

## Backgrounder

### CANADA-U.S. DISPUTE ON CANADIAN PROVINCIAL BEER MARKETING PRACTICES

- 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.
- In response to these petitions, the U.S. initiated GATT dispute settlement proceedings and requested GATT Article XXIII.1 consultations with Canada, which took place on July 20, 1990.
- On December 12, 1990, the U.S. requested the GATT contracting parties in Geneva to establish a GATT panel to examine the listing, pricing and distribution practices of provincial liquor boards with respect to beer.
- The panel provided its findings to Canada and the U.S. on September 18, 1991. The panel found several provincial measures related to the pricing, distribution and sale of beer to be inconsistent with the General Agreement.
- On March 31, 1992, Canada advised the contracting parties of measures the provinces would be taking to ensure compliance with the GATT. A timetable for the changes was also provided. The U.S. objected to the proposals, regarding them as too limited, and to the amount of time allowed for their introduction (up to three years).
- On April 25, 1992, Canada and the U.S. reached an agreement-in-principle in which Canadian provinces undertook to implement certain measures in exchange for the withdrawal by the U.S. of the threat of retaliatory action.
- Subsequent to the agreement-in-principle, the U.S. objected to changes to the pricing system in the province of Ontario. 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.
- 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