

PRESS BACKGROUNDER ON
PROVINCIAL LIQUOR BOARD PRACTICES

- A GATT Panel was established in March 1985 to examine a complaint by the European Economic Communities that the practices of Provincial Liquor Boards discriminate against imported alcoholic beverages. The United States and Australia supported the EC complaint.
- In 1985 and 1986, attempts were made to reach a bilateral settlement of this dispute. When these did not prove successful, the EEC requested the Panel to begin its work. The first meeting of the Panel with the parties to the dispute was held in December 1986. Efforts to reach a bilateral settlement continued into 1987.
- In October 1987, the GATT Panel provided the EEC and Canada with its conclusions and recommendations. The Panel found that those practices of provincial marketing agencies which discriminate between imported and domestic alcoholic beverages with respect to their pricing, listing or distribution for sale do not accord with the provisions of the General Agreement.
- The Panel's findings require non-discriminatory treatment between imports and domestic products but do not preclude the maintenance of a Provincial Liquor Board system nor affect the right of the provinces to collect revenues through mark-ups. Nor does the Panel report impinge on the provinces' ability to control the distribution and sale of alcoholic beverages, such as for reasons of health and safety.
- An attempt was made in January 1988, in consultation with the provinces and industry, to negotiate a bilateral settlement with the EEC taking into account the Panel's findings. This was not successful because the EEC established conditions for continuing negotiations which were unacceptable to Canada.
- The Government will not stand in the way of the Panel report's adoption at GATT Council on March 22 and will now be working with the provinces to find ways to respond to the Panel's recommendations. The Panel called on Canada to take such reasonable measures as may be available to ensure that the provisions of the GATT are observed by the provincial liquor boards and to report back to the GATT before the end of 1988 on action taken.