

News Release

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CANADA-EC AGREEMENT ON
PROVINCIAL LIQUOR BOARD PRACTICES

International Trade Minister John C. Crosbie today announced that Canada has reached an agreement with the European Community to resolve the long-standing dispute over discriminatory provincial liquor board practices.

The negotiated agreement will enable Canada to meet its obligations under the GATT panel decision adopted last March and to avoid the imposition of penalties on Canadian exports by the European Community of up to \$150 million a year.

A key objective in the negotiations was to obtain the longest phase-out period possible for differential price markups to enable the Canadian wine industry to adjust to a more competitive environment. For example, an extended phase-out (ten years) was achieved for the most vulnerable Canadian wines, those made from 100-percent Canadian grapes in Ontario, British Columbia, and Nova Scotia. The agreement with the European Community also allows for more measured phase-out than provided for under the Free Trade Agreement for blended wines produced in Ontario and British Columbia. The elimination of all other discriminatory markups on wine will be made on the basis of the Free Trade Agreement. The European Community had initially been seeking the removal of all discriminatory practices within two years.

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The settlement does not require changes to existing beer marketing practices in Canada, but does cover measures related to the listing of beer for sale and provides that the differential price markups that now exist will not be increased. For spirits, all differential markups will be removed January 1, 1989. Ontario brandy is the exception: it will have an even phase-out over five years.

This long-standing dispute between Canada and the European Community dates from the 1970's. Earlier bilateral efforts to reach agreement were unsuccessful and the European Community took Canada to the GATT in 1984. Three separate negotiating sessions were held this year with the full participation of the provinces. The result achieved was the best possible in the circumstances. In order to implement the agreement and fulfill our obligations under the GATT, Mr. Crosbie is seeking the co-operation of the provinces.

In August and September of this year, the federal government announced with Ontario and British Columbia a jointly funded \$128 million program to assist grape-growers in those provinces to adjust to the increased international competition that will result from the GATT ruling and the implementation of the Free Trade Agreement. The European Community accounts for the great majority of imported wines in Canada: in Ontario, for example, they constitute about 95 percent of imports sold compared to 2 percent for U.S. wines.