

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3295

16 December 1969

Limited Distribution

WORKING PARTY ON DAIRY PRODUCTS

Report by Chairman of Working Party

1. The terms of reference of the Working Party are, "to conduct, on behalf of the CONTRACTING PARTIES, consultations under Article XXII:2 on urgent problems in international trade in dairy products with a view to arriving at mutually acceptable solutions and to report to the Council".
2. The Working Party has held a number of meetings as a result of which I have been able to draw up the text of an Arrangement which is contained in L/3296. Some individual members of the Working Party had problems with certain points in the text but agreed, with the Working Party, that the Arrangement should be open for acceptance in its present form; it would then be for their authorities to consider acceptance of the Arrangement.
3. The representative of Australia pointed out that, in Australia's view, the operation of the Arrangement would give rise to a situation in which reconstituted dairy products using skimmed milk powder as a raw material were adversely affected by competition from similar products exported in their finished form and that this problem should be dealt with in the text of the Arrangement by the inclusion of a specific provision to allow action to safeguard the competitive position of these reconstituted products. The representative of the European Communities pointed out that this was a specific case of the more general problem of competition between products covered by the Arrangement and products not covered by the Arrangement. It was the consensus of the Working Party that this problem should not be dealt with in the text of the Arrangement itself but by recording the recognition of the Working Party that the operation of the Arrangement could give rise to a situation in which skimmed milk powder put on the market in the form of reconstituted dairy products was adversely affected by competition from similar products exported in their finished form or, in more general terms, in which a product covered by the present Arrangement was adversely affected by competition from products not covered by this Arrangement. Thus it was to be understood that if any participant believes that its commercial interests are, or are likely to be, seriously endangered as a result of such competition from similar products exported in their finished form or in general terms from products not covered by this Arrangement from participating countries, the participants concerned shall enter into consultations promptly in order to find ways and means to remedy the stated difficulty. These participants shall notify and report to the Management Committee on such consultations.

4. It was also the understanding of the Working Party that:

there is no conflict between the first sentence of Article III:5 and Article VII:5;

the adoption of the rules of the Management Committee will be left to the first meeting of the Committee on the understanding that the method used in arriving at a decision on the rules would be the same as that used in agreeing on the text of the Arrangement itself;

one method of forming a judgment on the adjustment to be made for the additional cost of packing for retail sale foreseen in paragraph 4 of Article III would be by means of a comparison of prices on the internal market of the exporting country;

if the active finishing trade creates problems in the management of the Arrangement these will be discussed in the Management Committee; and

the Japanese and Danish control systems described during the negotiation of the Arrangement seem to provide an acceptable way to deal with these problems and formal confirmation will be given at the first meeting of the Management Committee.

5. The representative of Finland said that he reserved his position on the use of an f.o.b. price as the basis for the minimum price. The representatives of Sweden and Norway said that the use of an f.o.b. price should not be regarded as a precedent for other products and expressed the hope that the spirit of compromise which had been shown in the negotiation of the Arrangement would also be shown in the Management Committee if their governments should find it necessary to ask for a derogation.

6. The representative of the United States said that, because of the derogation for skimmed milk powder for animal feed contained in the Arrangement, the United States found it impossible to participate in the Arrangement. He said that the United States would, however, be willing to participate on the Management Committee as an observer if this was deemed desirable by the participants in the Arrangement.

7. The Working Party agreed to hold its next meeting on 12 January 1970. As provided in the Arrangement, this meeting would enable participants to judge whether, in their view, participation in the Arrangement was sufficient to put the Arrangement into force. It was also agreed that at that meeting there should be a preliminary exchange of views regarding arrangements for the supply of dairy products as food aid in 1970.

8. It was also agreed that it was the intention of the Working Party as a whole to go ahead as soon as possible with its work on butter and butter fat.