

## **Lawyers gear up for trade boost as Mercosur relaxes customs duty**

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by David Thorley

*Lawyers in Mercosur countries are anticipating a boost to their trade practices should the member governments approve the proposed elimination of the double payment of the common external tariff, Arancel Externo Común (AEC).*

Last week Argentine officials at the Mercosur summit in Buenos Aires indicated that an agreement to abandon the AEC double tariff, which is imposed on imports from all external countries, could be reached after five years of negotiations.

**Mauro Berenholc, a partner with Pinheiro Neto Advogados in Brazil, says he has already received informal enquiries from some clients about the AEC, explaining, 'I believe that the increase in trade from the elimination of the AEC will have a positive effect on my international trade and customs practice since more trade brings more deals, investments, and therefore also more service for lawyers.'**

**'New legal challenges shall also emerge, especially in relation to the structuring of new business operations, and the distribution of products among the Mercosur countries,' he adds.**

Other lawyers are anticipating that the upswing in legal work resulting from the removal of the AEC will not be confined to straightforward deal work.

Diego Rodriguez, of Uruguay's Ferrere Abogados, says, 'Apart from what is agreed by the governments, implementation is always difficult and this will lead to many conflicts in trade.'

The proposed elimination of the AEC would see traders granted a certificate in the first Mercosur country in which their product arrived, which would exempt them from paying tax in any countries it subsequently moved to.

Fernanda Lopez Abramovich, who works on customs matters at Allende & Brea in Argentina, says, 'We look forward to knowing how the certification process is to be implemented, since it could happen that the second country's authorities start challenging the validity of certificates, and that importers will be obliged to litigate.'

As the only Mercosur country without a coastline, Paraguay would be likely to suffer under the new system.

Some concessions for Paraguay have already been agreed, and Berenholc says, 'The compensation agreed for Paraguay, and a further compensation to be established seem to be necessary due to Paraguay's dependency on the import duty, which comprises roughly 20 per cent of its income.'

Lopez Abramovich says, 'One of these measures was the establishment of a rule providing that the AEC paid in the first country should be transferred to the country in which the merchandise is ultimately consumed or effectively used.'

'In addition, it is expected that Paraguay will obtain preferential benefits in the context of the treaty entered into by Mercosur and Egypt last week,' she adds.

Another perpetual sticking point for Mercosur summits is the issue of whether Venezuela should be granted admission to the trade agreement.

The summit debated the country's entry, with Paraguay the only country not to have approved Venezuela's inclusion.

**While Berenholc says Venezuela's admission 'is still a controversial issue,' he adds, 'we cannot forget that it represents the second largest GDP in South America, and an import market that will enhance Mercosur's international trade.'**

**'On the other hand, the existing control and intervention by Venezuela's government in the domestic economy may create several difficulties in structuring trade deals involving the country, as well as challenges for lawyers in protecting the rights of companies when a legal dispute arises,' he adds.**