At the request of Canada (Ref DS23/1 of 11 February 1991),
consultations were held on 7 March 1991 under Article XXIII:1 of the
General Agreement with respect to measures maintained by the United States
at both the federal and state level affecting the treatment of imported
alcoholic and malt beverages.

In these consultations, Canada raised its concern that the recently
enacted federal legislation - Part I, Section 11201 of the Omnibus Budget
Reconciliation Act of 1990 - discriminated against Canadian exports of
beer, wine and cider by providing exclusive excise tax advantages to
certain USA producers of beer, wine and cider. Canada considers these
provisions to be contrary to Article III:2 of the General Agreement.
Canada first raised its concern regarding the federal excise tax measures
with the United States in October 1990 and since then has made clear the
urgency which it attaches to removal of the discriminatory effect of these
measures.

In the Article XXIII:1 consultations, Canada also raised a number of
practices maintained at the state level affecting the treatment of Canadian
imported alcoholic and malt beverages. These practices include state
measures concerning taxation, availability for sale, labelling,
distribution and other measures which discriminate against Canadian
products. Canada considers these measures to be inconsistent with the
United States obligations under the General Agreement, including, but not
limited to, Articles III:2, III:4 and XI.
Canada further considers that both the federal and state measures nullify and impair benefits accruing to Canada under the General Agreement.

These consultations have not so far produced satisfactory results. Canada remains open to a bilateral resolution of this matter and a further round of consultations is scheduled for 16 April.

However, in the absence of any indication that the United States is prepared to reach a mutually satisfactory resolution of this matter, and given the damaging effect these measures are having on Canadian export interests, Canada hereby requests the Council to establish a panel under Article XXIII:2 of the General Agreement to examine the conformity of the U.S. measures in light of the provisions of the General Agreement.