GENERAL AGREEMENT ON

TARIFFS AND TRADE

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UNITED STATES - TAXES ON AUTOMOBILES

Request for Consultations under Article XXIII:1 by the European Economic Community

The following communication, dated 12 May 1992, from the Commission of the European Communities, is circulated in accordance with paragraph C.3 of the CONTRACTING PARTIES' 1989 Decision on Improvements to the GATT Dispute Settlement Rules and Procedures (BISD 36S/62).

United States Federal law, including provisions of the Internal Revenue Code (IRC) and the United States Code (U.S.C) imposes certain taxes which discriminate against imported automobiles. The three major taxes in question are (1) the Corporate Average Fuel Economy Law (CAFE), (2) the luxury excise tax and (3) the "gas guzzler" tax.

This tax system is used to discriminate against imported models as these taxes are levied in such a way as to impose additional costs on European vehicles sold on the US market while US domestic producers are able to avoid payment.

The total revenue of the three taxes levied in 1991 was US$558 million, of which US$494 million was levied on European cars. Thus, around 88% (100% of CAFE, 80% of the luxury tax and 80% of the "gas guzzler" tax) fall on European cars, compared to a market share of only 4%.

The European Community considers that these measures are not consistent with the provisions of the General Agreement, in particular Article III:2. Therefore, the European Community requests consultations with the United States under Article XXIII:1 of the General Agreement, in accordance with the 1989 Decision on Improvements to the GATT Dispute Settlement Rules and Procedures (BISD 36S/62).

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