

Body report, which was issued on January 16, 1998, substantially modified the panel report. The Appellate Body upheld the violation found by the panel in respect of Article 5.1 but reversed the violations found by the panel in respect of Articles 3.1 and 5.5. At a meeting of the DSB on March 13, 1998, the EC stated its intention to implement the recommendations and rulings of the DSB, but negotiations between the EC, Canada and the United States failed to establish the "reasonable period of time" for the EC to bring itself into compliance. The parties submitted the dispute to arbitration. On May 27, the arbitrator decided that "the reasonable period of time" for the EC to implement the DSB's recommendations and rulings in this case is 15 months from the date of adoption of the Appellate Body and Panel Reports by the DSB (i.e., 15 months from February 13, 1998).

4. Dairy Export Pricing Milk TRQs

Following a Super 301 application by the U.S. dairy industry, on October 10, 1997 the U.S. requested consultations under Article XXII of the GATT on the export pricing mechanism used for sale of milk by provincial marketing boards. The same request also challenged Canada's tariff-rate quotas for consumer milk imports. These consultations were held in Geneva on November 19. New Zealand requested its own consultations with respect to the export pricing issue on December 29. These consultations were held on January 28, 1998. A single panel for both the U.S. and New Zealand complaints was established on March 25, 1998. Submissions will be exchanged in September - October and the first hearing is scheduled for October 19-20.

5. Canada - Measures Affecting the Export of Civilian Aircraft

On March 10, 1997, Brazil requested consultations with Canada pursuant to Article 4 of the *Agreement on Subsidies and Countervailing Measures* (SCM Agreement). Consultations were held in Geneva on April 30, 1997, but these consultations failed to resolve the dispute. Brazil requested a panel, alleging that certain programmes and measures maintained by Canada or its provinces are inconsistent with Article 3 of the SCM Agreement. A panel was established pursuant to Brazil's request at the DSB meeting on July 23, 1998. The U.S. and the EC have joined as third parties.

6. Korea - Liquor Taxes

A panel was established on October 13, 1997 in this matter at the request of the EC and the U.S. Korea was alleged to have a liquor tax system which resembles the tax system in Japan which was found to be inconsistent with Article III of the GATT. Canada reserved its third party rights, filed its third party submission and attended a session of the panel on March 6, 1998, to make oral submissions. The panel issued its final report to the principal parties on July 31,