

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## INTERNATIONAL DAIRY PRODUCTS COUNCIL

### EXAMINATION OF ADEQUACY AND EFFECTIVENESS OF THE ARRANGEMENT AND OBSTACLES TO ACCEPTANCE

#### Note by the Chairman

1. The International Dairy Products Council held a special meeting on 15 May 1985 in order to examine the adequacy and effectiveness of the International Dairy Arrangement and the obstacles to acceptance which contracting parties may have faced. This examination was carried out in pursuance of the action taken by the CONTRACTING PARTIES on 30 November 1984 (L/5756).
2. The following participants in the Arrangement were represented at the meeting: Argentina, Australia, Austria, Bulgaria, European Communities and its member states, Finland, Hungary, Japan, New Zealand, Norway, Poland, South Africa, Sweden, Switzerland and Uruguay and the meeting was also attended by a representative of Spain.
3. The secretariat had prepared and circulated a background note on various aspects relevant to the Council's examination, and the Council took note of that document (DPC/W/45). In opening the meeting the Chairman recalled present difficulties and that the Committees of the Protocols were currently considering a modification of the levels of the minimum export prices and also considering other current problems facing the Arrangement. He invited representatives to focus their comments on problems of long-term or medium-term character.
4. Six delegations made comments. With regard to the adequacy and effectiveness of the Arrangement, the opinion was expressed that while the Arrangement had worked fairly well until 1984, it had not been adequate to deal with the difficult market situation for dairy products which had occurred in that year and which had persisted since. That situation was characterized by distorted markets, the presence of large surplus stocks (notably of butter), stagnant consumption, the persistence of protectionist policies and the application of export assistance by some exporters. In particular, a sale of butter made by one participant towards the end of 1984, inconsistently with the provisions of Article 3 of the Protocol Regarding Milk Fat had caused great concern. The adoption of a resolution in November 1984 had the effect of suspending partially the price provisions for milk fat and provided the opportunity for participants to take action to safeguard their position. This had not, however, helped to restore the market situation.

5. The objectives of the Arrangement had been only Although, there had been some increase in world trade products, no substantial progress had been made towards a great on of world trade in such products.

6. The view was expressed that there had been a lack of political commitment to ensure the observance of the provisions of the Arrangement and this had resulted in an erosion of its effectiveness. It had become necessary to make efforts to restore the credibility of the Arrangement, and this would require an adequate degree of political will to be demonstrated by the parties mainly responsible for the situation.

7. It was pointed out that there was an imbalance in the Arrangement. Two of the protocols, those regarding milk powders and cheese, contained provisions allowing sales to be made by derogation from the price provisions, or non-appliance of those, in the case of products destined for particular use (skimmed milk powder for feed) or of a particular quality (cheese of a below export quality). There were no similar provisions for milk fat and it might be appropriate to consider possible ways to eliminate this imbalance, in order to facilitate the cooperation in cases where a participant might be facing difficulties with the observance of the price provisions.

8. In spite of the shortcomings, the Arrangement was nevertheless considered to be a positive instrument and had proved to be useful in several respects. It had brought together and strengthened previous arrangements concerning trade in dairy products and the product coverage had been extended. It had contributed to improve cooperation in the field of dairy trade, provided a specialized forum for discussion of, and consultations on problems related to international trade in dairy products and provided a pertinent facility for the exchange of information. It was suggested that attention should be devoted to the quality and accuracy of the information assembled and also to the timeliness of its submission.

9. In the discussion of obstacles to acceptance it was suggested that renewed efforts might be made in order to bring more countries into the Arrangement. It might notably be appropriate to reconsider requests for reservations which potential participants may have made in the past, but which have previously not been acceptable to all participants. It was also mentioned that it might be useful to examine the motives for the withdrawal recently of two participants from the Arrangement.

10. The Council took note of the statements made and agreed that the Chairman should circulate a note on the meeting on his own responsibility.