GENERAL AGREEMENT ON
TARIFFS AND TRADE

Arrangement Concerning Certain
Dairy Products

MANAGEMENT COMMITTEE

Minutes of the Eighth Meeting, Held on 4 May 1971

Introduction

1. The Management Committee held its eighth meeting on 4 May 1971.

2. The Committee adopted the following agenda:

1. Adoption of agenda
2. Adoption of the minutes of the seventh meeting (MCDF/8)
3. Solution of the problem raised by Australia
4. Entry into force of the new minimum price
5. Interim period until entry into force of the new minimum price
6. Contracts below the new minimum price outstanding on the date of its entry into force
7. Other business
8. Date of next regular meeting

Adoption of the minutes of the seventh meeting

3. The representative of Japan requested that the order of paragraphs 16 and 17 should be inverted and that the first sentence of paragraph 16 (renumbered 17) should read as follows:

"The delegation of Japan considered that, as far as the question of the new minimum price was concerned, since no observations or refusals had been received by 19 April, the Management Committee should have taken note of the increase in the minimum price and its entry into force on 26 April 1971 as agreed upon at the last meeting and was, therefore, not in a position to do anything beyond this."

4. The representative of Australia, accepting the inversion of paragraphs 16 and 17 suggested the consequential deletion of the words "In this context" at the beginning of former paragraph 17 (renumbered 16).
5. The Committee agreed to the proposed modifications and adopted the minutes.

Solution of the problem raised by Australia

6. The Committee had before it a text (document MCDP/W/11, annexed) proposed by the delegation of Australia in connexion with the question of the increase of the minimum price. Introducing the text, the representative of Australia pointed out that it had been prepared in the light of the discussions held at the previous meeting and that his authorities had endeavoured to meet as far as possible the concerns expressed by other members of the Committee in seeking a solution to the Australian difficulties.

7. The representative of the EEC stated that the new reservation proposed by Australia could not be accepted by the EEC because firstly, the Arrangement did not provide for such a reservation. Secondly, the proposed text would give Australia the right to unilateral action if no mutually acceptable solution could be reached by the Committee within a certain period. This was tantamount to granting an automatic derogation, a solution to the possible difficulties raised by Australia can be found only on the basis of detailed statistical and other data. Finally, because the EEC could not accept that Australia link the continuation of the reservation after the first year period to the progress made in negotiating international pricing arrangements covering the export of condensed and evaporated milks.

8. The representatives of Denmark, New Zealand and Canada could not accept the proposed text for some or all of the following reasons: the reservation was likely to cause prejudice to the Arrangement; it was too wide in scope; it implied the granting of an automatic derogation without the necessary supporting data relating to the difficulties encountered, it could potentially exclude a considerable part of commercial trade in skimmed milk powder from the new minimum price provisions; and it provided for the possibility of unilateral action whereas it would be better to have recourse to consultations among members principally affected, leading to a joint decision, including if necessary action under paragraph 5 of Article VII.

9. The representative of the EEC said it might be of interest to the Committee that very recently a decision had been taken by the EEC to reduce by 20 per cent all export restitutions for dairy products in order to restore the balance of supply and demand within the Community. This measure implied that the existing export restitution for unsweetened condensed milk of 11 U.A. was reduced by 2.20 U.A. to 8.80 U.A. He pointed out that the level of 11 U.A. had been in force since 1968 and had never been modified despite the continuous increases in production and transport costs and the recent decision to raise the indicative price of milk by 6 per cent. Had this last factor been taken into account, the restitution for condensed milk would have had to be raised by 2.50 U.A. However, the EEC had decided not to do so, so that the decrease in the export restitution for unsweetened condensed milk was in fact equivalent to a cut by 4.70 U.A.
10. The representative of Australia stated that he would convey the comments made on the Australian proposal to his authorities who would no doubt understand the reasons and concerns underlying them. He recognized that the important decision taken by the EEC would have a favourable impact on the Australian problem and that it put the question before the Committee in a different light. He announced that in view of this new development the Australian authorities were in a position to accept without reservation and unconditionally the new minimum price of US$25 per 100 kgs.

11. Members of the Committee expressed their satisfaction that the decision taken by the European Economic Community had such a favourable incidental effect on the problems faced by Australia, and welcomed that it had enabled Australia to accept the new minimum price unconditionally. The Committee noted that a mutually acceptable solution to the problem raised by Australia had thus been found.

12. The representatives of the EEC and Australia thanked the secretariat for the role it had played in the solution of the problem, and requested that this be recorded in the minutes.

Entry into force of new minimum price

13. The representative of Japan, responding to an appeal for his Government's continued co-operation, stated that his Government was prepared to agree to the proposal to raise the minimum price to US$25 per 100 kgs., and suggested that this new minimum price enter into force on 14 May 1971 on the understanding that this decision by the Committee would be based on the discussions at the present meeting and not on the procedure agreed by other members of the Committee at the meeting on 19 April. He explained that the procedures followed at that and the previous meeting had put the Japanese Government in a difficult position for the reasons stated in the annex to MCDP/8. He hoped that, in the future, difficult problems would be solved rather by informal consultations and frank discussions, as they had been at the present meeting.

14. The Committee expressed its appreciation of the co-operative attitude of the Government of Japan, and noted that it would continue to strive, as it had done heretofore, to arrive at mutually acceptable solutions by mutually acceptable procedures. It also noted that its decision to raise the minimum price could be considered as having been taken on the basis of its discussions at the present meeting and agreed that the date of entry into force of the new minimum price should be 14 May 1971.

15. The Management Committee decided, under paragraph 3 of Article III of the Arrangement that the level of the minimum price specified in that Article be modified to US$25 per 100 kgs. with effect from noon, Geneva time, on 14 May 1971.

16. The Committee agreed that this decision would be duly recorded in the minutes and set forth in a proces-verbal signed by the Director-General of the CONTRACTING PARTIES to the GATT, certifying the entry into force of the new minimum price.
Interim period until entry into force of the new minimum price

17. The Committee expressed its earnest hope that, in order to assure the continued satisfactory operation of the Arrangement, participants shall make every effort to observe the new minimum price on a de facto basis henceforth and until its formal entry into force on 14 May 1971.

Contracts at prices below new minimum price outstanding on 14 May 1971

18. The Committee agreed to exchange information on a confidential basis at, or before, the next regular meeting on contracts concluded at prices below the new minimum price and outstanding on 14 May 1971.

19. In reply to a request from the EEC the representative of Australia stated that he would ask his authorities to submit information separately on contracts concluded before 1 April 1971, the date on which Australia had decided to raise the selling price of skimmed milk powder to all reconstitution factories in South East Asia to US$24 per 100 kgs., and on contracts concluded between 1 April and 14 May 1971.

Other business

20. The representative of the United States, replying to a request made at a previous meeting, recalled that his authorities had earlier indicated (MCDP/4) the type of information they would supply on the basis of questionnaire MCDP/STAT/1. At that time they had also indicated that there were certain limitations with regard to statistics for transactions under the provisions of the Arrangement of which the United States was not a member. However, in considering the request, his authorities wished to indicate that in future they would supply, in addition to the above information, data on the value and destination of all transactions. He emphasized, however, that almost all shipments were non-commercial, mostly donations, and that such information might therefore be misleading and not very pertinent to the work of the Committee. He also pointed out that there was a time lag between the transaction and reporting, so that transactions could be notified to the Committee only about three months after they had taken place; he hoped the Committee would show its understanding for this unavoidable delay. The representative of the EEC thanked the United States authorities for their positive reply to the request.

21. The Committee noted with regret that this was its last meeting in which Mr. Kadota (the representative of Japan) and Mr. Cruit (the observer from the United States) were participating, and wished them well in their future activities.

Next regular meeting

22. The Committee agreed to hold its next regular meeting on Friday, 25 June 1971 at 10.30 a.m.