

PRESS BACKGROUNDER

- In October 1987, a General Agreement on Tariffs and Trade (GATT) Panel was established at the request of the European Community (EC) to examine the practices of provincial liquor boards with respect to imported alcoholic beverages. The Panel found that certain liquor board practices with respect to the pricing, listing or distribution of imported alcoholic beverages did not accord with the provisions of the General Agreement.
- While the Panel's findings required non-discriminatory treatment between imports and domestic products, they did not preclude the maintenance of a provincial liquor board system nor did they affect the right of the provinces to collect revenues through mark-ups. As well, the Panel report did not impinge on the provinces' ability to control the distribution and sale of alcoholic beverages for such reasons as those of health and safety.
- In December 1988, in consultation with the provinces and industry, Canada negotiated a bilateral settlement with the EC, taking into account the Panel's findings. The agreement provided for the elimination of discriminatory wine mark-ups over a specified period. The settlement did not require changes to existing beer distribution practices in Canada, but did cover measures related to the listing of beer for sale and stated that the existing differential price mark-ups on beer would not be increased.
- Since that time, the Government has worked with the provinces toward the elimination of interprovincial barriers in order to ensure that, as Canada's practices are liberalized, the industry can compete on a North American basis.
- More recently, Canada has been engaged in ongoing bilateral discussions with the EC on a number of outstanding issues, particularly with respect to beer.
- In May 1990, the H.G. Heileman Brewing Company submitted a petition to the U.S. Trade Representative under the *U.S. Trade Act of 1974* (as amended by the *Omnibus Trade and Competitiveness Act of 1988*). Subsequently, the Stroh Brewery Company filed a similar petition targeted at the Province of Ontario. These petitions alleged unfair practices relating to the listing, pricing and distribution of beer.