

**ARGENTINA – MEASURES AFFECTING THE EXPORT OF BOVINE HIDES
AND THE IMPORT OF FINISHED LEATHER**

Request for Consultations by the European Communities

The following communication, dated 23 December 1998, from the Permanent Delegation of the European Commission to the Permanent Mission of Argentina and to the Chairman of the Dispute Settlement Body, is circulated in accordance with Article 4.4 of the DSU.

On behalf of the European Communities, I hereby request consultations with the Republic of Argentina pursuant to Article 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, and Article XXII of the General Agreement on Tariffs and Trade 1994 (GATT 1994) regarding the following Argentinean practices:

- (1) the de facto export prohibition maintained by Argentina on raw and semi-tanned bovine hides, which is implemented in part through the authorization granted by the Argentinean authorities to the Argentinean tanning industry to participate in customs control procedures of hides before export (Resolution of the National Customs Administration No. 2235/96 of 27 June 1996 or any law or administrative regulation subsequently replacing it);
- (2) the “additional VAT” of nine per cent raised by Argentina on the import of products into its territory (Articles 1 and following of General Resolution DGI 3431/91, and Article 1 of General Resolution DGI 3975/95 of 3 April 1995 or any law or administrative regulation subsequently replacing them); and
- (3) the “advance turnover tax” based on the price of the imported goods imposed on operators when importing goods into Argentina (Presidential Decree 1076/92 of 30 June 1992 and Resolution DGI 3955/95 or any law or administrative regulation subsequently replacing them).

The European Communities consider that the practices enumerated here-above are not in conformity with the Republic of Argentina’s obligations under GATT 1994. Infringements relate, notably, to the following provisions :

- Article XI.1 of GATT 1994, which, *inter alia*, prohibits Members to institute or maintain prohibition to the export of products destined for the territory of any other Member : factual evidence indicates that the Argentinean export regime for raw and semi-tanned bovine hides operates as a de facto export prohibition. The European Communities consider that this export prohibition constitutes a breach of Article XI.1 of GATT 1994.
- Article X.3(a) of GATT 1994 which, *inter alia*, imposes the obligation on Members to administer laws and regulations pertaining to requirements on exports in a uniform and

impartial manner: Personnel appointed by the Argentinean Chamber for the tanning industry, which has an obvious interest in preventing exports, are authorised to assist the Argentinean customs authorities in carrying out customs controls of raw and semi-tanned bovine hides before exports. Apart from being part of the export regime designed to make exports of hides impossible, it is considered that this practice constitutes in itself an infringement of Article X.3(a) of GATT 1994.

- Article III.2 of GATT 1994 which provides that products of the territory of any Member which are imported into the territory of any other member shall not be subject to internal taxes in excess to those applied to like domestic products:
 - (a) Argentina applies an “additional VAT” of nine per cent on imported products. In practice this means that the VAT rate for imported goods is 30 per cent instead of 21 per cent for goods purchased on the domestic market. The VAT rate for imported goods is thus discriminatory when compared to the rate applied on domestic sales. Therefore, the additional VAT appears to be in breach of the national treatment principle enshrined in Article III.2 of GATT 1994;
 - (b) Operators who import foreign goods into Argentina must pay an “advance turnover tax” of three per cent of the price of the goods, which implies a discrimination in favour of Argentinean input material for the manufacture and finished consumer goods. Therefore, this “advance turnover tax” also appears to constitute an infringement of Article III.2 of GATT 1994.

The European Communities consider that reference to the above legal bases does not rule out recourse to any other pertinent provision of the WTO Agreement and of the Agreements annexed to it. The European Communities look forward to receiving your reply to this request and to fixing a mutually acceptable date for consultations.
