

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## NEW ZEALAND STATEMENT

The following communication, dated 5 October 1977, has been received from the Mission of New Zealand.

At each stage in the Sub-Group's work, the New Zealand delegation has outlined those elements it considers should be taken into account in the elaboration of a negotiated solution for the problems which influence international trade in dairy products. These have in turn been the benchmarks against which New Zealand has participated in first, the Sub-Group's examination of the structure, characteristics and problems of international trade in dairy products; and secondly, the examination of all the elements of the negotiating proposals which have been put forward by participants. This preparatory phase of the Sub-Group's work was extremely valuable, and was used by New Zealand to gauge the manner in which all participants in international dairy trade might best co-operate to improve the conditions under which dairy products are traded, to mutual benefit, and consistently with the objectives and provisions of the Tokyo Declaration.

This task was not easy, given the wide diversity of national production and trading policies for dairy products, and the correspondingly wide diversity of interests. Nor can the New Zealand delegation claim to have any magic solutions to the dual objectives, which have been often enough stated, of introducing greater stability into international trading conditions, and of ensuring a steady expansion of international trade in dairy products to the mutual benefit of both exporters and importers.

The establishment of greater stability in world trading conditions encompasses three basic elements. First, to ensure that international market prices are made less susceptible to the extreme fluctuations that can result from changes in production levels; secondly, to ensure that international market prices brought about by national support and export subsidy measures do not result in injury to other producers; and thirdly, to ensure that where difficulties in world production and trade do arise, consultations will take place against the background of a mutually agreed set of guidelines.

The Sub-Group has explored whether the work being done in other areas of the MTN, for example on safeguard measures and on subsidies, would have any application to the particular problems of the dairy sector. While this work, and its applicability to trade in dairy products should be kept under review, the New Zealand delegation has concluded that generally stable trading conditions should, for the immediate future at least, have as their basis an elaboration and augmentation of the concepts contained in the current GATT minimum price agreements for SMP and AMF. It might not be necessary, or indeed practicable, to establish minimum prices for all products in order to obtain this greater trading stability.

The task of ensuring a steady expansion of international trade in dairy products also encompasses three basic elements. First, the avoidance of marked fluctuations in levels of price so that markets in the developing world can confidently plan to meet their expanding needs; secondly, the creation of conditions whereby their emergency requirements can be met without hindrance, but also without prejudice to the orderly development of commercial markets; and thirdly, the provision of continuity of access in the traditional markets for dairy products, together with the opportunity for growth.

Again, the Sub-Group has examined the measures being pursued in other areas of the MTN aimed at liberalizing and securing market access and the techniques being developed in these other areas will continue to operate as a point of reference for the Sub-Group's further work. The New Zealand delegation has concluded however, that the diversity of national dairy policies is such that no single technique for ensuring trade expansion commends itself. Each of these national policies already provides for a degree of access, and the opportunity for improvements must be pursued. This aspect of the Group's work might best be taken up between each market and its suppliers, each according to its own circumstances, within the parameters of the policies of the markets and suppliers concerned.

It would be recognized in such discussions that access questions could extend to products outside those for which minimum price commitments are thought necessary.

The important point, in the view of the New Zealand delegation, is to be able to record the results of these discussions in a way which will enable them to be part of the ongoing process of multilateral consultation and co-operation of the kind that has been developed under the existing GATT dairy arrangements over the last decade.

Taking into account the views expressed by other participants in the Sub-Group over the past two years, the New Zealand delegation commends the following simple approach to achieving these objectives:

- First, to create the framework for establishing minimum prices for all those products for which it is agreed to establish minimum prices;
- Secondly, to incorporate in that instrument a provision which recognizes the diversity of national dairy policies, but also that these do, each in their own way, generate opportunities for international trade in dairy products; and
- Thirdly, to annex to the instrument a schedule of minimum access commitments as declared by participants.

In the attachment to this statement, the delegation has outlined the headings under which such an instrument might be developed, and some of the options which should be examined under each of these headings. These options are by no means exclusive. It will be apparent from this that the New Zealand delegation believes that the opportunity should be taken now to improve the provisions of the present minimum price arrangements but that the delegation is approaching that task flexibly. It looks forward to a constructive dialogue on these matters.

Finally, if the approach outlined commends itself to other participants, it will be necessary to establish procedures for the conduct of the negotiations on access. The New Zealand delegation sees a simple transferral of the request and offer procedures established by the Group Agriculture as being the most expedient method.

OUTLINE OF A POSSIBLE COMPREHENSIVE INTERNATIONAL DAIRY ARRANGEMENT  
TO BE NEGOTIATED AND ADMINISTERED BY CONTRACTING PARTIES  
TO THE GENERAL AGREEMENT ON TARIFFS AND TRADE

I. Statement of objectives

It may be useful if the statement of objectives, in addition to outlining the purposes of the Agreement, also portrayed something of its essential philosophy. Thus the statement of objectives might encompass the following:

- Establishment of minimum prices for international trade;
- establishment of circumstances under which product may be traded at prices below the minimum;
- recognition of the fact that national dairy policies vary in form and content, but also of the minimum access opportunities these afford;
- establishment of a body for consultations on developments in world dairy production and trade and for the supervision of the arrangement and the implementation of its provisions.

II. Membership

The present GATT minimum price agreements have memberships limited essentially to the principal participants in international trade of the product concerned, either as importers, exporters or both. It is necessary to examine whether active steps should be taken to encourage a wider representation by importing countries, and developing countries in particular; or whether the question of membership should be left on the basis of it being open to any country with an interest in dairy trade, and prepared to abide by the provisions of the arrangement. Consideration should be given also, to whether it is necessary to make provision for participation by countries which are not contracting parties to the GATT or participants in the MTN.

III. Establishment of minimum prices

(a) Form of arrangement

While reference has been made to the negotiation of a single instrument establishing minimum international prices for such products as may be subject to them, this can be pursued in several ways. For example there might be a single chapeau covering essentially individual arrangements for each product concerned. Alternatively, there might be a single set of provisions covering all products subject to minimum prices, but with separate price provisions for each.

(b) Product coverage

The present GATT arrangements cover SMP and AMF. In addition the OECD administers a minimum price arrangement for WMP, and it is necessary to decide whether this product should be incorporated into the ambit of the arrangement proposed. Additionally, it is necessary to examine what further products should be subject to minimum prices. Butter has already been proposed. Provision should also be made for the arrangement to cover products for which minimum prices are not thought necessary, or are not practicable.

(c) Provision for adjustment to the minimum prices

Under this heading an examination should be made of the principles against which minimum prices are established, and in particular that of an economic return to the efficient producer; and the guidelines against which they might be reviewed, including the intervals at which reviews might be undertaken, and the question of whether market prices or production costs should predominate in the analysis of whether adjustments are warranted.

(d) Exceptions to the minimum

The present minimum price arrangements provide for sales below the minimum in certain circumstances, and for prescribed purposes (animal feed sales, concessional transactions). It is necessary to review the effectiveness of these provisions, and to determine whether any improvements can be forged.

IV. Food aid

While there has been some tendency to regard the food aid provisions of the present arrangements as one of their safeguard measures, food aid is a long-standing aid technique, and dairy products have featured prominently in recurring aid programmes. It is necessary to explore whether some additional provision should be introduced into any comprehensive arrangement to reflect this fact, and whether the monitoring of food aid transactions involving dairy products should be transferred to such Group as may be established to administer the arrangement. In this context, an examination should be made of whether the FAO's principles on surplus disposal, and the consultation procedures that have been devised to implement those principles should be incorporated into the arrangement, by reference or otherwise.

V. National dairy policies

It is suggested that some provision should be made in recognition of the fact that national dairy policies differ considerably in their content and impact, and also recording the willingness of participants to consult on aspects of these policies that may impinge on world dairy trade. The provision might also note that in terms of each of these policies certain access opportunities arise, and refer to the minimum access commitments thus given as recorded in an annex to the Arrangement.

VI. Establishment of circumstances under which action of a safeguarding nature may be taken

The purpose of this provision would be to define the circumstances under which consultations on national dairy policies would be required in terms of the previous provision. This might be done by writing specific safeguard provisions to cover, for example, situations where imports are causing or threatening injury, or situations where changes in production or consumption levels have stimulated shortages or surpluses which require action to be taken to adjust supply and demand. Alternatively, it may be possible to cover the possibility of safeguard action by cross-reference to the provisions of the General Agreement in this area.

VII. Co-operation amongst participants

These provisions would establish the procedures for administering the Arrangement. They would encompass the establishment of a management committee, such as those which exist under the present arrangements. Additionally, there would have to be provision for the submission of information on a regular basis, and for regular and extraordinary meetings of the management body.