The following communication, dated 27 July 1992, has been received from the Permanent Mission of Canada with the request that it be circulated to contracting parties and placed on the agenda of the next meeting of the GATT Council.

At the 14 July 1992 meeting of the GATT Council, the United States requested the authority of the CONTRACTING PARTIES to suspend concessions from Canada under Article XXIII:2 of the General Agreement. The basis for the United States request was the allegation that the panel report on provincial beer marketing practices was not being implemented by the province of Ontario in a GATT consistent way.

Canada advised the Council that it was not prepared to agree to the United States request for authority to suspend concessions at that meeting both because Canada disagreed with the United States allegations and the United States had not provided the Council a basis to assess its request. Canada advised the Council that it was willing to have the measures raised by the United States in the Council examined by a panel on an expedited basis as is foreseen in paragraph 19.5 of the Uruguay Round text on Dispute Settlement. The United States rejected this offer.

The Council did not approve the United States request. Canada further advised the Council that if the United States proceeded to take retaliatory action against Canada, Canada reserved the right to respond in kind.

Canada wishes to inform the contracting parties that on 24 July 1992, pursuant to Section 301 of the United States Trade Act (as amended), the United States imposed a surtax of 50 per cent ad valorem on Canadian beer exports to the United States originating from the province of Ontario. Canada considers this action to be contrary to the United States obligations under the GATT and nullifies or impairs benefits accruing to Canada. Exports of beer from Ontario to the United States in 1991 exceeded $99 million.
As the United States action was taken with the express knowledge that the CONTRACTING PARTIES had not approved the suspension of concessions, Canada has, regrettably, been left with no choice but to take similar action. Accordingly, Canada has announced that it is imposing a surtax of 50 per cent ad valorem on imports of certain United States beers destined for the province of Ontario. The value of trade affected is estimated at some $9.3 million. Canada is prepared to remove this measure immediately upon the removal by the United States of its GATT inconsistent measure.

At the same time, Canada repeats its offer expressed at the GATT Council. Canada remains prepared to have those outstanding issues raised by the United States in the Council examined in the GATT on an expedited basis. Canada will accept the result of that examination. As a second step, the United States claim of damages, which Canada contests, could be examined as well in the event the measures in question were found not in conformity with the GATT. Finally, Canada would not stand in the way of a properly constituted decision of the Council on the suspension of concessions.