

KOREA - TAXES ON ALCOHOLIC BEVERAGES

Request for Consultations by the European Communities

The following communication, dated 2 April 1997, from the Permanent Delegation of the European Commission to the Permanent Mission of Korea and to the Dispute Settlement Body, is circulated in accordance with Article 4.4 of the DSU.

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My authorities have instructed me to request consultations with Korea under Article 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) and Article XXII:1 of the General Agreement on Tariffs and Trade 1994 (GATT 1994) as regards the internal taxes imposed by Korea on certain alcoholic beverages pursuant to the Liquor Tax Law and the Education Tax Law.

At the consultations which took place in January, the European Commission on behalf of the European Community requested by 15 March a concrete Korean proposal for bringing its system of taxation of alcoholic beverages into full conformity with GATT/WTO obligations within a reasonable time-frame. However, the reply of the Korean authorities refers only to "a substantial reduction in the tax rate difference".

The European Community has therefore decided to request WTO consultations, since the Korean Liquor Tax Law and the Education Tax Law appear to be inconsistent with the Korean obligations under GATT 1994. In particular, the above mentioned laws appear to impose a lower tax on *soju* than on other like liquors imported from the European Community, thereby infringing Article III:2, first sentence, of GATT 1994. The above mentioned laws also appear to impose a lower tax on *soju* than on other directly competitive or substitutable liquors imported from the European Community, so as to afford protection to the domestic production of *soju*, thus violating Article III:2, second sentence, of GATT 1994.

I look forward to receiving your reply to this request and to setting a mutually convenient date for the consultations.