

### Canada's Position

In Canada's view, the EU's grain import regulations are inconsistent with its WTO obligations under Articles II and VII of the General Agreement on Tariffs and Trade 1994, Article I of the Customs Valuation Agreement, and with its WTO tariff schedule.

### THE JAPANESE LIQUOR TAX REGIME

Japan currently imposes different tax rates on various competing types of distilled liquor. Under this system, distilled spirits such as whiskey are taxed at higher rates than Japanese distilled spirits such as shochu.

This has a negative impact on Canada's ability to compete in the Japanese distilled spirits market, which is Canada's second-largest export market for whiskey.

A 1987 GATT panel report ruled that because of the tax differential, Japan's liquor tax regime was inconsistent with Article III:2 of the GATT. Although Japan has amended its liquor tax regime, the tax differential still exists. Canada considers that the Japanese Liquor Tax System remains inconsistent with Article III:2 of the GATT 1994.