

WRITTEN QUESTION P-3113/00
by Gerhard Hager (NI)
to the Commission

Subject: Proposed reaction to reform of the new Foreign Sales Corporations bill

Reform by Congress of the US legislation on Foreign Sales Corporations is imminent. Under this reform, taxation of income from sales generated abroad would be abolished. According to US Deputy Treasury Secretary Stuart Eizenstat, the WTO Appellate Body found that it was entirely a matter for member countries to decide whether or not the income was taxed. The Commissioner takes the view that the new arrangements also violate WTO rules. Against this background:

1. In the event of the new US export rules actually entering into force, does the Commission intend to initiate retaliatory trade measures in accordance with Article 133 of the EC Treaty within the 30-day period laid down under the WTO procedure?
2. If so, by what means does the Commission propose to defend the EU's interests?
3. What goods, or firms, would be affected by these measures?
4. What alternatives to measures to protect trade within the meaning of Article 133 of the EC Treaty would the Commission consider implementing?
5. Does the Commission take the view that individual EU Member States are empowered to regulate taxation of the income themselves?
6. If not, how, in legal terms, does the Commission justify its view?