CHAPTER 2

TRADE IN GOODS

ARTICLE 2.1

Objective and scope

1. The Parties shall establish a free trade area for goods over a transitional period starting on the date of entry into force of this Agreement.

2. Except as otherwise provided in this Agreement, the provisions of this Chapter apply to trade in goods of a Party.

SECTION A

CUSTOM DUTIES

ARTICLE 2.2

National treatment

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of GATT 1994, including its Notes and Supplementary Provisions. To that end, Article III of GATT 1994 and its Notes and Supplementary Provisions are incorporated into and made part of this Agreement, *mutatis mutandis*.

ARTICLE 2.3

Definitions

For the purposes of this Chapter, "originating good" means a good qualifying as originating in a Party under the rules of origin set out in Chapter 3.

ARTICLE 2.4

Reduction and elimination of customs duties

1. Except as otherwise provided for in this Agreement, each Party shall reduce or eliminate its customs duties on originating goods in accordance with Annex 2-A.

2. The classification of goods in trade between the Parties shall be in accordance with each Party's respective tariff nomenclature in conformity with the Harmonized System. Each Party shall specify in its respective Appendix to Annex 2-A the version of the Harmonized System used to this end.

3. A Party may create a new tariff line. In that event and in so far as trade between the Parties is concerned, the customs duty applicable to the corresponding goods under the new tariff line shall be equal to or lower than the customs duty applicable to the corresponding goods under the original tariff line specified in Annex 2-A and the agreed tariff concession shall remain unchanged.

4. For each good originating in the other Party, the base rate of customs duties on imports to which the successive reductions apply under paragraph 1 is specified in Annex 2-A.

5. Without prejudice to paragraphs 1 and 3, for a period of 2 (two) years from the date of entry into force of this Agreement, the European Union shall not increase the customs duties applied on 31 December 2017 on goods originating in Paraguay that are classified under the following tariff lines set out in Appendix 2-A-1 as "PY" goods: 20019030, 21012098, 21069098 and 33021029. For the purposes of this paragraph, "goods originating in Paraguay" means goods that conform to the origin requirements under Subsections 2 and 3 of Section 2 of Chapter 1 of Title II of Commission Delegated Regulation (EU) 2015/2446 of 28 July of 2015 supplementing Regulation (EU) No 952/2013 of the European Parliament and of the Council as regards detailed rules concerning certain provisions of the Union Customs Code[1] and Subsections 3 to 9 of Section 2 of Chapter 2 of Title II of Commission Implementing Regulation (EU) 2015/2447 of 24 November 2015 laying down detailed rules for implementing certain provisions of Regulation (EU) No 952/2013 of the European Parliament and of the Council laying down the Union Customs Code[2].

6. Except as otherwise provided for in this Agreement, a Party shall not introduce new customs duties or increase customs duties which are already applied in accordance with the base rates set out in Annex 2-A on trade in originating goods between the Parties as from the date of entry into force of this Agreement. For greater certainty, a Party may increase a customs duty applicable to trade between the Parties as set out in Annex 2-A that has been unilaterally reduced by that Party, to the level set out in that Annex for the respective year following that unilateral reduction.

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1 OJ EU L 343, 29.12.2015, p. 1.
2 OJ EU L 343, 29.12.2015, p. 558.

7. If a Party reduces its most-favoured-nation applied rate of customs duty to a level below the base rate for a particular tariff line specified in Annex 2-A, that duty rate shall be deemed to replace the base rate in Annex 2-A, if, and for as long as it is lower than the base rate, for the purposes of the calculation of the preferential rate for that tariff line. In this regard, the Party shall apply the tariff reduction to the most-favoured-nation applied rate to calculate the applicable rate of customs duty, maintaining at all times the relative margin of preference for any tariff line. Such relative margin of preference for a tariff line shall correspond to the difference between the base rate set out in Annex 2-A and the applied duty rate for that tariff line in accordance with Annex 2-A divided by that base rate and shall be expressed as a percentage.

8. Each Party may accelerate the elimination of customs duties on originating goods of the other Party, or otherwise improve the conditions of market access for originating goods of the other Party, if its general economic situation and the situation of the economic sector concerned so permit.

9. As from 3 (three) years after the date of entry into force of this Agreement, on request of either Party, the Subcommittee on trade in goods, referred to in Article 2.14, shall consider measures providing for improved market access. The Trade Council shall have the power to adopt decisions to amend Annex 2-A. Such decisions shall supersede any duty rate or staging category determined in Annex 2-A for such originating goods.

ARTICLE 2.5

Goods re-entered after repair

1. For the purposes of this Article, "repair" means any processing operation undertaken on a good to remedy operating defects or material damage and entailing the re-establishment of the good to its original function or to ensure its compliance with technical requirements for its use, without which the good could no longer be used in the normal way for the purposes for which it was intended. Repair of a good includes restoration and maintenance but does not include an operation or process that:

(a) destroys the essential characteristics of a good or creates a new or commercially different good;

(b) transforms an unfinished good into a finished good; or

(c) is used to improve the technical performance of a good.

2. A Party shall not apply customs duties to a good, regardless of its origin, that re-enters that Party's customs territory after that good has been temporarily exported from its customs territory to the customs territory of the other Party for repair, regardless of whether such repair could have been performed in the customs territory of the Party from which the goods were exported for repair, as defined in paragraph 1.

3. Paragraph 2 does not apply to a good imported in bond into free-trade zones or zones of similar status, that is exported for repair and is not re-imported in bond into free-trade zones or zones of similar status.

4. A Party shall not apply customs duties to a good, regardless of its origin, imported temporarily from the customs territory of the other Party for repair.

SECTION B

NON-TARIFF MEASURES

ARTICLE 2.6

Fees and other charges on imports and exports

1. Each Party shall ensure, in accordance with Article VIII of GATT 1994, including its Notes and Supplementary Provisions, that all fees and other charges of whatever character[3], other than import and export duties imposed on or in connection with importation or exportation, are limited in amount to the approximate cost of services rendered, shall not be calculated on an *ad valorem* basis and shall not represent an indirect protection for domestic goods or a taxation of imports or exports for fiscal purposes.

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[3] For greater certainty, "tasa consular" of the Oriental Republic of Uruguay and "tasa estadística" of the Argentine Republic are governed by paragraph 3.

2. Each Party may impose charges or recover costs only if specific services are rendered, in particular for the following:

(a) attendance, if requested, by customs staff outside official office hours or at premises other than customs premises;

(b) analyses or expert reports on goods and postal fees for the return of goods to an applicant, particularly in respect of decisions relating to binding information or the provision of information concerning the application of customs laws and regulations;

(c) the examination or sampling of goods for verification purposes, or the destruction of goods, if costs other than the cost of using customs staff are involved; or

(d) exceptional control measures, where these are necessary due to the nature of the goods or to a potential risk.

3. A Party shall not require consular transactions, including related fees and charges, in connection with the importation of goods from the other Party. The Parties shall have a transitional period of 3 (three) years from the date of entry into force of this Agreement to fulfil the requirements of this paragraph[4].

4. Each Party shall publish a list of the fees and charges it imposes in connection with the importation or exportation of goods.

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[4] Notwithstanding this paragraph, for the Republic of Paraguay the transitional period will be 10 (ten) years after the date of entry into force of this Agreement.

ARTICLE 2.7

Import and export licensing procedures

1. The Parties shall ensure that all import and export licensing procedures applicable to trade in goods between the Parties are neutral in application and administered in a fair, equitable, non-discriminatory and transparent manner.

2. Each Party shall only adopt or maintain licensing procedures as a condition for importation into its territory from that of the other Party or exportation from its territory to that of the other Party if other appropriate procedures to achieve an administrative purpose are not reasonably available.

3. The Parties shall not adopt or maintain non-automatic import or export licensing procedures[5] unless it is necessary to implement a measure that is consistent with this Agreement. A Party adopting non-automatic import or export licensing procedures shall indicate clearly the measure being implemented through such licensing procedure.

4. The Parties shall introduce and administer any licensing procedures in accordance with Articles 1 to 3 of the WTO Import Licensing Agreement (hereinafter referred to as "Import Licensing Agreement"). To that end, Articles 1 to 3 of the Import Licensing Agreement are incorporated into and made part of this Agreement, *mutatis mutandis*, and shall apply to any export licensing procedures.

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[5] For the purposes of this Article, "non-automatic import or export licensing procedures" is defined as licensing procedures where approval of the application is not granted for all legal and natural persons who fulfil the requirements of the Party concerned for engaging in the importation or exportation of goods subject to licensing procedures.

5. Any Party introducing or modifying any import and export licensing procedures shall make the relevant information available on an official website. This information shall be made available, whenever practicable, 21 (twenty-one) days prior to the date of the application of the introduction of, or modification to, licensing procedures but in any event no later than such date. The information available on the Internet shall contain the data required under Article 5 of the Import Licensing Agreement. Each Party shall notify the other Party of any introduction or modification of export licensing procedures and such notification shall contain the same information as referred to in Article 5 of the Import Licensing Agreement.

6. On request of a Party, the other Party shall promptly provide any relevant information regarding any import or export licensing procedures that the Party to which the request is addressed intends to adopt or has adopted or maintained, including the information referred to in Articles 1 to 3 of the Import Licensing Agreement, *mutatis mutandis*.

ARTICLE 2.8

Export competition

1. The Parties affirm their commitments expressed in the Export Competition Ministerial Decision of 19 December 2015 (WT/MIN(15)/45, WT/L/980) of the WTO (hereinafter referred to as the "Export Competition Ministerial Decision").

2. For the purposes of this Article, "export subsidies" means subsidies within the meaning of Articles 1 and 3 of the SCM Agreement that are contingent upon export performance, including the subsidies listed in Annex I to the SCM Agreement and the subsidies listed in Article 9 of the Agreement on Agriculture.

3. A Party shall not maintain, introduce or reintroduce export subsidies on an agricultural good that is exported or incorporated in a product that is exported.

4. A Party shall not maintain, introduce or reintroduce export credits, export credit guarantees, insurance programmes, state trading enterprises or international food aid, or other measures that have an effect equivalent to an export subsidy, on an agricultural good that is exported or incorporated in a good that is exported to the territory of the other Party, unless those measures comply with the obligations of the exporting Party under the WTO Agreements and Decisions of the Ministerial Conference and the General Council of the WTO, including in particular the Export Competition Ministerial Decision.

5. The Parties affirm their commitment in the Bali Ministerial Declaration adopted on 7 December 2013 (WT/MIN(13)/DEC) of the WTO, strengthened by the Export Competition Ministerial Decision, to enhance transparency and to improve monitoring in relation to all forms of export subsidies and export credits, export credit guarantees, insurance programmes, state trading enterprises and international food aid, as well as other measures that have an effect equivalent to an export subsidy.

6. The Parties affirm the commitments taken under the Export Competition Ministerial Decision with regard to international food aid and shall work together to encourage the best practices in the delivery of food aid in the relevant international fora by seeking to limit the monetisation of food aid and the delivery of in-kind food aid only to emergency situations.

ARTICLE 2.9

Duties, taxes and other fees and charges on exports

A Party shall not introduce or maintain any duties or charges of any kind on or in connection with the exportation of a good to the other Party, other than in accordance with Annex 2-B, after 3 (three) years from the date of entry into force of this Agreement.

ARTICLE 2.10

State trading enterprises

1. Nothing in this Agreement shall prevent a Party from maintaining or establishing a state trading enterprise in accordance with Article XVII of GATT 1994, including its Notes and Supplementary Provisions and the WTO Understanding on the Interpretation of Article XVII of GATT 1994, which are incorporated into and made part of this Agreement, *mutatis mutandis*.

2. If a Party requests information from the other Party on individual cases of state trading enterprises, their operation or the effect of their operations on bilateral trade, the requested Party shall ensure full transparency in accordance with Article XVII of GATT 1994.

3. Notwithstanding paragraph 1, a Party shall not designate or maintain a designated import or export monopoly, except for those already established by a Party or prescribed by in its Constitution as listed in Annex 2-C. For the purposes of this paragraph, an import or export monopoly means the exclusive right or grant of authority by a Party to an entity to import a good from, or to export a good to, the other Party.

ARTICLE 2.11

Prohibition of quantitative restrictions

1. A Party may not adopt or maintain any prohibition or restriction on the importation of any good from the other Party or on the exportation or sale for export of any good destined for the other Party, whether applied by quotas, licences or other measures, except in accordance with Article XI of GATT 1994, including its Notes and Supplementary Provisions. To that end, Article XI of GATT 1994 and its Notes and Supplementary Provisions are incorporated into and made part of this Agreement, *mutatis mutandis*.

2. A Party may not adopt or maintain export or import price requirements, except as permitted in the enforcement of antidumping and countervailing duty orders or price undertakings.

ARTICLE 2.12

Preference utilisation

1. For the purpose of monitoring the functioning of this Agreement and calculating preference utilisation rates, the Parties shall annually exchange import statistics for a period starting 1 (one) year after the date of entry into force of this Agreement and ending 10 (ten) years after the tariff elimination is completed for all goods in accordance with Annex 2-A. Unless the Trade Committee decides otherwise, this period shall be automatically extended for 5 (five) years, and the Trade Committee may decide to further extend it.

2. The exchange of import statistics referred to in paragraph 1 shall cover data pertaining to the most recent year available, including value and, if applicable, volume, at the tariff line level for imports of goods of the other Party benefitting from preferential duty treatment under this Agreement and those that received non-preferential treatment.

3. Without prejudice to paragraph 2 and subject to confidentiality requirements under each Party's laws and regulations a Party shall not be obliged to exchange import statistics.

ARTICLE 2.13

Specific measures concerning the management of preferential treatment

1. The Parties shall cooperate in preventing, detecting and combating breaches of their laws and regulations, irregularities and fraud related to the preferential treatment granted under this Chapter, in accordance with Chapter 3 and Annex 4-A.

2. A Party may, in accordance with the procedure laid down in paragraph 4, decide to temporarily suspend the relevant preferential treatment of the products concerned, if that Party makes a finding, based on objective, compelling and verifiable information, that:

(a) large-scale systematic breaches in the relevant laws and regulations, irregularities or fraud have been committed in order to obtain preferential tariff treatment granted under this Chapter; and

(b) the other Party systematically refuses or otherwise fails to comply with its obligations referred to in paragraph 1, in accordance with Chapter 3 and Annex 4-A.

3. For the purposes of this Article, a failure to comply with the obligations referred to in paragraph 1 means, inter alia, a clearly demonstrated and systematic:

(a) failure to fulfil the obligation to verify the originating status of the products concerned, in accordance with the procedures established in Articles 3.24 and 3.25; and

(b) refusal or unjustifiable delay in communicating the result of a verification of origin carried out in accordance with Articles 3.25 and 3.26; or

(c) lack of administrative cooperation pursuant to Annex 4-A.

4. The Party which has made a finding referred to in paragraph 2 shall, without undue delay, notify the Trade Committee thereof and provide it with the information that constitutes the basis for its finding.

5. When the requirements of paragraph 4 are fulfilled, the Party which has made a finding shall enter into consultations with the other Party, in the Trade Committee, with a view to reaching a solution that is acceptable to both Parties. If the Parties fail to agree on a mutually acceptable solution within 3 (three) months after the date of notification, the Party which has made the finding may decide to temporarily suspend the relevant preferential treatment of the products concerned. In such cases, the Party which has made the finding shall notify the temporary suspension to the Trade Committee without undue delay.

6. A decision to temporarily suspend the relevant preferential treatment of the product concerned pursuant to paragraph 4 shall apply only for a period commensurate with the impact on the financial interests of the Party concerned and not for longer than 3 (three) months. If it can be objectively and verifiably ascertained that the conditions that gave rise to that decision to suspend persist at the expiry of the suspension period, the Party concerned may decide to renew that decision to suspend for an equal period of time. Any suspension shall be subject to periodic consultations in the Trade Committee. In the case of a renewal, consultations shall take place in the Trade Committee at least 15 (fifteen) days prior to the expiry of the suspension period.

7. Each Party shall publish, in accordance with its internal procedures, notices to importers about any notification of a finding pursuant to paragraph 4 and decision to temporarily suspend referred to in paragraphs 5 and 6.

SECTION C

INSTITUTIONAL PROVISIONS

ARTICLE 2.14

Subcommittee on trade in goods

1. The Subcommittee on trade in goods, established pursuant to Article 22.3(4), shall have the following functions, in addition to those listed in Articles 5.14 and 22.3:

(a) promote trade in goods between the Parties;

(b) evaluate annually the use and the administration of quotas and of preferences granted by this Agreement; and

(c) discuss, clarify and address any technical issues that may arise between the Parties on matters related to the application of each Party's tariff nomenclature as defined in paragraphs 3 and 4 of Annex 2-A.

ARTICLE 2.15

Subcommittee on trade in wine products and spirits

1. The Subcommittee on trade in wine products and spirits, established pursuant to Article 22.3(4), shall have the following functions, in addition to those listed in Article 22.3:

(a) ensure the timely notification of amendments to laws and regulations on matters covered by Annex 2-D that have an impact on wine products and spirits traded between the Parties; and

(b) adopt decisions to determine the details of the rules set out in paragraph 2 of Appendix 2-D-3, in particular the forms to be used and the details of the information to be provided in the analysis report.

ARTICLE 2.16

Cooperation on trade in wine products and spirits and focal points

1. The Parties shall cooperate on and address issues related to trade in wine products and spirits, in particular:

(a) product definitions, certification and labelling of wine products;

(b) the use of vine varieties in winemaking and the labelling thereof; and

(c) product definitions, certification and labelling of spirits.

2. The Parties shall closely cooperate and seek ways to improve assistance to each other in the application of Annex 2-D, in particular in order to combat fraudulent practices.

3. To facilitate mutual assistance between the enforcement bodies and authorities of the Parties as regards matters covered by Annex 2-D, each Party shall designate the bodies and authorities responsible for the application and enforcement of that Annex. If a Party designates more than one competent body or authority, it shall ensure that the work of those bodies and authorities is coordinated. In such cases, a Party shall also designate a single liaison body or authority that serves as the single focal point for the body or authority of the other Party.

4 The Parties shall, via the Subcommittee on trade in wine products and spirits, inform each other of the contact details of the bodies, authorities and focal points referred to in in paragraph 3 no later than 6 (six) months after the date of entry into force of this Agreement. The Parties shall inform each other of any changes of the contact details of such bodies, authorities and focal points.