing to the Argentinean CA to respond officially to the Spanish CA as soon as possible. In August 2004, the Argentinean CA were not satisfied with the answers provided by the Spanish authorities to the questionnaire on animal health and requested additional information and until a new assessment is made, the ban would continue. The Spanish CA complained on the fact that this additional information requested by the Argentinean CA was already provided to them.

Bilateral negotiations EU-Argentina took place at the SPS Committee (March and June 2004).

Automotive

Standards and Other Technical Requirements

● 030049-Certification of tyres [2003-09-08]

On 9 March 2001 the Argentinian Government adopted resolution No. 49/01 by which tyre imports were subjected to conformity certification procedures with regard to compliance with the security norms applied in Argentina. Two certification procedures were imposed with technically demanding documentary requirements and strict deadlines for submission which create a barrier to EU exports.

Textiles and Leather

Quantitative Restrictions and Related Measures

● 960225- Export /import restrictions [2003-02-25]

I - Exports of raw bovine hides and calf skins, and semi-finished leather (wet-blue) :

A restrictive export regime consisting notably of two visible elements: (a) export tax, and (b)

participation of local producers in customs procedures.

(a) The export tax is not calculated on the basis of the FOB value of the product, but on a higher reference price corresponding to the US market. However, it appears that, even with the imposition of a tax based on this reference price, exports of Argentinian hides should normally be higher.

The imposition of export duties is allowed under the WTO Agreement.

(b) Participation of local producers in customs procedures : Personnel appointed by the Argentinian Chamber for the tanning industry are authorised to assist the Argentinian customs authorities in carrying out customs controls of bovine raw hides and wet blue before exports.

II - Imports of finished leather :

1) A statistical duty ("tasa estadística") of 3% (later replaced by a horizontal 3 percentage point hike in applied tariff levels); 2) An advance payment system of VAT and income tax which applies in less favourable terms to imports than to the trade of locally produced goods. These measures applied to all imports.

On 8 January 1997 COTANCE lodged a TBR complaint against these Argentinian practices.

Following the complaint, a TBR procedure was initiated with the Notice of initiation published on 26 February 1997 (O.J. C59/6) and the findings were presented to Member States in December 1997.

The investigation concluded that the Argentinian import and export measures were in breach of several WTO provisions.

As a result, informal bilateral discussions took place in March 1998 and a decision to initiate WTO dispute settlement procedure was published on 4 November 1998 (O.J. n° L295). Following this, consultations were held on 5 February 1999 and a WTO panel was established at the DSB meeting of 26 July 1999.

The panel circulated its report on 19 December 2000 (see WTO website; number DS 155).

The report condemned Argentina for the conditions of the participation of industry in customs examinations (violation of Article X:3(a) GATT) and for levying advance VAT and income tax payments in a way that discriminates between imported and domestic goods (violation of Article III:2 GATT). The DSB adopted the panel report on 16 February 2001. At the DSB meeting of 12 March 2001, Argentina stated its intention to implement the DSB's recommendations and indicated that it would need a reasonable period of time to amend its tax regulations. On 14 May 2001, the EC requested that the reasonable period of time be determined through binding arbitration. The arbitrator issued his award on 31 August 2001. He determined that Argentina had to bring its regulations in conformity with WTO rules no later than 28 February 2002. On 25 February 2002, the parties notified to the DSB an agreement concerning procedures under Articles 21 and 22 of the DSU, together with the measures already taken by Argentina to implement the DSB recommendations and rulings.

It should be noted that the export tax could not be challenged under the WTO and that the panel did not find the participation of representatives of the domestic tanning industry in customs procedures to be contrary to GATT Article XI.

In 1994, the Argentinian authorities undertook to phase out the export tax between 1 January 1996 and 1 January 2000, but they postponed the implementation of this phasing out in 1995. A new schedule for implementation was introduced, beginning on 1 January 1998 (reduction to 10%) and aiming at completion by 1 January 2000. However, the tax was extended at a level of 5% in 2000, 2001 and most recently by Resolution 24/2003 dated 10 January 2003.

Legislation addressing the non-compliance with GATT Article X in order to ensure confidentiality of commercial information was published on 18 December 2002 (General resolution 1399).

The 3% increase to the Mercosur Common External Tariff (which was implemented to replace the statistical tax) was reduced to 2,5% in 2000 and to 1,5% in 2001 (See fiche 980024-[1035]).

RESTRICTIVE EXPORT MEASURES

Export Subsidies

● 000005- *Export incentives* [2002-12-04]

The Argentinean government offers a variety of tax and tariff incentives to encourage export production and the use of Argentinean inputs in exported products. Incentives include tax and tariff exemptions for imported equipment and materials, excise and sales tax exemptions on exported products and excise tax rebates on material used in the manufacture of exported products.

The so-called Industrial Specialization regime is intended to facilitate the efficient reconversion of the industrial sector, stimulating exports by granting certain benefits to importation. The companies producing manufactured goods are the targets of this regime, which consist of a program-commitment assumed by these companies. This regime grants the companies import licenses with low differential tariffs which must be offset by exports. Tariff reduction certificates are granted as the programmed exports are achieved. Exporters enjoy exemption from withholding tax for remittances overseas for loan payments and marketing as well as from the financial operations tax for deposit receipts on export products.

Under the "Reintegro" system exporters receive indirect tax rebates of a maximum of 12% depending on the nature of the product being exported. The rebate of indirect taxes is allowed by the WTO under Subsidies Agreement if the rebate is appropriately calculated and not in excess of the amount of indirect taxes paid (currently 21%).

The "Reintegro" program has however in the past been found countervailable in certain U.S. countervailing duty proceedings (iron and steel in particular), but not by the EU. The total amount committed varies due to export performance and product coverage, but it is in general considered limited as the main Argentinean exports are still commodities and automotive, two sectors not benefiting of such promotion. Some sources indicate the amount in 200MIO \$.

The "Reintegro" original system slightly changed on 18 June 2001 with the publication of Decree 803/2001. These decrees intend to mimic the effect of the dual-exchange system proposed by the New Convertibility Law but not yet entered into force as the parity €/US\$ condition should be met. The Decree adjusts import additional levies and export reimbursements on a daily basis following the behaviour of the new currency basket composed in equal part by the € and US\$. Export reimbursement coverage was extended to all product ranges with the exception of oils, gas and precious metals. All countries of destinations were made eligible including Mercosur.

To compensate fiscal pressure on poor budgetary resources original maximum tax rebates were decreased from 12% to 5%.

IPR

Argentina has implemented the WTO TRIPS Agreement at the end of year 2000. IPR legislation covers all specific sectors. Particular relevance takes the patent issue on pharmaceutical products as Argentina represents the ninth world market place. Contrary to Brazil, local production is not a required element for patent protection.

Agriculture and Fisheries

Legislation on Appellations of Origin and Geographic Indications

● 030045- *Draft labelling legislation* [2004-02-27]

The Secretaria de la Competencia, Deregulation y Defensa del Consumidor (SCDDC) drafted Resolution 44/2002 in order to incorporate the Mercosur technical regulation on the labelling of pre-packaged products (GMC Res 21/02) into Argentine legislation. This was notified to the WTO as Notification No. WTO/TBT/ARG/65 of 19 December 2002.

1). In the draft Resolution, Article 3.2 prevents the misleading use of Geographical Indications (GI's) of origin (eg Armagnac, Brandy de Jerez, Cognac, Irish/Scotch Whisk(e)y) in labelling and advertising for products that are produced in areas outwith that of the GI (eg Armagnac, Cognac, Jerez, Ireland/Scotland respectively). This seems to accord with the requirements of

the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

However, Article 3.3 of the draft Resolution permits the use of the expression 'tipo' (type) in conjunction with GI's, which appears contrary to the WTO TRIPS Agreement.

2). Article 4 appears to require (a) the name of the product and (b) the brand name, inter alia, to be translated into Spanish or Portuguese.

With regard to the product name, it is considered that such a requirement would be counterproductive because translation would not only mislead the consumer but also take away the key information from the GI, namely the geographical origin of the product. Furthermore, it is essentially impossible to translate most geographical indications.

Similarly, with regard to the brand name, translation into the language of the country of consumption of brand names, which are usually internationally registered trademarks, is both inappropriate and potentially misleading. In fact, to impose the translation of a brand name/trade mark appears contrary to the principle of intellectual property protection.

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OTHERS

Tax Discrimination

All imported goods are levied of an additional VAT of 9% and an "advanced turnover tax" of 3%. This levy is calculated as resulting of an estimated 40% margin of benefits once the product is sold inside the country. Argentinean authorities justified this measure in order to fight VAT evasion at retail level. The European Commission considered this approach discriminatory, as, of course, it does not apply to domestic production which VAT is levied only at the moment of the sale. EU position was found legitimate by a recent WTO panel. Argentina should now implement the opportune corrections within a specific time frame.

Prior to year 2000, Argentina applied unequal sales tax levels on spirituous beverages. On 3 January 2000 Argentina introduced a uniform level of 20%. However, as of 1 May 2000, the levels of all the other spirits except whisky were reduced to 15% or 12%.