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COMMISSION DES COMMUNAUTES EUROPEENNES

SECRETARIAT GENERAL

SEC(68)4079

Bruxelles, le 18 décembre 1968

Confidentiel

NOTE VERBALE DE L'AMBASSADE DE NOUVELLE ZELANDE,
EN DATE DU 6.12.1968, CONCERNANT LE PROBLEME DU
COMMERCE DU FROMAGE DE CHEDDAR.

(Note diffusée pour information sur instruction de M. LE PRESIDENT)

destinataires : MM. les Membres de la Commission

copie à : M. Wellenstein
M. Sigrist
M. Toulemon
M. Rabot
M. Gaudet

COMMISSION DES COMMUNAUTES EUROPEENNES

Bruxelles, le 12 décembre 1968

SEC(68)4079

NOTE VERBALE DE L'AMBASSADE DE NOUVELLE ZELANDE,
EN DATE DU 6.12.1968, CONCERNANT LE PROBLEME DU
COMMERCE DU FROMAGE DE CHEDDAR.

Historical Archives of the European Commission

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The Ambassador of New Zealand presents his compliments to the President of the Commission of the European Communities and has the honour to refer to the question of trade in cheddar cheese which was raised by the New Zealand Minister of Agriculture during his calls on the President and members of the Commission on 3 December. On the instructions of his Government, the Ambassador now wishes formally to invite the Commission's attention to the following considerations.

After the removal of the GATT binding on cheddar cheese in July 1967, the European Economic Community introduced a new import system for this product. New Zealand's trade with the Community in cheddar, which had been running at an average level of 4,700 tons in the period 1965-67, was thereby brought to a standstill. The wish was expressed on both sides, however, that an arrangement should be found which would enable this trade to resume and continue at a mutually agreed level; and discussions have gone on for eighteen months between the Commission and the Embassy with this object in mind. Unfortunately, the matter has not yet been brought to finality.

In the course of the discussions it became clear, in

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the Embassy's view, that a scheme could be devised which would permit the continuation of New Zealand supplies, while at the same time preventing certain consequences which the Community might wish to avoid. It seemed that the elements of such a scheme could include the following:

- (i) a definition of the product on the basis of a fat content of 55 per cent;
- (ii) the use of a past representative period, linked to this definition, to establish eligibility under the scheme;
- (iii) the combination of a minimum import price and a special reduced levy, designed to give a total landed price sufficiently competitive to ensure that the cheese would be sold;
- (iv) either an undertaking by New Zealand to limit its supplies in any year to an agreed quantity or a provision enabling the special levy to be increased to the normal level for other cheddar, if the Community wished it each year, once the agreed level of imports under the scheme had been reached.

There are no doubt other ways in which such an arrangement could be worked out.

New Zealand has been encouraged to believe that a scheme of this sort would not be inconsistent with established Community practice and precedent. It is

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known that certain cheese processing firms in the Community have a need for the New Zealand product. It is also known that a not inconsiderable body of opinion among the Member States of the Community considers that it would be reasonable to satisfy this need and would support an arrangement for the purpose.

It is, of course, open to the Community, under the rules of GATT, to suggest that New Zealand's right to compensation for the loss of trade consequent on the removal of the binding should be satisfied by concessions on products other than cheddar cheese. The New Zealand Government hopes that this course will not be taken and the Embassy has been instructed to emphasise the reasons why the Government continues to feel strongly that only a cheddar arrangement would meet the needs of the case.

The Commission is aware of the critical dependence of New Zealand's economy on its exports of dairy produce. With the development of the Community's agricultural and trade policies, New Zealand's exports of dairy products to the Member States have been almost totally eliminated over recent years. Only casein now enters the Community in any appreciable quantity. The Community's own export policy, moreover, has led to a loss of sales and sharply reduced prices for New Zealand dairy products in other markets.

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The resumption of New Zealand's trade in cheddar cheese at a rate equivalent, say, to the average annual rate of recent years would not serve to redress the balance. It would, nevertheless, have considerable value - as a political as much as an economic gesture - in demonstrating that the New Zealand dairy industry's interests were not being entirely overlooked. The gesture, in New Zealand's view, should be the easier to make in that the quantity of cheese involved is insignificant in relation to total consumption in the Community.

These arguments are reinforced by the history of reciprocal concessions between New Zealand and the Community in the GATT. There has, in fact, been a continuing trend in the erosion of tariff concessions which New Zealand negotiated with countries now members of the Community as far back, in some cases, as 1947; and the balance of advantage is now very much in favour of the Community.

In January-May 1961, moreover, when New Zealand's tariff concessions with individual countries were converted to bindings under the Common External Tariff (Article XIV:6 negotiations), concessions on butter, and milk and cream (sweetened) were lost and concessions on mutton and lamb, beef and veal were substantially reduced. At that time it was recognised in discussions

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with the EEC delegation that substantial compensation was necessary to offset these losses, but as this could not be offered a credit would be kept in mind for future negotiations. The Commission was also aware at the time of New Zealand's concern that some of the important renegotiated concessions (notably cheese) might not remain meaningful and it agreed to a Confidential Minute covering the Article XXIV:6 negotiations, dated 30 May 1961, which contained the following passage:

"The New Zealand delegation stated that the acceptance of these bindings by New Zealand presupposes that ancillary fiscal administrative measures affecting imports of the products concerned are permissible only as provided by the terms of the various articles of the General Agreement. The delegate of the Commission confirmed that the bound customs duty must be the normal protection and only those non-tariff measures which were permitted by the General Agreement may be applied."

The clear intent on both sides of this confidential exchange was to provide safeguards against a situation of the type that has now arisen. New Zealand would not regard the levies now in operation on cheddar cheese as duties which give "normal protection".

The Community has shown that it is prepared to make special arrangements in certain circumstances with third countries, both in the dairy products field and in respect of other agricultural imports. It is the view of the New Zealand Government that the circumstances

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outlined above fully justify its request that an arrangement on cheddar cheese should now be concluded as a matter of urgency.



6 December 1968

Brussels

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