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EU Ups Pressure on Russia Over Car Import Levy

By The Moscow Times

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The European Union asked the World Trade Organization on Thursday to rule on the legality of a recycling fee that Russia imposes on imported cars, stepping up a trade dispute between the two.

The European Commission, the EU's executive arm, said it had asked the WTO to establish a dispute settlement panel to adjudicate on the fee. The EU believes the charge discriminates against EU vehicle exports to Russia, worth some 10 billion euros ($13.5 billion) per year.

If the three-person panel rules in the EU's favor, Russia can appeal, but otherwise it will be forced to change its rules or face trade sanctions. The move risks Russian retaliation against EU policies.

"As the fee continues to severely hamper exports of a sector that is key for Europe's economy, we are left with no choice but to ask for a WTO ruling to ensure Russia complies with its

international obligations," EU Trade Commissioner Karel De Gucht said.

By triggering WTO litigation, the EU has raised the temperature in the dispute and signaled that attempts to negotiate a solution with Russia have failed. The dispute has highlighted Russia's bumpy start as a member of the WTO, which it joined barely a year ago, 19 years after it first applied.

The EU initially launched the complaint in July, telling the WTO it believed Russia was illegally protecting its carmakers and had given up waiting for Moscow to change the law.

In that first stage, the EU requested consultations with Russia, with a 60 day period set to find a solution.

Japan also filed a trade complaint against Russia over the recycling fee in July.

Russia says the fee offsets the cost of recycling cars, but critics says it is effectively an illegal tax on imports because it does not apply to cars made in Russia, nor to those from Belarus or Kazakhstan, which have a customs union with Russia.

The U.S. has also said it is closely watching Moscow for any violations that thwart U.S. exports, although it has yet to announce any definite plans for litigation.

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