

KOREA - TAXES ON ALCOHOLIC BEVERAGES

Request for the Establishment of a Panel by the United States

The following communication, dated 10 September 1997, from the Permanent Mission of the United States to the Chairman of the Dispute Settlement Body, is circulated at the request of that delegation.

On 23 May 1997, the United States Government requested consultations with the Government of Korea pursuant to Article 4 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, Article XXII of the General Agreement on Tariffs and Trade 1994 (GATT 1994) concerning Korea's internal taxes on certain alcoholic beverages (WT/DS84/1).

Under its general liquor tax law, Korea imposes a lower tax on the traditional Korean distilled spirit soju than the high taxes it applies to other distilled spirits such as whiskey, brandy, vodka, rum, gin and "ad-mixtures". This difference in tax burden is made even more dramatic by the application of an Education Tax. Thus, the tax burden on some U.S. distilled spirits can be over four times greater than the tax burden on soju.

The United States and Korea held consultations on these tax measures in Geneva on 24 June. These consultations provided some helpful clarifications but they have failed to settle the dispute. The United States considers that Korea's internal taxes on distilled spirits are inconsistent with Korea's obligations under Article III:2 of the GATT 1994.

Accordingly, the United States respectfully requests that a panel be established to examine this matter at the next meeting of the Dispute Settlement Body.