

GENERAL AGREEMENT ON

RESTRICTED

TARIFFS AND TRADE

C/W/540

14 March 1988

Limited Distribution

COUNCIL
22 March 1988

Original: French

UNITED STATES - TAXES ON PETROLEUM AND CERTAIN IMPORTED SUBSTANCES

Follow-up on the Panel Report (L/6175)

Communication from the European Communities

The following communication dated 11 March 1988 has been received from the Commission of the European Communities.

Request by the European Economic Community for authorization to suspend the application of concessions in accordance with the provisions of Article XXIII:2

The report of the Panel established to examine the complaint of the Community and other contracting parties against the United States concerning taxes on petroleum and certain imported substances was adopted by the Council on 17 June 1987.

It will be recalled that the Panel found that the tax on petroleum was inconsistent with Article III:2, first sentence, and consequently constituted a prima facie case of nullification and impairment. The Panel therefore suggested that the United States bring the tax on petroleum in conformity with its obligations under the General Agreement.

In the absence of a mutually agreed solution, the first objective of the CONTRACTING PARTIES is usually to secure the withdrawal of the measures concerned if these are found to be inconsistent with the General Agreement (paragraph 4 of the Annex to the 1979 Understanding). It is also recognized that if a measure inconsistent with the General Agreement is not immediately withdrawn, the contracting parties affected may request authorization to take the compensatory measures they are entitled to adopt (paragraph 5 of the Annex to the 1979 Understanding).

The Community and other contracting parties concerned have repeatedly raised the question of the implementation by the United States of the Panel's recommendation, but without being able to obtain satisfactory replies. Furthermore, the United States has not offered any compensation.

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Under these circumstances, the Community regrets this situation and has no other choice than to request the Council to authorize it, in accordance with the provisions of Article XXIII:2 of the General Agreement, to suspend the application to the United States of concessions equivalent to the economic injury caused to the Community.

The Community will in due course communicate the list of products concerned and the technical arrangements for such compensatory withdrawals prior to their entry into force.