

**CANADA – MEASURES AFFECTING THE IMPORTATION OF MILK
AND THE EXPORTATION OF DAIRY PRODUCTS**

Status Report by Canada

The following communication, dated 8 June 2000, from the Permanent Mission of Canada to the Chairman of the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

On 13 October 1999, the Appellate Body issued its report in the matter of Canada – Measures Affecting the Importation of Milk and the Exportation of Dairy Products (AB-1999-4) (Canada – Milk and Dairy Products). In its report, the Appellate Body found that the measures in question provided export subsidies in excess of the export subsidy commitment levels specified in Canada's Schedule, inconsistent with Canada's obligation under the Agreement on Agriculture. The Appellate Body also found that by restricting access to the tariff-rate quota for fluid milk in its Schedule to entries valued at less than Can\$20.00, Canada was acting inconsistently with its obligations under Article II:1(b) of the GATT 1994. Pursuant to Article 17.14 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), this report was adopted by the Dispute Settlement Body (DSB) at its meeting of 27 October 1999.

Following subsequent consultations and pursuant to Article 21.3(b) of the DSU, Canada, the United States and New Zealand, the parties to the dispute, entered into an agreement (the Implementation Agreement) on the reasonable period of time for Canada to come into compliance with the recommendations and rulings of the DSB. The Implementation Agreement was reached on 22 December 1999 and was sent to the Chair of the DSB on 23 December 1999 (WT/DS103/10; WT/DS113/10).

The terms of the Implementation Agreement call for a staged implementation process, concluding on 31 December 2000.

Pursuant to Article 21.6 of the DSU, Canada is able to report that, in this matter, it has met the terms of the Implementation Agreement with respect to each element of the staged implementation process that has come into effect to this date and is on course to fully implement all of its terms by the conclusion of the implementation period on 31 December 2000. Canada is confident that it will be in full compliance with the DSB rulings and recommendations by the conclusion of the implementation period.

First, pursuant to the terms of the Implementation Agreement, Canada completed by 1 February 2000 all regulatory amendments to remove the provision in its General Import Permit No. 1 restricting imports of fluid milk to importations not exceeding Can\$20.00 in value.

Second, pursuant to the terms of the Implementation Agreement, for the marketing year 1999-2000, commencing 1 August 1999 and ending 31 July 2000, Canada is in compliance with its commitment levels for butter, skim milk powder and other milk products, consistent with the recommendations and rulings of the DSB.

Third, pursuant to the terms of the Implementation Agreement, Canada has limited its exports of cheese under Special Classes 5(d) and (e) to no more than 20,433 tonnes, as set out in the Implementation Agreement. To this end, Canada terminated the issuance of any permits by the Canadian Dairy Commission for such exports as of 31 March 2000.

Fourth, pursuant to the terms of the Implementation Agreement, Canada is confident that it will be in full compliance with its export subsidy commitments for butter, cheese, skim milk powder and other milk products as set out in its Schedule for the marketing year 2000-2001, beginning 1 August 2000 and ending 31 July 2001, consistent with the recommendations and rulings of the DSB.

Fifth, pursuant to the terms of the Implementation Agreement, Canada held consultations with the United States and New Zealand on 23 February 2000 and on 18 May 2000. For the purposes of these consultations, Canada provided the statistical and other information required under the terms of the Implementation Agreement.

Sixth, pursuant to the terms of the Implementation Agreement, Canada has instituted a tracking system through the Canadian Dairy Commission with respect to reporting by exporters of exports under Special Classes 5(d) and (e). Detailed information on this tracking system has been provided to the United States and New Zealand in response to their requests.

Finally, during the course of this consultative process, Canada has kept the United States and New Zealand informed on the progress of the development of possible new dairy export mechanisms in Canada that will be consistent with Canada's WTO obligations. Canada has also proposed an additional meeting with the United States and New Zealand on 22 and 23 June 2000 to provide them with the latest information in this regard.
