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## CANADA TO REQUEST GATT CONSULTATIONS WITH U.S. ON BEER, WINE AND CIDER

International Trade Minister John C. Crosbie announced today that Canada has requested consultations with the U.S. under the General Agreement on Tariffs and Trade (GATT) dispute settlement provisions with respect to U.S. federal and certain state measures which discriminate against Canadian exports of alcoholic beverages. Canada advised the Contracting Parties of its request at the GATT Council meeting in Geneva today.

At the same Council meeting, and in keeping with the GATT dispute settlement procedures, Canada accepted the U.S. request for the establishment of a GATT Panel to examine practices maintained by Canadian provincial liquor boards with respect to the import, distribution and sale of beer.

"In seeking these consultations, the Government has taken into consideration the concerns expressed by both Canadian producers and a number of provincial governments regarding U.S. practices affecting Canadian exports of beer, wine and cider to the American market," Mr. Crosbie said.

"It is important that Canadian producers have an equal opportunity to compete with American producers in the North American market and that Canadian exports are not prejudiced by U.S. practices," Mr. Crosbie added.

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## 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.

- 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 GATT dispute settlement rules and regulations require a contracting party to agree to a request for the formation of a panel no later than the second time that it comes before Council.
- Canadian alcoholic beverage producers have expressed to the Government serious concerns regarding the U.S. federal excise measures and state government practices affecting Canadian exports of alcoholic beverages to the U.S. market. A number of provinces have expressed related concerns. These practices include the recent introduction of U.S. excise tax measures under the *Omnibus Budget Reconciliation Act 1990*, which provides for reduced tax treatment for small U.S. producers of beer, wine and cider.
- In an effort to resolve the difficulties arising from the discriminatory nature of U.S. practices affecting the export of Canadian alcoholic beverages to that market, Canada has requested consultations with the U.S. under GATT Article XXIII:1. On February 6, 1991, Canada advised the GATT Council in Geneva of its request to the U.S. for consultations.