



News Release

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GATT PANEL FINDS U.S. DISCRIMINATES AGAINST CANADIAN ALCOHOLIC BEVERAGES

The Honourable Michael Wilson, Minister of Industry, Science and Technology and Minister for International Trade, today welcomed the findings of the General Agreement on Tariffs and Trade (GATT) Panel Report on U.S. federal and state measures affecting beer, wine and cider imports from Canada. The Report was considered today at the GATT Council meeting and, at the request of the United States, has been deferred to the next meeting of Council for adoption.

"We are pleased that GATT has upheld our complaint against the many discriminatory practices that unfairly treat Canadian products in the U.S. We are pressing the U.S. for early adoption and implementation of the Panel's conclusions," Mr. Wilson said.

Canada commenced GATT proceedings in February 1991 in response to complaints by Canadian beer, wine and cider producers. The Canadian complaint to GATT dealt with some 60 measures, including discriminatory federal taxes and practices in 39 states that affect the distribution, taxation, listing, pricing, access to points of sale, and transportation of these products. These measures provide an unfair advantage to U.S. products.

The GATT Panel found that most of the measures cited by Canada were in breach of U.S. trading obligations. The GATT Report requires the U.S. government to take action to bring these measures into conformity with these obligations.

Mr. Wilson noted that, by successfully challenging these significant barriers to Canadian beer, wine and cider, the government has set the stage for improved access to what is by far our single largest market for beer, wine and cider.

"We have been working with our industry to pry open the U.S. market, and I look forward to Canadian industries taking advantage of these improved opportunities," Mr. Wilson said.

Mr. Wilson noted that Canadian exports of beer alone to the U.S. are worth about \$200 million a year and that 10 per cent of all beer produced in Canada is exported to the U.S. The United States also represents an important, and growing, market for exports of Canadian wine.

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BACKGROUNDER

GATT PANEL REPORT REGARDING U.S. BEER, WINE AND CIDER PRACTICES

- Canadian alcoholic beverage producers have expressed 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 related concerns. These practices included the introduction of U.S. excise tax measures under the Omnibus Budget Reconciliation Act of 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 U.S. practices, Canada requested consultations with the U.S. under General Agreement on Tariffs and Trade (GATT) Article XXIII:1. On February 6, 1991, Canada advised the GATT Council in Geneva of its request to the U.S. for consultations.
- Two sets of consultations were held but did not achieve a satisfactory resolution of the matter.
- At Canada's request, a GATT Panel was established to examine Canada's complaint.
- Consistent with GATT practice, two meetings of the Panel were held, in October and December, 1991. Following these meetings, the Panel's Report was released to the parties for consideration on February 7, 1992. The Report was released, on a confidential basis, to the Contracting Parties on March 16, 1992.
- The Panel was presented to the GATT Council on April 30, 1992, for adoption. The Report has now been made public by the GATT Council.
- Adoption of the report requires the U.S. to implement the recommendations of the Panel.

Summary of Panel Findings

- Two federal excise tax measures that provide a lower rate of tax for small U.S. producers discriminate against Canadian beer, wine and cider.
- Discriminatory tax measures that favour local beers or wines exist in Alabama, Georgia, Iowa, Kentucky, Michigan, Minnesota, Mississippi, Nebraska, New Mexico, New York, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island and Wisconsin.
- Discriminatory distribution practices that prevent imported products from being delivered direct to retail outlets exist in Alaska, California, Connecticut, Florida, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Minnesota, Montana, New Hampshire, Ohio, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin.
- Discriminatory transportation practices requiring imported products to use public transport (common carriers) exist in Arizona, California, Maine, Mississippi and South Carolina.
- Discriminatory licence fees are applied in Alaska and Vermont.
- The practice of exempting locally produced wine from decisions to prohibit the sale of alcoholic beverages in Mississippi is discriminatory.
- Discriminatory pricing practices exist in Massachusetts and Rhode Island.
- Discriminatory listing/delisting practices for wine exist in Idaho, Mississippi, New Hampshire, Pennsylvania, Vermont and Virginia.
- The Panel found that the United States must take steps to implement the Panel findings at both the federal and state level and recommended that the Contracting Parties request the United States to bring its inconsistent federal and state measures into conformity with the General Agreement.