

Important Note: All of the following questions must be answered in English. Otherwise no grade will be given. (所有題目請以英文作答；中文作答不予計分)

Question 1 (50%)

Countries A and B are WTO Members. Please answer the questions below:

- (1) Country A intends to establish its renewable energy industry, especially the solar plate industry. So it “morally encourages” its local state-owned and private banks to provide low interest loans to all domestic solar plate producers which are 100% owned by domestic investors. The interest rates are lower than the rates which are available in the commercial market.

The government of Country A also “encourages” its domestic users, whether public or private, including government agencies, schools, ordinary households and others, to use locally produced solar plates. The encouragement method is allowing domestic users of locally produced solar plates to enjoy a tax reduction.

Question: What WTO issues could involve in the above situation. (25%)

- (2) Country B also has its solar production. Its producers are interested in the market of Country A and intend to export their solar plates there. Since the solar plate industry in Country B is very mature, the price and quality of the plates from this country are very competitive. Country A is very concerned about its newly established solar plate industry not being able to compete and survive.

Question: What policy tools are available for Country A under the WTO? (25%)

Question 2 (50%)

PM2.5 refers to particles less than 2.5 micrometers in diameter. It has been scientifically considered that PM2.5 has a significant correlation with mortality from cardiopulmonary disease and lung cancer. Particle pollution in some areas of Country A has reached at extremely hazardous level. Poor air quality and increased health risks have become a wide spread problem.

As part of its efforts to reduce PM2.5 air pollution, the government of Country A announces plans to phase out gas and diesel cars in favour of electric vehicles within 20 years. The ultimate goal is to ban production and sale of traditional gasoline-powered cars. Please analyze the following measures adopted by Country A in light of WTO law.

- (1) Exempting charging electric cars from customs duties and sales tax. But gasoline

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and gasoline-electric hybrid cars are still subject to 25% custom duties and sales tax. (10%)

- (2) Foreign automakers will be eligible to enjoy reduced business taxes if they sit in and manufacture electric cars within the Country A. Final assembly is required within the Country A. (20%)
- (3) According to a recently published scientific report, PM2.5 air pollution in certain cities of Country A can possibly be attributable to coal-fired power plants running at the border of Country B. After the failure of bilateral consultation to tackle air pollution across the borders, Country A adopts an import ban on several products originating from Country B. Before the WTO panel, Country A argues that its ban can be completely justified based on the Environment Chapter in a Free Trade Agreement, where Country A and Country B are contracting parties. In relevant parts, Article X of the Environment Chapter provides that “Each Party shall discourage, through initiatives it considers appropriate, the importation of goods from the sources produced in whole or in part resulting in air pollution.” (20%)

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