

**GENERAL AGREEMENT  
ON TARIFFS AND TRADE**

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International Dairy Arrangement

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INTERNATIONAL DAIRY ARRANGEMENT

Communication from Japan

The following paper, dated 16 March 1994, has been received from the Permanent Mission of Japan with the request that it be circulated to all IDA participants.

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A DRAFT OF A PROPOSAL FROM JAPAN

Revisions to the International Dairy Arrangement

1. In the Uruguay Round negotiations, there was an active discussion about the rise in international market prices of agricultural products as a result of the reductions in export subsidies.
2. Export subsidies distort the world dairy products market. Therefore, in deciding minimum price levels, we should take into account the expected effect of reductions in export subsidy on market prices of dairy products.
3. Our proposal is to modify 2(a) and 3(b) of Article 3, which refer to minimum price levels, as follows (underlined part signifies revision):
  - 2(a) The minimum price levels set out in the present Article take account, in particular, of the current market situation, the expected effect on the world dairy market of the reductions in export subsidies in accordance with the relevant provisions of the Agreement on Agriculture, dairy prices in producing participants, the need to ensure an appropriate relationship between the minimum prices established in the Annex, the need to ensure equitable prices to consumers, and the desirability of maintaining a minimum return to the most efficient producers in order to ensure stability of supply over the longer term.
  - 3(b) The levels of minimum prices specified in the present Article shall be subject to review at least once a year by the Council. The Council shall meet in September of each year for this purpose. In undertaking this review the Council shall take account in particular, to the extent relevant and necessary, of costs faced by producers, other relevant economic factors of the world market, the need to maintain a long-term minimum return to the most economic producers, the need to maintain stability of supply and to ensure acceptable prices to consumers, the expected effect on the world dairy market of the reductions in export subsidies in accordance with the relevant provisions on the Agreement of Agriculture, and the current market situation and shall have regard to the desirability of improving the relationship between the levels of minimum prices set out in paragraph 2(b) of the present Article and the dairy support levels in the major producing parties.