

**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

DPC/15

8 March 1985

Special Distribution

International Dairy Arrangement

INTERNATIONAL DAIRY PRODUCTS COUNCIL
SPECIAL MEETING

Report

Chairman: Mr. D. Greenfield

1. The International Dairy Products Council held a special meeting on 24 October 1984.
2. The Council was informed that the Committee of the Protocol Regarding Milk Fat had held a special meeting on 23 and 24 October 1984 in order to examine a communication from the Permanent Delegation of the Commission of the European Communities which had been circulated as DPC/F/W/15. By that communication, the Commission notified its intention to make the necessary arrangements to export certain quantities of butter from Community public stocks at a price which, because of the age of the product, would have to be lower than the minimum price currently in force. At the meeting, the EEC furnished detailed information on those sales and the destinations thereof. The Committee took note that two regulations (Regulations (EEC) No. 2955/84 and No. 2956/84, dated 18 October 1984) had been published in the Official Journal of the Communities on 23 October. Those regulations regarding special sales of butter were to enter into force on 5 November. The Committee found that some of the sales envisaged under those regulations were not consistent with the provisions of Article 3 of the Protocol. The Committee considered what action would be necessary to meet the situation. It had before it a request for a derogation made by the EEC under Article 7 of the Protocol. Some members of the Committee having refused the possibility of considering the derogation request so long as the EEC regulations remained in force, the Committee found itself in the situation described in Article IV:6 of the Arrangement where a satisfactory solution could not be reached. Accordingly, the Council was requested to meet.
3. The representative of New Zealand stated that it was appropriate for the Council to meet at that time to receive the report of the Protocol Committee and consider the course that should now be followed in the light of the responsibility of the Council of carrying out all the functions necessary to implement the provisions of the Arrangement. The measures which had been debated in the Committee were very recent and the rapidity of the consultations underlined the cooperative basis on which participants had undertaken to try and work together to produce stability and liberalization in trade in the dairy products sector. It was disappointing that, at the time of the Protocol meeting, the EEC had not only notified the participants to this Arrangement of its intentions, but had in fact already promulgated the new regulations on 23 October. Their publication certainly did provide clear and detailed information as to what the Commission's proposals involved and made possible a preliminary analysis of their implications for international

trade and for the commitments of the participants to the Arrangement. In the report of the Protocol Committee it was noted that the EEC's proposals were not compatible with the provisions of Article 3 of the Protocol. This conclusion and the circumstances were issues of utmost and critical importance for international dairy trade. It was not an exaggeration to speak of a cross-road. On the one hand, there was the possibility of destruction of something for which participants had worked hard for many years. The interests of the EEC and New Zealand, that together supplied about 90 per cent of international trade in dairy products, were bound up with the Arrangement. His delegation took with extreme seriousness an action taken by any party - but most particularly by the EEC - which could have such consequences. In spite of the assessments and assurances given by the EEC during the meeting of the Protocol Committee, many questions needed yet to be resolved satisfactorily. Further analysis of the rationalization for the contemplated action ought to be made, as well as deeper consideration of alternative courses which might be possible. On the other hand, through a process of cooperative activity and further consultations, it would be possible to reconstruct and maintain what were the fundamental provisions in the Arrangement and to re-establish the stability and cooperation which would lead to an improved international trading environment. In the course of the discussions in the Committee, certain proposals were presented and examined and in particular a proposal whereby a derogation from the provisions of the Protocol Regarding Milk Fat was considered. The New Zealand delegation was among those that had found it impossible to accede to the request under the circumstances where the EEC regulations were in force. New Zealand was willing to try and do whatever possible to search out, in consultation with others, what alternative action might be contemplated. The delegations involved could report on their consultations at a subsequent meeting, hopefully with a view to presenting proposals as to how the issue might be resolved. The New Zealand delegation looked forward to the cooperation of others in that search.

4. The representative of Australia said that the outcome of the difficult discussions which had taken place in the Committee could not be described as satisfactory. His delegation could agree that the aims of the Arrangement had been adversely affected by these developments but could not accept to continue on the basis of such significant departure from the provisions of the Arrangement as had been discussed in this meeting. Australia was prepared to make whatever efforts it could to put the Arrangement and the Protocol regarding Milk Fat back on a firmer footing and in this respect was prepared to engage in consultations to see whether it was possible to find a means to overcome the problem.

5. The Council took note of the report of the Committee and the statements made.

6. The Chairman stressed the evident willingness to continue consultations with the objective of finding some solution to the great difficulty in which the Arrangement found itself. He expressed the hope that the consultations which were to be held during the next few days would exhibit a spirit of cooperation among the participants in order to preserve the integrity of the Arrangement and the further pursuit of its objectives.

7. The next meeting of the Council will be decided in consultation with the delegations.