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Client Alert

International Trade/WTO Practice Group

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Argentina's Law 27,263 is strongly criticized at the WTO Market Access Committee for local content requirements in the automotive sector

At an informal meeting of the WTO Market Access Committee on 23 June 2017, several WTO Members raised concerns about Argentine Law No. 27,263 ‘Regime for the Development and Strengthening of the Argentine Auto-Parts Industry: Benefits and Incentives’, which entered into force on 2 August 2016, by which Argentina grants tax credits to local vehicle manufacturers conditioned upon the use of domestic inputs.

Specifically, through Law 27,263, Argentina provides the following conditional tax credits to domestic automobile producers:

- A tax credit of 4% to 15% calculated on the basis of the value spent on domestic auto-parts (the higher the local content, the higher the credit);
- A tax credit of 8% on the value spent on molds and on dies for stamping, embossing, punching or forging; and,
- An additional 7% tax credit on purchases of forged and casted metals when destined for incorporation into the vehicles or the in-house production of auto-parts.

The provision of these tax incentives is limited to producers in Argentina of cars, buses, agricultural machinery, trailers and semi-trailers.

Law 27.263 seems to be clearly inconsistent with Article III of the General Agreement on Tariffs and Trade (GATT 1994), Article 2 of the Agreement on Trade-Related Investment Measures (TRIMs Agreement), and Article 3 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement), all of which prohibit local content requirements of the kind contemplated in this Argentine law.

At the WTO Market Access Committee meeting, Argentina expressed its readiness to discuss this measure bilaterally with interested Members.

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King & Spalding's team of trade law experts in Washington D.C. and Geneva would be pleased to provide further information on Argentina's measure and advise on possible ways to address it.

The International Trade / WTO Practice Group at King & Spalding is one of the largest and most sophisticated in the world, and we take pride in using our specialized expertise to help our clients improve their international business. We have more than 40 lawyers and trade professionals, including economists, foreign legal consultants, and accountants. The group represents a wide range of clients, including governments, on all aspects of international trade. Our work includes representation of clients in anti-dumping and anti-subsidy cases around the world. We have participated in more than 60 WTO dispute settlement proceedings and we spearhead complex and innovative market access initiatives. We also represent clients in matters involving trade policy, legislation, negotiations, and compliance.