

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Limited Distribution

## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### SPECIAL MEETING OF 12 SEPTEMBER 1983 AND REGULAR SESSION OF 29 SEPTEMBER 1983

#### Note by the Chairman

1. The International Dairy Products Council held a special meeting on 12 September 1983 and its ninth regular session on 29 September 1983 under the chairmanship of Mr. R. Long (Ireland).
2. At each of these meetings, in accordance with Rules 11 and 14 of its Rules of Procedure, the Council invited the representatives of Mexico and Panama, and the representatives of the Economic Commission for Europe, FAO, OECD and UNCTAD to attend its proceedings as observers.
3. The holding of a special meeting had been requested by the European Economic Community by reason of the concern caused by United States sales to Egypt which, in its opinion, are prejudicial both to the European Economic Community and the stabilization of the world market for dairy products on account of the non-observance by the United States of the minimum-prices provisions to be observed under the International Dairy Arrangement and of the provisions of Article 10 of the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade. Other countries shared the concern at the threat to the stability of international dairy market posed by these sales.
4. At this meeting, the United States delegation agreed with other delegations that the transaction was a commercial sale. Other delegations underlined its concessional terms. The United States delegation stated that it had not violated its international obligations either to the International Dairy Arrangement or the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade or any other GATT obligations. It provided the Council with the calculations in support of its contention that it had not violated the minimum prices. The United States delegation also noted that the sales represented only a small portion of the world trade in these items while the EEC subsidized trade was significantly larger. Further, it considered that they were within the range of recent price quotes and were the best obtainable in a declining market burdened by large stocks which were the real source of the problem.

5. Some participants stressed the danger which such operations represented for the international dairy products market whose situation was causing grave concern. The need for strict observance of the provisions of the Arrangement was stressed. The European Economic Community requested the adoption by the Council of a recommendation which would contain a remonstrance or a solemn appeal addressed to the United States to refrain from any repetition of such an action and which would invite all the participants in the Arrangement to reaffirm their commitment to pursue the objectives and strictly observe the provisions of the International Dairy Arrangement as well as all other commitments under the General Agreement on Tariffs and Trade.
6. At its regular session, held on 29 September, 1983, the International Dairy Products Council discussed calculations submitted by the United States (DPC/W/32) and the European Economic Community (DPC/W/33) and concentrated on the question of putative interest charges, and on the additional shipping cost for United States bottoms. All participants who took the floor on these two elements of the concession took a different view to the United States as regards the calculation of f.o.b. prices. Also mentioned were other concessional elements of the agreement, including the element concerning payment in non-convertible currency and the possible need to make an adjustment for differing cheese qualities in calculating f.o.b. prices. Concern was expressed by all speakers addressing themselves to the United States action, on the impact that such sales would have on international trade in dairy products; they expressed the hope there would not be a recurrence of such sales. Participants stated that there might be reasons to question whether the minimum prices had been observed in these particular sales. In this connection participants stressed the difficulty of the current market situation in these products and the duty of all participants to the Arrangement to respect all of the provisions of the Arrangement. Concern was also expressed that information on such sales should be provided in due time in accordance with the commitments made by signatories. The United States in reply to these concerns stated that it had not affected prices adversely and that it had respected all of its commitments under the International Dairy Arrangement and other GATT instruments. The United States delegation took note of the concerns expressed and will report on these to its authorities.
7. A draft resolution presented by the European Economic Community and supported in principle by the great majority of the participating countries was not accepted by the United States for the reasons set out above (see paragraph 4). As a consequence of the position of the United States and another participant, this draft resolution could not be adopted by the Council. The EEC expressed its regret and disappointment that the International Dairy Products Council should not have been in a position to settle the first problem brought before it regarding the application of the provisions of the Arrangement, and in particular observance of the minimum prices. The European Economic Community reserved in this case the right to have recourse to other procedures provided for by the General Agreement or by the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade.

8. In addition to his summary of the proceedings, contained in paragraph 6 above, the Chairman further noted in his conclusions that it had been remarked that the transaction effected by the United States was a commercial sale on concessional terms and that the United States had agreed that it was a commercial sale. He noted also that the exchange of views and of information which had been thorough and in depth, was evidence of both the need for and the efficacy of the International Dairy Arrangement as a forum for addressing problems that arise in international markets.

9. In its review of the functioning of the Arrangement, the International Dairy Products Council took note of the reports on the implementation of the Protocol regarding Certain Milk Powders, the Protocol regarding Milk Fat and the Protocol regarding Certain Cheeses. It was informed that the Committees had examined the level of the minimum prices for the products covered by each of these Protocols and that mention had been made of several factors that would justify an increase in the minimum prices, in particular rising costs to producers. Most delegations felt, nevertheless, that having regard to the international market situation and to the appreciation of the United States dollar, an increase in the minimum prices could not currently be considered desirable. Those prices therefore remained unchanged. These minimum prices which are fixed for pilot products defined in the Arrangement, taking account of a number of factors, are not to be considered as market prices.

10. The Council noted that in conjunction with their meetings in September, the Protocol Committees had held a joint meeting during which they made a survey of government measures to expand domestic consumption of dairy products, on the basis of information provided by the delegations interested in this work. The Committees agreed to continue the survey. In particular, in order to allow easier evaluation of the information furnished, on the occasion of the December 1983 sessions they will examine a first compilation which the secretariat has been asked to undertake with the aid of delegations.

11. The Council was also notified of the information furnished in reply to questionnaires 4 and 5.

12. For its evaluation of the situation in and outlook for the world market for dairy products, the Council had before it two documents prepared by the secretariat, namely, a status report on the world market for dairy products (DPC/W/30) and a note on food aid operations (DPC/W/31). The Council noted in particular that the situation in the world market for products covered by the Protocols was serious and that for certain products such as cheese it could deteriorate further. The Council recalled that the utmost vigilance was necessary in order to keep market conditions as stable as possible, and it underlined the decisive importance of strict observance of all the provisions of the Arrangement. Hope was expressed that the development in the situation would not make necessary recourse to the provisions of Article 4 of each of the Protocols.

13. The report on the world market for dairy products will be revised by the secretariat to take account of the data and changes communicated by the participants, and of their comments; the revised report will have general distribution.

14. The Council adopted its report to the CONTRACTING PARTIES, which is being presented under its Chairman's own responsibility (L/5546).

15. The date of the Council's next session and the dates of the sessions in 1984 will be fixed later, after consultation with the participants.