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# news release

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## MACLAREN ANNOUNCES CONCLUSION OF CONSULTATIONS UNDER THE CANADA-UNITED STATES MEMORANDUM OF UNDERSTANDING ON BEER

The Honourable Roy MacLaren, Minister for International Trade, announced today that Canada and the United States have successfully concluded consultations under the Memorandum of Understanding on Provincial Beer Marketing Practices (MOU).

"I am pleased that these consultations have been concluded successfully and that the MOU will remain in operation," Mr. MacLaren said. "This will allow cross-border trade in beer to continue unhindered."

Through the consultations, Canada and the United States have come to an agreement on the terms of access for U.S. beer sold in the Quebec market. Under these terms, access will be provided to more than 12 000 points of sale, including convenience and corner stores, where most beer is sold in Quebec. A new annex to the MOU sets out specific understandings related to such issues as transportation and distribution of U.S. beer.

In the case of British Columbia, both countries have agreed to modifications in warehousing requirements that will facilitate the distribution of U.S. beer sold in that market.

"We have worked very closely with the provinces throughout these consultations," Mr. MacLaren noted. "We look forward to ongoing co-operation with them to ensure that the MOU continues to operate effectively."

The consultations also covered U.S. concerns about the application of minimum price systems in certain provinces. Canada and the United States have agreed to discuss this issue further in the future.

The two countries also discussed their dispute under the General Agreement on Tariffs and Trade (GATT) regarding the anti-dumping duties applied by Canada against exports of U.S. beer into British Columbia. It was agreed that, in order to address this

matter, the Honourable Paul Martin, Minister of Finance, would request a review of the anti-dumping duties by the Canadian International Trade Tribunal (CITT) under Section 76 of the Special Import Measures Act.

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For further information, media representatives may contact:

Media Relations Office  
Department of Foreign Affairs and International Trade  
(613) 995-1874

## 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

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, and put into place the Memorandum of Understanding on Provincial Beer Marketing Practices (MOU).
- In December 1993, the United States requested consultations to discuss Quebec's intention to introduce a minimum price for beer.
- These consultations began on February 3, 1994, and were held in conjunction with a previously planned review of the MOU. At the consultations, the United States raised concerns about the MOU's implementation in several provinces, focussing on British Columbia and Quebec. Officials from both these provinces took part in discussions.
- On April 29, 1994, consultations ended successfully with an exchange of letters that addressed U.S. concerns and detailed specific measures to be taken by Quebec and British Columbia.

## Backgrounder

### GATT PANEL ON DUMPING OF U.S. BEER INTO BRITISH COLUMBIA

- In October 1991, following a complaint by Canadian beer producers, the Canadian International Trade Tribunal (CITT) found that certain U.S. beer exported to British Columbia had been causing and was likely to continue to cause material injury to the production of beer in British Columbia.
- Subsequently, on June 3, 1992, the United States requested the establishment of a Panel under Article 15:5 of the GATT Anti-Dumping Code to review the CITT determination.
- On February 15, 1994 the Panel's decision was released confidentially to Canada and the United States to provide the two Parties with time to arrive at a mutually satisfactory solution to this dispute.
- As a result of bilateral consultations, Canada and the United States agreed, on April 29, 1994, that a review by the CITT of the 1991 decision under Section 76 of the Special Import Measures Act would constitute a mutually satisfactory solution to the matter.
- The Honourable Paul Martin, Minister of Finance, will be requesting the CITT to undertake such a review.