JUR5850

Spring 2011

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Part 1

Auto-solutions, which is a company established in Monia, has worked hard over several years to develop a new car model which has a very high level of fuel efficiency due to a very advanced combustion engine. Auto-solutions wants to market the new car in Servia. However, Servia has taxes that promote the sale of hybrid cars (i.e. cars that combine a combustion engine and an electric motor) through significant tax credits. Therefore, Auto-solutions gave up its efforts to enter the market.

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Part 2

Elections in Servia led to a change of government. The new government invested heavily in research to promote the development of hybrid cars. The project started out as a research project at the Technical University of Servia. After three years of intensive research, the University transferred the technology it had developed to the newly established Servian car producer Future-Cars for free. Future-Cars was owned partly by the University (20%) and partly by private investors (80%). The production of hybrid cars was very successful, and the new car became extremely popular in Servia. Currently, it has 80 % of the Servian car market. The hybrid car was also exported to Monia, where it captured 25 % of the car market during two years. During the same period, the sale of Auto-solutions' cars in Monia was reduced by 15 %.

Imagine that you are legal advisor to Auto-solutions. You are asked by the Board of Managers whether it would be possible for Monia to impose duties on import of hybrid cars from Servia despite the fact that Monia has bound its tariffs on cars to zero in its Schedule of Commitment under the WTO. You are also asked how Auto-solutions should proceed with such a case as well as what kind of factual information Auto-solutions should be prepared to provide.