

**URUGUAY – TAX TREATMENT ON CERTAIN PRODUCTS**

Notification of Mutually Agreed Solution

The following communication, dated 8 January 2004, from the delegation of Chile and the delegation of Uruguay to the Chairman of the Dispute Settlement Body, is circulated pursuant to Article 3.6 of the DSU.

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The Panel on the dispute *Uruguay – Tax Treatment on Certain Products* (DS261) was established on 19 May 2003. The Panel was constituted on 4 July, but its work was suspended as from 14 August at the joint request of the two litigants in order to seek a positive and bilateral solution to the dispute.

The Republic of Chile and the Eastern Republic of Uruguay wish to inform you that, on 16 December 2003, the Ministers of Foreign Affairs of the two countries signed an *Agreement between the Eastern Republic of Uruguay and the Republic of Chile on Settlement of the WTO Dispute "Uruguay – Tax Treatment on Certain Products"*. A copy is attached.

The Agreement is a mutually agreed solution under Article 3, paragraphs 5 and 6, of the Understanding on Rules and Procedures Governing the Settlement of Disputes. Consequently, please circulate the present notification, together with the attached Agreement to WTO Members.

We avail ourselves of this opportunity to thank the Panel and the Secretariat for their readiness and to reiterate the assurances of our highest consideration.

(Signed)  
Mathias Francke Schnarbach  
Chargé d'affaires a.i.  
Permanent Mission of Chile  
to the WTO

(Signed)  
Carlos Pérez del Castillo  
Ambassador  
Permanent Representative of Uruguay  
to the WTO

**AGREEMENT  
BETWEEN  
THE EASTERN REPUBLIC OF URUGUAY  
AND  
THE REPUBLIC OF CHILE  
ON SETTLEMENT OF THE WTO DISPUTE  
"URUGUAY – TAX TREATMENT ON CERTAIN PRODUCTS"**

The Eastern Republic of Uruguay and the Republic of Chile agree to conclude the following agreement under World Trade Organization rules in connection with the dispute initiated by Chile in the Organization: "Uruguay – Tax Treatment on Certain Products", dispute WT/DS261.

**Article 1**

The Eastern Republic of Uruguay undertakes to ensure that the regime for the assessment and payment of the Internal Specific Tax on cigarettes from the Republic of Chile shall be governed and operated at all times wholly in accordance with the principles and obligations of Most-Favoured-Nation and National Treatment stemming from its international commitments, in particular, the principles, rules and interpretative notes of Articles I and III of GATT 1994.

**Article 2**

The undertaking entered into does not prevent the Eastern Republic of Uruguay from modifying the present regime of assessment and payment, provided the modification is in keeping with the above-mentioned Most-Favoured-Nation and National Treatment principles and obligations.

**Article 3**

This Agreement shall in no way prejudice the right of the Republic of Chile to reject, rebut or challenge in future the Internal Specific Tax regime of the Eastern Republic of Uruguay, regardless of the product taxed or for any other reason(s). Nor shall it prejudice any allegations or issues of fact and law mentioned in the Request for Consultations (WT/DS261/1) and for the Establishment of the Panel (WT/DS261/4) submitted by the Republic of Chile to the World Trade Organization.

**Article 4**

The Republic of Chile undertakes to immediately withdraw the Panel resulting from the complaint submitted against the Eastern Republic of Uruguay to the World Trade Organization on 26 June on "The tax treatment on certain products (WT/DS261)", once the procedures for signing this Agreement are finalized. This withdrawal shall necessarily be made by joint notification by both countries to the Secretariat of the WTO Dispute Settlement Body and the Chairman of the Panel in charge of the dispute, which notification shall specify that both parties have reached a mutually satisfactory solution and this Agreement is evidence thereof under the terms of this solution.

**Article 5**

If the further period of suspension of the WTO Panel procedure agreed on 12 October 2003 ends before the procedure referred to in the preceding paragraph is completed, the Republic of Chile undertakes to grant a third and final suspension in connection with the Eastern Republic of Uruguay up to a maximum period of 90 days.

**Article 6**

This Agreement shall enter into force on the date of signature.

Signed in Montevideo on the sixteenth day of December 2003 in two equally authentic and valid copies.

(Signature)  
For the Eastern Republic  
of Uruguay

(Signature)  
For the Republic  
of Chile

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