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Group "Agriculture"

Sub-Group on Dairy Products

DOCUMENT BRINGING TOGETHER THE ELEMENTS CONTAINED IN THE PROPOSALS OF
THE EUROPEAN COMMUNITIES (MTN/DP/W/24) AND NEW ZEALAND
(MTN/DP/W/25) CONCERNING AN ARRANGEMENT IN THE DAIRY PRODUCTS SECTOR,
AND THE CONSIDERATIONS EXPRESSED DURING THE INITIAL
DISCUSSION OF THOSE PROPOSALS

Note by the Secretariat

1. This document has been prepared at the request of the Sub-Group, which, at its October meeting, agreed that it would, at its next meeting, continue discussion of the elements contained in the proposals submitted by New Zealand and the European Communities and that, to help that discussion, the secretariat would prepare, before the next meeting and on its own responsibility, a document bringing together the elements contained in the New Zealand and European Communities proposals and the considerations expressed during the initial discussion of those proposals (MTN/DP/5, paragraph 5).
2. It should be borne in mind that, having been prepared on the sole responsibility of the secretariat, this document does not imply any commitment on the part of the members of the Sub-Group, some of whose observations were in any case only preliminary.
3. It should also be noted that this document relates to considerations expressed during the initial discussion of the New Zealand and European Communities proposals and that certain elements, such as the special and differentiated treatment to be accorded to developing countries, have as yet only been dealt with incompletely or not at all.
4. The European Communities and New Zealand proposals, as clarified at the October meeting, provide for:

a comprehensive international arrangement (or multilateral framework agreement) for all dairy products, with the following integral parts:

- general provisions, applicable to all dairy products:
 - information procedures,
 - consultation procedures,
 - other general provisions,
- specific provisions, applicable to certain products:
 - commodity arrangements,
 - other specific provisions.

These provisions are reflected in the chapter headings of this document, which concludes with a presentation of the administrative questions that were raised and of certain problems of a general nature. Under the titles "Preamble" and "Objectives", a text has been drafted based on the statements made during earlier meetings of the Sub-Group.

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COMPREHENSIVE ARRANGEMENT CONCERNING THE DAIRY PRODUCTS SECTOR

PREAMBLE

Recognizing the importance of milk and dairy products to the economy of many countries in terms of production, trade and consumption;

the need, in the mutual interests of producers and consumers, and of exporters and importers, to avoid surpluses and shortages, and to maintain prices at an equitable level;

Noting the diversity and interdependence of dairy products and the possibilities of their substitution, at both the production and the utilization level;

the situation in the dairy products market, which is characterized by very wide fluctuations and the proliferation of export and import measures;

Considering that improved co-operation in the dairy products sector is a condition for the attainment of the established objectives of world trade expansion and liberalization, and for the implementation of principles and objectives concerning the developing countries.

OBJECTIVES

The basic objective is to bring about a regular expansion of world trade in dairy products under market conditions as stable as possible, on the basis of mutual benefit to exporting and importing countries, through the improvement of the existing international framework and the creation of a structure conducive to the progressive liberalization of trade in these products, in particular by making the conditions of competition and market access more predictable and more certain. Such orderly and equitable development of trade in dairy products shall be pursued while avoiding disorganizing effects on the markets and types of products of both importing and exporting countries.

To those ends, it is desirable to ensure, in the dairy products sector, such international co-operation as will, through a better understanding of the situation of the sector, make possible reasonable co-ordination at the international level of national policies governing production and trade and an improved basis for engaging in interventions and adjustments.

It may be useful if the statement of objectives, in addition to outlining the purposes of the arrangement, also portrayed something of its essential philosophy. Thus, the statement of objectives might encompass the following:

- establishment of minimum prices for international trade;
- establishment of circumstances under which a product may be traded at prices below the minimum;
- recognition of the fact that national dairy policies vary in form and content, and also recognition of the minimum access opportunities these afford;
- establishment of a body for consultations on developments in world dairy production and trade, and for the supervision of the arrangement and the implementation of its provisions (MTN/DP/W/25, paragraph I).

Part One

1. Products covered¹

The arrangement would apply to the following products:

	<u>CCCN</u>
Milk and cream, fresh, not concentrated or sweetened	04.01
Milk and cream, preserved, concentrated or sweetened	04.02
Butter	04.03
Cheese and curd	04.04
Casein	ex 35.01

Considerations expressed

There was broad recognition that it would be useful to establish a general framework for the whole of the dairy products sector.

Part Two

GENERAL PROVISIONS

2. Information²

Information should cover the overall situation of the dairy market and the market situation for each individual dairy product.

(a) Information should be furnished periodically by the participants in the arrangement. Such information would bear on trends and prospects for production and consumption of milk and dairy products as well as on imports and exports (quantities and, to the extent possible, prices). Data on food aid should also be provided. The participating countries would likewise inform each other of their intentions in regard to dairy policy at the level of production, consumption and trade. In addition, the participants would undertake to provide any information useful for evaluation of the market situation.

¹See MTN/DP/W/24, paragraphs 2 and 3, and MTN/DP/W/25, paragraph III(b).

²See MTN/DP/W/24, paragraph 4, and MTN/DP/W/25, paragraphs IV and VII.

(b) The participants would meet periodically to try to make an evaluation of the market situation for dairy products; for this exercise, they would have before them a status report prepared by the secretariat of the arrangement on the basis of documentation furnished by the participating countries [as well as information communicated by the management bodies of the commodity arrangements]. Depending on that situation, the frequency of the information might be increased and supplementary information requested.

Considerations expressed

The usefulness of improving information and information analysis was recognized.

Attention was drawn to the danger of duplication with the work of other organizations. It seemed, however, that information gathered for the purposes of an arrangement involving certain commitments would have more specific objectives and should have preference.

3. Consultations¹

(a) As national dairy policies differ considerably in their content and impact, participants in the arrangement should be willing to consult on aspects of those policies that may impinge on world dairy trade.

(b) If it should appear from the evaluation of the market situation that the situation for the dairy market in general, or for one or more products in this sector, is encountering difficulties or the threat thereof, consultations would be initiated under the arrangement to identify the types of measures that could be taken in order to afford a remedy. These measures could be the following:

- (i) Where there is a threat of disruption of the market, they could consist of measures to strengthen the information procedure (at shorter intervals, supplementary information ...);
- (ii) In cases where the situation is more serious, temporary measures bearing on the volume of supply in the market (such as temporary stocking, regulation of exports, staggering of shipments), on demand (such as measures to expand consumption) or on prices (either under the commodity arrangements, or by modifying or adapting bilateral or multilateral agreements) could be adopted by the participating countries;

¹See MTN/DP/W/24, paragraph 5, and MTN/DP/W/25, paragraph V.

/In the case of a product covered by a commodity arrangement, the Management Committee of the comprehensive arrangement could recommend to the management body of the commodity arrangement that a particular amendment or adjustment be made to the existing machinery or that a particular new machinery be adopted; /

- (iii) If the disturbances seem to result from more durable factors, agreement should be reached on medium- or long-term measures to be implemented by each participating country, it being understood that all the countries should contribute to the effort to improve the overall market situation.

Considerations expressed

Stress was laid on the usefulness of a consultation machinery and of equitable sharing of the burden resulting from necessary adjustments in cases of disruption.

Mention was made of the possible implications for national policies, since the machinery envisaged consisted of willingness to engage in consultations and, in certain situations, of adopting measures, the nature of which would be determined in the consultations.

It was noted that if measures were defined in detail, they might not be appropriate when the time came to apply them.

Reference was made to the importance of the work of the body responsible for evaluating the situation. /Where commodity arrangements involved certain automatic obligations, conflict might result from their supervision by that body. /

4. Other general provisions

(a) Safeguards¹

The provisions of the General Agreement (provisions of Article XIX or of a new or revised safeguards system) would be applicable. Those safeguard provisions, however, refer to emergency action with respect to particular products. The characteristics and structural problems of the dairy products sector make it necessary to adopt more long-term measures as envisaged under "3. Consultations" above. Such measures could be left to the discretion of the Management Committee, or could depend on rules to be drafted to define the circumstances under which consultations on national dairy policies would be required.

¹See MTN/DP/W/25, paragraph VI.

Specific safeguard clauses might be written into the arrangement to cover, for example, situations where imports are causing or threatening to cause injury, or situations where changes in production or consumption levels have stimulated shortages or surpluses and require action to adjust supply and demand. Alternatively, it may be possible to cover the possibility of safeguard action by cross-reference to the provisions of the General Agreement in this area.

Considerations expressed

Reference was made to the provisions of Article XIX or of a new or revised safeguards system.

The need for a safeguards system different from that provided for by the General Agreement was questioned.

It was noted that the liberalization that would result from the negotiations might make it necessary to provide for the possibility of recourse to safeguard clauses.

(b) Export subsidies

Considerations expressed

It was recognized that the fixing of a minimum price in the specific arrangements set a limit for export subsidies and that this technique had proved effective. It was pointed out, however, that that limit depended on the level of the minimum price and offered only a limited guarantee. The problem of subsidies should be dealt with in a more general way.

Mention was made of the work being done in the Sub-Group on "Subsidies and Countervailing Duties".

It was noted that there should be a measure of control or discipline with respect to the effects of subsidies.

An additional discipline might be introduced in conjunction with Article XVI. The question was raised of the applicability of such a discipline to measures which were not covered by Article XVI but which were equivalent in effect.

(c) Health and veterinary measures¹

Without prejudice to whatever might be decided elsewhere concerning the applicability to these measures of all or part of the rules deriving from the Code of Conduct, and without bringing into question the legitimate necessity for each government to protect human and animal health and life, it should be accepted that all such measures would be notified if possible before their implementation, that consultations would be initiated among interested countries (upon request) and that the negative effects of any of the measures on trade could be the subject of appropriate possible solutions.

¹See MTN/DP/W/24, paragraph 6.

Considerations expressed

Mention was made of the provisions of GATT, in particular those of Articles X, XX, XXII and XXIII, and of the preparation of the Code of Conduct.

It was pointed out that in view of the existing provisions, it would not be appropriate to envisage new commitments such as those proposed. Attention was drawn to the risk of conflict with the activities of other organizations.

(d) Other measures

Considerations expressed

A mechanism similar to that proposed for health and veterinary measures might be applied to such measures as packaging, labelling and designation of origin.

5. Food aid¹

Food aid is a long-standing aid technique, and dairy products have featured prominently in recurring aid programmes. It is necessary to determine whether the monitoring of food aid transactions involving dairy products should be assigned to the Management Committee of the arrangement, and whether the FAO's principles on surplus disposal, and the consultation procedures that have been devised to implement those principles should be incorporated into the arrangement, by reference or otherwise.

Considerations expressed

It was noted that the possibility of widening the arrangement's machinery in this field should be examined.

Mention was made of the rôle of food aid in the measures referred to under "3. Consultations" above.

Part Three

SPECIFIC PROVISIONS

6. Commodity arrangements

The structure of such arrangements could broadly follow that of the already existing agreements under GATT. The renegotiation of the following elements was proposed.

¹See MTN/DP/W/24, paragraph 7, and MTN/DP/W/25, paragraph IV.

(a) Products covered¹

The arrangements would apply to the following products:

- skimmed milk powder defined as in the Arrangement concerning certain dairy products,
- butterfat, defined as in the Protocol relating to milk fat,
- whole milk powder, defined as in the Gentleman's Agreement on exports of whole milk powder (OECD), whose incorporation was proposed,
- butter,
- buttermilk powder.

Those arrangements could consist of individual arrangements for each product, or two arrangements:

milk powders (including buttermilk powder)

butterfat (including butter)

or one arrangement containing a single set of provisions applicable to all the products covered, with specific provisions relating to prices and derogation clauses.

Considerations expressed

It was suggested that the arrangements containing price machinery should be limited to the four products which are traditionally stocked and are of major importance in the trade.

It was pointed out that buttermilk powder had acquired sufficient importance in international trade to warrant being taken into consideration.

It was noted that other products, in particular certain cheeses, such as Cheddar and Colby, might be subjected to such machinery.

The need for product homogeneity was emphasized.

(b) Price machinery²

A minimum and maximum price machinery would be established.

¹See MTN/DP/W/24, paragraphs 8 and 9, and MTN/DP/W/25, paragraph III(a) and (b).

²See MTN/DP/W/24, paragraph 10, and MTN/DP/W/25, paragraph III(b).

Minimum
and
maximum
prices

Considerations expressed

A maximum price would, in particular, favour the supply to developing countries.

The establishment of a maximum price does not seem necessary because the support prices of certain countries actually constituted a ceiling rarely reached by market prices. Moreover, it would seem preferable for supplies to importers to be ensured by way of undertakings between exporters and importers.

The technique used in the existing agreements, namely a minimum price, has proved itself.

It would be desirable to look into the administrative possibilities of ensuring observance of the maximum price.

Price
basis

Considerations expressed

(i) It was noted that the f.o.b. basis for the minimum prices fixed under existing arrangements had been adopted after long discussions and had proved satisfactory. However, the special situation of certain countries would be taken into account when this point was considered.

Level
of prices
and
their
adjust-
ment¹

Considerations expressed

It was pointed out that the prices to be fixed under the arrangements would have to be considered as safeguard prices, i.e., prices below which production, depending on stocks, would no longer be possible.

The objective would not be to contain prices within narrow limits but rather to eliminate unduly wide fluctuations in world prices and to ensure a certain preference for sale or purchase as between participating countries. What is more, the minimum price is the result of a compromise between producers, consumers, exporters and importers; it should be competitive with that of substitutable products not subject to a discipline. In case of difficulties on the world market, the minimum price should not have the effect of reducing the volume of trade.

It was also stated that an examination should be made of the principles against which minimum prices are established, and in particular that of an economic return to the efficient producers, as well as of the guidelines against which they might be reviewed, including the intervals at which reviews might be undertaken, and of the question whether market prices or production costs should predominate in the analysis of whether adjustments are warranted.

¹See MTN/DP/W/24, paragraphs 10, 15, and MTN/DP/W/25, paragraph III(c).

The possibility would have to be examined of establishing a relationship between minimum prices and the prices received by the majority of world producers. As to the adjustment of minimum prices, their determination should be made more automatic and more precise, for example by establishing a link with some constant, such as the support prices applied in certain countries.

(ii) It was also stated that although the determination of a price for each of the two components of milk (i.e. unit of fat and unit of nitrogenous matter) has the advantage of creating an ideal link between the various products of the dairy sector, it would not be realistic, given the situation of markets and their varying behaviour, to establish such a rigid link between these products. Prices should be fixed for each of the products, while taking account of the links existing between them.

It was noted that a relationship should, however, be established between the prices fixed for the covered products which are the main components of milk.

(iii) With regard to skimmed milk powder, the question was raised of fixing two different prices: one if for human consumption and the other if for animal feed. It was observed that the fixing of two prices had not seemed possible because close surveillance of the two markets was difficult and, on the other hand, the minimum price of skimmed milk powder intended for animal feed depended on the price of substitute products.

(iv) The following elements of reflection could be taken into consideration in the discussion concerning the fixing of price levels.¹ The data below are to be regarded as indicative and illustrative figures.

Minimum prices

Skimmed milk powder: The floor price currently in force is \$350/ton f.o.b., and is normally valid for all skimmed milk powders, whether intended for human consumption or for animal feed; nevertheless, derogations have been granted for the sale of powder intended for animal feed at prices below the minimum price (these prices have generally been in the vicinity of \$220/ton). It should be noted, furthermore, that suggestions for raising the floor price were recently made in the Management Committee of the Arrangement. Considering the rôle that the minimum price plays (as a floor price, not a transaction price) and the need to maintain some degree of competition for skimmed milk powder with products that are directly or indirectly substitutable for it, the present level of the floor price could conceivably be retained as a minimum price.

Buttermilk powder: The minimum price level determined for skimmed milk powder could be applicable to this product.

¹See MEN/DP/W/24, paragraphs 16 and 17.

Whole milk powder: The current level of the floor price could likewise be applied as the minimum price level.

Butter: Having regard to current prices in trade and also to the need to maintain a certain price relation with other dairy products, the minimum price - still to be considered as a floor price - could be set in the region of \$900-1,000 per ton.

Butteroil: the minimum price level which is \$680/ton under the existing Arrangement could be raised substantially so as to make it consistent with the minimum price level for butter.

Maximum prices

As regards the level of maximum prices to be set, account should be taken primarily of the need not to affect traditional trade, because past experience has shown that excessively high prices bring a reduction in trade.

In these conditions, the maximum price levels that could be proposed as elements for discussion would be the following:

skimmed milk powder and buttermilk powder:	in the region of \$700-800/ton
whole milk powder:	in the region of \$900-1,000/ton
butteroil and butter:	in the region of \$1,400-1,500/ton ¹

Obligations¹

- At the level of the minimum price:

Member exporting countries would undertake not to sell below the minimum price in their trade with both member and non-member countries. When market prices are at the level of the minimum price, each member exporting country would notify to the management body of the arrangement all the relevant elements for evaluating its market situation, such as availabilities (weekly production ...), specific utilizations, quantities in stock, etc.

In evaluating prices, with a view to determining whether they are consistent with the minimum prices, consideration should also be given to the financial elements of sale conditions that are relevant to the purchaser's decision making and are thus an integral part of the conditions of competition.

In cases where prices are approaching the minimum price, these measures should be notified so that the management bodies of the Arrangements can make a verification. The measures to be notified would be credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates of any kind, and exclusivity contracts.

¹See MIN/DP/W/24, paragraphs 11-14.

Member importing countries would undertake to buy supplies solely from member exporting countries.

/- At the level of the maximum price:

Member exporting countries would enter into an individual undertaking to supply member importing countries on a priority basis and to deliver to them, at a price not above the maximum price, on the basis of traditional trade (when the time comes, the "basis of traditional trade" should be determined in relation to a given reference period, taking into account current trade development) certain quantities of milk powders, butter or butteroil.

Member importing countries would enter into an undertaking not to resell the quantities thus delivered by member exporting countries./

Penalties Considerations expressed

In case of non-observance of the minimum price, it was suggested that it would be possible to accept presumption of injury and imposition of a fine. A compensation procedure might be used as a penalty in case of non-observance of the maximum price.

It was pointed out, however, that no such measure had been found necessary in existing arrangements.

It was also noted that the measures envisaged in "3. Consultations" above would contribute to observance of minimum prices.

Derogation clauses¹

Derogations from observance of the minimum price could be authorized for exports of milk powder intended to promote consumption of dairy products in developing countries, such measures being connected with welfare measures, school canteens or hospitals.

Provision should be made for the possibility of granting derogations from observance of the minimum price for the sale of skimmed milk powder and butter-milk powder intended for animal feed.

The decision to grant a derogation would have to be made by the appropriate body of the arrangement on the basis of economic criteria (authorization procedure) it being understood that conditions for verification are adequate.

Such authorizations, granted on a case-by-case basis, could be limited as to time, quantities and destinations.

¹See MTN/DP/W/24, paragraphs 18 and 19, and MTN/DP/W/25, paragraph III(d).

Considerations expressed

It would be necessary to review the effect of the provisions in the existing arrangements and to determine whether any improvements can be forged.

The danger of unilateral action was recognized; a derogation had to depend on mutual accord.

It was noted that an explicit clause was contained in the existing arrangements and provided a safeguard. The application of that clause had, however, not been automatic.

The need was stressed for granting derogations in the light of the market situation.

It was noted that account should be taken of derogations granted under the existing agreements.

The lengthiness of the procedure envisaged was emphasized.

(c) Other provisions¹

Since the obligations entered into by participating member countries under the provisions of the arrangements would be more stringent than those deriving from application of the provisions of the General Agreement, their observance implies not only conformity with the obligations under the General Agreement (Article XX) but furthermore that member importing countries do not apply to imports the measures covered by Article VI.

In addition, importing countries would have to make it possible for member exporting countries to benefit reasonably, in import markets, from the adjustments they have granted in their export policy.

In response to the obligations assumed by exporting countries, importing countries should either improve access conditions or refrain from recourse to penalties. In case of injury, there would be the possibility of recourse to Article XIX.

Considerations expressed

Reference was made to the provisions of the General Agreement.

The possibility of establishing new commitments that would supersede the existing provisions and restrict the rights of participants under the General Agreement was questioned.

It was pointed out that, depending on the level of the minimum price, the guarantee of an importing country would not be sufficient. In case of injury, provision should be made for possible recourse.

¹See MTN/DP/W/24, paragraph 20.

It was noted that an approach in which access would depend on a commitment by exporters with regard to a price discipline was not adequate.

(d) Food aid

See paragraph 5 under "General provisions" above.

7. Other specific provisions¹

(i) For cheeses, concerted disciplines should be established. Rules of conduct to be applied by all the members of the arrangement should be negotiated; these rules could be clarified and supplemented, in respect of their implementing conditions, by bilateral or plurilateral undertakings.

Undertakings would be entered into by both importing and exporting countries, adjustments of import and/or export policy being closely involved.

- Each country should undertake to adjust its import policy in all necessary elements so as to ensure that its imports take place in the most orderly and regular conditions possible;
- Each country should undertake to adjust its export policy in such a way that its exports take place in the most orderly and regular manner possible.

These rules of conduct should normally be reflected, at the level of practical implementation, in the conclusion of bilateral or plurilateral agreements that would specify the nature of the undertakings entered into.

Such agreements could provide, for example, for a minimum price for imports or exports (whether defined in absolute terms or in relation to the domestic price in the importing country). Importing countries would make adjustments to a corresponding extent in their import régime.]

(ii) In the case of cheese and other dairy products, such as butter, certain opportunities of access to the domestic market arise under national dairy policies, which differ considerably in their content and impact. The minimum access commitments thus given would be recorded in an annex which would be an integral part of the arrangement.

The commitments to be negotiated might differ greatly depending on particular cases and would not necessarily constitute disciplines as envisaged under (i).]

¹See MTN/DP/W/24, paragraphs 21-24, and MTN/DP/W/25, paragraph V.

Considerations expressed

It was pointed out that commitments involving a quantitative element might be entered into.

The importance of consultations and of a permanent dialogue on the conditions of trade was emphasized.

It was noted that account should be taken of differences in the quality of cheeses and of the problem of consumption.

Procedure to be followed¹

It was noted that without wishing at the present stage to draw up an exhaustive list of the requests and offers that might be exchanged in the cheese sector - a process that would be decided upon and carried out within the Sub-Group - the following example could be given to illustrate the approach: an exporting country could envisage the negotiation of a bilateral agreement with one of its clients concerning its cheese exports, providing on its part for observance of an export price and on the part of the client for import free of any obstacles other than customs duties.

It was pointed out that it would be necessary to institute procedures for negotiations on access to markets. The most expedient method would be a simple transferral of the request and offer procedures established by the Group "Agriculture".

Part four

8. Administration

Management Committee²

There would be established a Management Committee within the framework of the General Agreement on Tariffs and Trade. The Committee, which would be composed of representatives of all the participants in the arrangement, would carry out the functions necessary for implementation of the provisions of the arrangement.

The Management Committees of the Commodity Arrangements would keep their present functions.

As regards the products covered by these arrangements, it would be for the Management Committee of the comprehensive arrangement to make recommendations to the Management Committees of the commodity arrangements, which would be responsible for the final decision. A decision taken by a Management Committee of a commodity arrangement would be submitted to the Management Committee of the comprehensive arrangement for endorsement.7

¹See MTN/DP/W/24, paragraph 25, and MTN/DP/W/25, page 3, last paragraph.

²See MTN/DP/W/24, paragraph 5(ii) and MTN/DP/W/25, paragraph VII.

Meetings¹

The Management Committee would meet periodically, for example once every six months. Provision should be made for the possibility of holding special meetings.

Part five

9. Other provisions

Participation²

Considerations expressed

Stress was laid on the importance of a large participation.

The great majority of countries participating in the multilateral trade negotiations should participate in the arrangement.

It would be necessary to examine whether active steps should be taken to encourage a wider representation by importing countries, and developing countries in particular; or whether the question of membership should be left on the basis of it being open to any country with an interest in dairy trade, and prepared to abide by the provisions of the arrangement. Consideration should be given also, to whether it is necessary to make provision for participation by countries which are not contracting parties to the GATT or participants in the MTN.

The importance of participation of importing countries was stressed.

The benefits which importing countries could derive from their participation in the arrangement would result in particular from improved stability and a better understanding of the market.

The question of participating in one or more parts of the arrangement without accepting it entirely was raised.

It was pointed out that participation would depend on the nature and scope of the commitments to be undertaken.

Duration

Considerations expressed

The problem was raised of the duration of commitments entered into under the arrangement, in the light of other commitments under GATT. This legal problem will have to be studied at the appropriate time.

Other considerations

It was observed in the course of the discussions that certain questions, such as the significance of commitments entered into under the arrangement in the context of the multilateral trade negotiations and the concept of balanced commitments, could as yet not be answered.

¹See MTN/DP/W/24, paragraph 4(ii), and MTN/DP/W/25, paragraph VII.

²See MTN/DP/W/24, paragraph 2, and MTN/DP/W/25, paragraph II.

The compatibility of the arrangement and its provisions with the provisions of the General Agreement was referred to in a number of statements. Some of them are reflected in this document, in particular under "4. Other general provisions" and "6(c) Commodity arrangements, Other provisions". In general, it was noted that the General Agreement provided, in its Article XX, paragraph (h) for the possibility of such arrangements, and what was more, the arrangement would be negotiated and administered under the auspices of GATT. It was also stressed that Article XXIII, in particular, would remain applicable.