

- Subsequent to the agreement-in-principle, the U.S. objected to changes to the pricing system in the province of Ontario. Accordingly, at the July 14 Council meeting, the U.S. requested authority of the GATT Council to retaliate against Canada for these allegedly discriminatory measures. The Council did not approve the request. At the same meeting, Canada offered to have the specific issues raised by the U.S. examined on an expedited basis by the GATT. The U.S. refused this offer.
- On July 24, the U.S. imposed a surtax of 50 percent *ad valorem* on imports of Canadian beer brewed in Ontario. In response, Canada imposed a matching duty on imports of Stroh and Heileman beer into Ontario.
- At the September 29 meeting of the GATT Council, Canada again sought U.S. agreement to submit the issues to an expedited review. The U.S. again refused.
- In December 1992 the U.S. rejected a Canadian proposal to seek binding arbitration of the outstanding issues in terms of their consistency with the GATT panel decisions and the Canada-U.S. agreement-in-principle of April 25, 1992.
- In May 1993, negotiations with the U.S. were resumed. At these discussions, a proposal was presented for granting foreign beer access to the Brewers' Retail network of stores in Ontario and offered significant adjustments to the pricing system in an effort to respond to U.S. concerns.
- On August 5, 1993, Canada and the United States reached final agreement in the Canada-U.S. beer dispute, thus resolving the issues arising out of the GATT panel report.

GATT PANEL ON U.S. FEDERAL AND STATE MEASURES
AFFECTING THE IMPORT OF CANADIAN BEER
("BEER II")

- Canadian alcoholic beverage producers and provinces expressed serious concerns to the federal government regarding a wide range of U.S. states' measures that affect the distribution, taxation, listing, pricing and transportation policies which discriminate against Canadian exports of alcoholic beverages to the U.S. market.
- Canada sought to resolve the difficulties arising from these measures through discussions with the U.S. When the discussions failed to resolve the issues, Canada requested consultations under GATT Article XXIII:1 on February 6, 1991. Two sets of consultations failed to resolve the dispute and Canada requested a GATT panel to examine the matter.