

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Group "Agriculture"

Sub-Group on Dairy Products

COMMUNICATION FROM THE NORDIC COUNTRIES

(Finland, Norway and Sweden)

The following communication, dated 18 November 1977, has been received from the Nordic countries.

In previous meetings of the Sub-Group the Nordic countries have referred to problems, which they have been faced with when considering the possibility to join the existing commodity agreements in the dairy sector. These problems remain valid - self-evidently - also vis-à-vis any future arrangement to be negotiated in the context of the Multilateral Trade Negotiations. At this stage of the deliberations of the Sub-Group the Nordic countries would like to make the following points:

- The Nordic countries share the view expressed by a number of delegations that the limited country coverage of the existing arrangements is one of their most serious deficiencies. Thus it would be desirable to achieve the widest possible participation in any future commodity arrangements in the dairy sector.
- The Nordic countries have considered it not possible to join the existing arrangements due to their price mechanism, which does not take into account the transport cost element, which varies considerably between the various exporters of dairy products.¹ In such circumstances the Nordic countries would - whenever the world market prices fall to the minimum level agreed - face the risk of falling totally out of the international market.

¹Reference has additionally been made to ice-breaking costs in certain areas in winter-time which implies an especially burdensome transport cost element and need to be compensated for in order to enable countries affected to participate in an international minimum price arrangement.

- The Nordic countries look forward to this MTN round being able to provide world dairy trade with an equitable and well-balanced commodity arrangement(s), which would make it possible for as many countries as possible to participate, and which would give them the same chance to deliver even in minimum price situations. The Nordic countries are prepared favourably to consider joining such an arrangement(s).
- The Nordic countries are of the opinion that the principal purpose of commodity arrangements in the dairy sector should be to stabilize the international markets of dairy products to the advantage of both exporters and importers by way of eliminating large fluctuations in supply and prices.
- In a commodity arrangement involving minimum (and maximum) prices there are basically two possibilities to define the price level to be respected, i.e. c.i.f. and f.o.b. Both these approaches have been criticized for having deficiencies if applied on a clear-cut basis. There have also been certain trends towards formulating the price mechanisms of commodity arrangements so as to avoid the most obvious problems created by simple f.o.b. or c.i.f. based minimum (or maximum) price arrangements.

The most evident deficiencies of price arrangements, which do not take into account variations in transportation costs, are the following:

- (1) They do not stabilize the prices in the importer's market effectively.
 - (2) They tend to result in discrimination between various exporters and would in practice exclude a number of exporters from the importing markets during a minimum price period.
 - (3) Due to these reasons a number of countries would consider it impossible to participate in such arrangements, the consequence of this being that the arrangement becomes less effective both from the point of view of the purposes of the eventual arrangement and the aim of maximum participation.
- The Nordic countries consider that some kind of a modified basis for the calculation of minimum (or maximum) prices, as suggested, e.g. by the International Dairy Committee in its model agreement on dairy products might form the basis for an agreement.

On the basis explained above the Nordic countries would welcome further discussion on the subject of future minimum (and/or maximum) price arrangements in the framework of the GATT.