

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Multilateral Trade Negotiations

Group "Agriculture"

Sub-Group on Dairy Products

COMPREHENSIVE ARRANGEMENT REGARDING THE DAIRY PRODUCTS SECTOR

WORKING HYPOTHESIS - /BASIS FOR NEGOTIATION/

1. The present document contains the revised version of document MTN/DP/W/27/Rev.2 and of Annexes I and II to document MTN/DP/W/27/Rev.1, prepared by the secretariat in the light of the discussions at the meeting of February-March 1978 and of proposals received by it up to 15 March 1978.
2. Where any additional proposals are still awaited, or considered possible, a note to that effect appears in the paragraph concerned.
3. It should be noted that the Sub-Group has agreed to discuss with the presence of experts Articles I, II and paragraphs 1, 4 and 7 of Article III of Annex I and Articles I, II and paragraphs 1, 4 and 6 of Article III of Annex II. These articles and paragraphs were examined only partly or not at all at the meeting of February-March 1978.

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/COMPREHENSIVE ARRANGEMENT REGARDING
THE DAIRY PRODUCTS SECTOR

/PREAMBLE

Recognizing the importance of milk and dairy products to the economy of many countries in terms of production, trade and consumption;

Recognizing the need, in the mutual interests of producers and consumers, and of exporters and importers, to avoid surpluses and shortages, and to maintain prices at an equitable level;

Noting the diversity and interdependence of dairy products and their substitutability, at both the production and the utilization level;

Noting the situation in the dairy products market, which is characterized by very wide fluctuations and the proliferation of export and import measures;

Considering that improved co-operation in the dairy products sector contributes to the attainment of the objectives of expansion and liberalization of world trade which have been set, and to the implementation of the principles and objectives concerning developing countries;

Determined to respect the principles and objectives of the General Agreement on Tariffs and Trade and, in carrying out the aims of this Arrangement, effectively to implement the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the Multilateral Trade Negotiations; /

The participants to the present Arrangement have, through their representatives, agreed as follows:

PART ONEGENERAL PROVISIONSArticle I - /Objectives/

/The objectives of this Arrangement shall be - to achieve the regular expansion of world trade in dairy products under market conditions as stable as possible, on the basis of mutual benefit to exporting and importing countries, through the improvement of the existing international framework; - to further the economic and social development of developing countries, in accordance with the principles and objectives agreed upon in the Tokyo Declaration of Ministers dated 14 September 1973 concerning the multilateral trade negotiations./

Article II - Product Coverage

1. This Arrangement applies to the dairy products sector. For the purpose of this Arrangement, the term "dairy products" is deemed to include the following products, as defined in the Customs Co-operation Council Nomenclature:

	<u>CCCN</u>
(a) Milk and cream, fresh, not concentrated or sweetened	04.01
(b) Milk and cream, preserved, concentrated or sweetened	04.02
(c) Butter	04.03
(d) Cheese and curd	04.04
(e) Casein	ex 35.01

2. The International Dairy Products Council established in terms of Article VIII:1(a) of this Arrangement (hereinafter referred to as the Council) may decide that the Arrangement is to apply to other products in which dairy products referred to in paragraph 1 of this Article have been incorporated if it deems their inclusion necessary for the implementation of the objectives and provisions of this Arrangement.

Article III - Information

1. The participants agree to provide regularly and promptly to the Council the information required to permit it to monitor and assess the overall situation of the world market for dairy products and the world market situation for each individual dairy product.
2. The information that the participants undertake to provide pursuant to paragraph 1 of this Article, according to the modalities that the Council shall establish, shall include detailed data on past performance, current situation and outlook regarding production, consumption, prices, stocks and trade, including transactions other than normal commercial transactions, in respect of the products referred to in Article II of this Arrangement, and any other information deemed necessary by the Council. Participants shall also provide information on their domestic policies and trade measures in the dairy sector [, and on the carrying out of bilateral or plurilateral commitments_] and shall notify, as early as possible, any changes in such policies and measures that are likely to affect international trade in dairy products.
3. In establishing the modalities of the information procedure, the Council shall endeavour to avoid any duplication.

Article IV - Functions of the International Dairy
Products Council and Co-operation between the
Participants to this Arrangement

1. The Council shall meet in order to:
 - (a) make an evaluation of the situation in and outlook for the world market for dairy products, on the basis of a status report prepared by the secretariat with the documentation furnished by participants in accordance with Article III of this Arrangement, information arising from the operation of the Protocols covered by Part Two of this Arrangement, and any other information available to it;
 - (b) review the functioning of this Arrangement.

2. If after an evaluation of the world market situation and outlook, referred to in paragraph 1(a) of this Article, the Council finds that a serious market disequilibrium or threat thereof is developing in the international dairy market, the Council will proceed to identify, taking particular account of the situation of developing countries, possible multilateral solutions for consideration by governments.7

3. Depending on whether the Council considers that the situation defined in paragraph 2 of this Article is temporary or more durable, the measures referred to in paragraph 2 of this Article could include short-, medium- or long-term measures to contribute to improve the overall situation of the world market.7

4. When considering measures that could be taken pursuant to paragraphs 2 and 3 of this Article, due account shall be taken of the special and more favourable treatment to be provided for developing countries, where this is feasible and appropriate.7

5. Each participant shall promptly afford adequate opportunity for consultation regarding such representations as may be made by any other participant with respect to any matter affecting this Arrangement. If a satisfactory solution cannot be reached, the Council shall, at the request of a participant, meet within a period of not more than days to consider the matter with a view to facilitating a satisfactory solution.

6. If, following consideration by the Council, problems continue to exist between participants and these problems affect the rights and obligations of participants under the General Agreement on Tariffs and Trade, participants shall have recourse to the normal GATT dispute settlement procedures.7

Article V - Other General Provisions¹

/Pro memoria/ / (a) Safeguards

Note: Concrete proposals will be made by delegations later.

/Pro memoria/ / (b) Export subsidies

Note: It was noted by some delegations that negotiations were currently being held in the Sub-Group "Subsidies and Countervailing Duties" and it would be appropriate to await the outcome of those negotiations.

A suggestion was made and a concrete proposal will be made later by delegations as to how to settle problems caused by export subsidies for developing countries.

Other delegations expressed the view that the commitments entered into in terms of Article VI of this Arrangement already covered and afforded a practical solution to matters concerning export subsidies.

Other delegations did not share that view.

/Pro memoria/ / (c) Health and veterinary measures

Note: The following proposal was made:

/Without prejudice to whatever might be decided elsewhere concerning the applicability to these measures of all or part of the rules deriving from the Code of Conduct, and without bringing into question the legitimate necessity for each government to protect human and animal health and life, it should be accepted that all such measures would be notified if possible before their implementation, that consultations would be initiated among interested countries (upon request) and that the negative effects of any of the measures on trade could be the subject of appropriate possible solutions.

¹It was recalled that, in all the measures enumerated in this Article, provision should be made for special and differential treatment for developing countries.

/Pro memoria/ / (d) Standards, rules on packaging and labelling, designation of origin/

/Note: It was noted in connexion with paragraphs (c) and (d) that negotiations were currently being held in the Sub-Group "Technical Barriers to Trade". Group "Agriculture" has agreed to examine the applicability to agricultural products of the draft standards code drawn up in that Sub-Group. It would be appropriate to await the outcome of that examination.

/ (e) Supply of dairy products on special conditions

1. The participants agree:

(a) In co-operation with FAO and other interested organizations, to foster recognition of the value of dairy products in improving nutritional levels and of ways and means through which they may be made available for the benefit of developing countries.

(b) Where possible and appropriate, to incorporate the donation or sale on concessional terms of dairy products or related equipment in their respective aid programmes. Participants should notify the Council in advance each year of the scale of their proposed contributions of such food aid. It would be understood that contributions could be made bilaterally or through joint projects or through the World Food Programme.

(c) Recognizing the desirability of harmonizing their efforts in this field, as well as the need to avoid harmful interference with normal patterns of production and international trade, to exchange views in the Council on their arrangements for the supply of dairy products as food aid or on concessional terms.

2. Donated exports to developing countries, exports destined for relief purposes or welfare purposes in developing countries, and other transactions which are not normal commercial transactions shall be effected in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations. Consequently, the Council shall exercise over transactions other than normal commercial transactions, and in accordance with conditions and modalities established by it, continuing surveillance in order to ensure that such transactions are effected in accordance with the said principles.

Pro memoria 3. Food aid programme for the benefit of developing countries.

PART TWO

SPECIFIC PROVISIONS

Article VI - Protocols

1. Without prejudice to the provisions of Articles I to V of this Arrangement, the products listed below shall be subject to the provisions of the Protocols annexed to this Arrangement:

Annex I - Protocol Regarding Certain Milk Powders /1/

Skimmed milk powder

Whole milk powder (including partly skimmed milk powder)

/Buttermilk powder/

Annex II - Protocol Regarding Milk Fat /1/

Anhydrous milk fat, anhydrous butteroil or anhydrous butterfat

Ghee

Butteroil and butterfat

Butter

/Annex III - Protocol Regarding Cheese¹

Cheese/

/Annex IV - Protocol Regarding Other Dairy Products¹

Other dairy products covered by Article II of this Arrangement¹

¹Including commitments entered into between participants to this Arrangement. In accordance with the approach envisaged in Article VII of this Arrangement, such commitments are recorded in Annex V.¹

/PART THREE

ADDITIONAL PROVISIONS

Article VII - Agreements between Participants to this Arrangement

1. The provisions of paragraph 2 of this Article shall be applicable to the products covered by Article II of this Arrangement.
2. The obligations entered into by the participants in pursuance of the objectives of this Arrangement are set forth in Annex V¹ to this Arrangement.⁷

¹In accordance with the approach envisaged in Article VI of this Arrangement, such agreements are recorded in the Protocols regarding the products to which they relate.

PART FOUR

Article VIII - Administration of the Arrangement

1. International Dairy Products Council

(a) An International Dairy Products Council shall be established within the framework of the General Agreement on Tariffs and Trade. The Council shall comprise representatives of all participants to the Arrangement and shall carry out all the functions which are necessary to implement the provisions of the Arrangement. The Council shall be serviced by the GATT secretariat.

(b) Regular and special meetings

The Council shall normally meet at least twice each year. However, the Chairman may call a special meeting of the Council either on his own initiative, at the request of the Committees established under paragraph 2(a) of this Article, or at the request of a participant to this Arrangement.

2. Committees

(a) The Council shall establish a Committee to carry out all the functions which are necessary to implement the provisions of the Protocol Regarding Certain Milk Powders and a Committee to carry out all the functions which are necessary to implement the provisions of the Protocol Regarding Milk Fat. Each of these Committees shall comprise representatives of all participants to the Protocol concerned. The Committees shall be serviced by the GATT secretariat. They shall report to the Council on the exercise of their functions.

(b) Examination of the market situation

The Council shall make the necessary arrangements, determining the modalities for the information to be furnished under Article III of this Arrangement, so that

- the Committee of the Protocol Regarding Certain Milk Powders may keep under constant review the situation in and the evolution of the international market for the products covered by this Protocol, and the conditions under which the provisions of this Protocol are applied by participants, taking into account the evolution of prices in international trade in each of the other dairy products having implications for the trade in products covered by this Protocol;

- the Committee of the Protocol Regarding Milk Fat may keep under constant review the situation in and the evolution of the international market for the products covered by this Protocol, and the conditions under which the provisions of this Protocol are applied by participants, taking into account the evolution of prices in international trade in each of the other dairy products having implications for the trade in products covered by this Protocol.

(c) Regular and special meetings

Each Committee shall normally meet at least once each quarter. However, the Chairman of the Committee may call a special meeting of the Committee on his own initiative. Any participant which considers that its trade interests are being seriously threatened and which is unable to reach a mutually satisfactory solution with the other participant or participants concerned, may request the Chairman of the Committee to convene a special meeting of the Committee on an urgent basis so as to determine as rapidly as possible, and within four working days if requested, any measures which may be required to meet the situation.

(d) Emergency action

Any participant to one of the Protocols, which considers that its interests are seriously endangered by a country not bound by the said Protocol, can request the Chairman of the Committee of that Protocol to convene an emergency meeting of the Committee within two working days to determine and decide whether measures would be required to meet the situation. If such a meeting cannot be arranged within the two working days and the trade interests of the participant concerned are likely to be materially prejudiced, that participant may take unilateral action to safeguard its position, on the condition that any other participants likely to be affected are immediately notified. The Chairman of the Committee shall also be formally advised immediately of the full circumstances of the case and shall be requested to call a special meeting of the Committee at the earliest possible moment.

PART FIVE

Article IX - Final Provisions

1. Entry into force

- (a) This Arrangement shall enter into force, for those participants having accepted it, on For participants accepting this Arrangement after that date, it shall be effective from the date of their acceptance.
- (b) The validity of contracts entered into before the date of entry into force of this Arrangement is not affected by this Arrangement.

2. /Amendment/ - /Revision/

The provisions of this Arrangement may be amended by the Council established in terms of Article VIII:1(a).

3. Relationship between the Arrangement and the Protocols

The Protocols shall be deemed to be an integral part of this Arrangement, and likewise the register of processes and control measures referred to in Article III:5 of the Protocol Regarding Certain Milk Powders.

4. Relationship between the Arrangement and the General Agreement on Tariffs and Trade

Nothing in this Arrangement shall affect the rights and obligations of participants under the General Agreement on Tariffs and Trade.

5. Acceptance

- (a) This Arrangement is open for acceptance, by signature or otherwise, by governments (including the competent authorities of the European Communities) members of the United Nations or of one of its specialized agencies.
- (b) This Arrangement shall be deposited with the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade who shall promptly furnish a certified copy thereof and a notification of each acceptance thereof to each participant.

- (c) Acceptance of this Arrangement shall carry denunciation of the Arrangement Concerning Certain Dairy Products, done at Geneva on 12 January 1970 which entered into force on 14 May 1970, for participants having accepted that Arrangement and denunciation of the Protocol Relating to Milk Fat, done at Geneva on 2 April 1973 which entered into force on 14 May 1973, for participants having accepted that Protocol.

6. Withdrawal

Any government (including the competent authorities of the European Communities) may withdraw from this Arrangement. Such withdrawal shall take effect upon the expiration of sixty days from the day on which written notice of withdrawal is received by the Director-General to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade.

ANNEX I

Protocol Regarding Certain Milk Powders

PROTOCOL REGARDING CERTAIN MILK POWDERS

PART ONE

Article I - Product Coverage^{1/}

1. This Protocol applies to:

- skimmed milk powder having a milk fat content of less than or equal to 1.5 per cent by weight^{2/};
- partly skimmed milk powder having a milk fat content of more than 1.5 per cent and less than 26 per cent by weight^{2/};
- whole milk powder having a milk fat content of more than or equal to 26 per cent and less than 40 per cent by weight^{2/};
- /- buttermilk powder having a milk fat content of less than or equal to 6 per cent by weight./

^{1/} It was agreed that Article I would be examined by experts.

^{2/} In accordance with the international standards regarding the milk fat content for dairy products, published by the Codex Alimentarius Commission (7th edition - 1973). The standard for whole milk powder, partly skimmed milk powder and skimmed milk powder likewise stipulates among the essential composition factors that the water content must not exceed 5 per cent by weight.

PART TWO

Article II - Pilot Products^{1/}

1. For the purpose of this Protocol, minimum and maximum export prices shall be established for the pilot products of the following descriptions:

Designation: Skimmed milk powder
Milk fat content: Less than or equal to 1.5 per cent by weight
Water content: Less than or equal to 5 per cent by weight
Manufacturing process: Spray Roller

Designation: Whole milk powder
Milk fat content: Equal to 26 per cent by weight
Water content: Less than or equal to 5 per cent by weight
Manufacturing process: Spray

Designation: Buttermilk powder
Milk fat content: Less than or equal to 6 per cent by weight
Water content: Less than or equal to 5 per cent by weight
Manufacturing process:]

Packaging: In packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lbs., as appropriate.

Terms of sale: F.o.b. ocean-going vessels from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance; or free-at-frontier exporting country. Prompt payment against documents on first presentation.

^{1/} It was agreed that Article II would be examined by experts.

PART TWO (cont'd)

Article III - Minimum /and Maximum/ Prices

Level and observance of minimum /and maximum/ prices

1.^{1/} Participants undertake to take the steps necessary to ensure that the export prices of the products defined in Article II of this Protocol shall not be less than the minimum prices /nor more than the maximum prices/ applicable under the present Protocol. If the products are exported in the form of goods in which they have been incorporated, the participants shall take the steps necessary to avoid the circumvention of the price provisions of this Protocol.

2. The minimum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (a) US\$/.../ per 100 kgs. for the skimmed milk powder defined in Article II of this Protocol.
- (b) US\$/.../ per 100 kgs. for the whole milk powder defined in Article II of this Protocol.
- / (c) US\$/.../ per 100 kgs. for the buttermilk powder defined in Article II of this Protocol./

/The maximum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (a) US\$/.../ per 100 kgs. for the skimmed milk powder defined in Article II of this Protocol.
- (b) US\$/.../ per 100 kgs. for the whole milk powder defined in Article II of this Protocol.
- / (c) US\$/.../ per 100 kgs. for the buttermilk powder defined in Article II of this Protocol./

/3.^{2/} The levels of the minimum /and maximum/ prices specified in the present Article can be modified by the Committee established in terms of Article VIII:2(a) of the Arrangement taking into account, on the one hand, the results of the operation of the Protocol and, on the other hand, the evolution of the situation of the international market./

^{1/} It was agreed that Article III:1 would be examined by experts.

^{2/} A proposal will be made at a later stage regarding the criteria to be taken into account for modifying minimum prices.

PART TWO (cont'd)

Article III (cont'd)

Adjustment of minimum /and maximum/ prices^{1/}

4. If the products actually exported differ from the pilot products in respect of the /fat content, manufacturing process/ packaging or terms of sale, the minimum /and maximum/ prices shall be adjusted so as to protect the minimum /and maximum/ prices established in this Protocol for the products specified in Article II of this Protocol according to the following provisions:

/Fat content: If the fat content of whole milk powder is greater or less than 26 per cent, the minimum price /and the maximum price/ for this product shall be increased or reduced by US\$/..../ for each 1 per cent of fat./

/Manufacturing process: If the whole milk powder exported is manufactured by the roller process, any difference in price as between this product and the pilot product that may result from the manufacturing cost, the domestic market situation or commercial practices may be reflected in the minimum price /and in the maximum price/. At the export level, this difference shall not, however, exceed US\$/..../ per 100 kgs./

Packaging: If the products are offered otherwise than in packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lbs., as appropriate, the application of the minimum /and maximum/ prices shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above.

^{1/} It was agreed that Article III:4 would be examined by experts.

PART TWO (cont'd)

Article III (cont'd)

Terms of sale: If sold on terms other than f.o.b. from the exporting country or, for a land-locked country, f.o.b. from the maritime port of its choice, /or, for the countries to be listed in a note, f.o.b. from the maritime port of their choice/, or free-at-frontier exporting country, the minimum /and maximum/ prices shall be calculated on the basis of the minimum /and maximum/ f.o.b. prices specified in paragraph 2 above plus the real and justified costs of the services provided; if the terms of the sale include credit, this shall be charged for at the prevailing commercial rate.

Exports /and imports/ of skimmed milk powder /and buttermilk powder/ for purposes of animal feed¹

5. (a) By derogation from the provisions of paragraphs 1 to 4 of this Article participants may, under the conditions defined below, export or import, as the case may be, skimmed milk powder /and buttermilk powder/ for purposes of animal feed at prices below the minimum price/s/ provided for in this Protocol for this product /these products/. The participants may make use of this possibility only to the extent that the processes and control measures which they intend to apply or which will be applied in the country of destination, so as to ensure that the skimmed milk powder /and buttermilk powder/ thus exported or imported is /are/ used exclusively for animal feed, are approved by the Committee and recorded in a register established by it. /So long as participants have recourse to the provisions of sub-paragraph (a) of this paragraph, they shall furnish to the secretariat each month the information referred to in sub-paragraph (c) of this paragraph./

¹ Suggested by the Chairman at the request of the Sub-Group.

PART TWO (cont'd)

Article III (cont'd)

/(b) If, on the basis of the information furnished, in accordance with sub-paragraph (a) above, the Committee finds that the market situation has become normal again in three consecutive months, the possibility for participants to have recourse to the provisions of sub-paragraph (a) shall be suspended automatically.

Participants may again have recourse to the provisions of sub-paragraph (a) only where the Committee has found in three consecutive months that the market situation has become abnormal again.

(c) For the purpose of the provisions of this paragraph, the market situation mentioned in sub-paragraph (b) above shall be deemed to be normal when:

- the volume of stocks held by exporting participants is equal to or less than, and
- the price of soybean meal, 44. per cent protein, United States, c.i.f. Rotterdam is equal to or higher than

the level that they had respectively reached in the most recent year in which recourse was not had by any participant to the provisions of sub-paragraph (a)./

Special conditions of sales

6. Participants undertake within the limit of their institutional possibilities to ensure that practices such as those referred to in Article IV:1 of this Protocol do not have the effect of directly or indirectly bringing the export prices of the products subject to the minimum price provisions below the agreed minimum prices /nor of raising the export prices of the products subject to the maximum price provisions above the agreed maximum prices/.

PART TWO (cont'd)

Article III (cont'd)

Field of application^{1/}

7. For each participant, this Protocol is applicable to exports of the products specified in Article I of this Protocol manufactured or repacked inside its own customs territory, whether their destination is temporary or final.

Transactions other than normal commercial transactions

8. The provisions of paragraphs 1 to 7 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries.

Such exports, and other transactions which are not normal commercial transactions, shall be effected in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations.^{2/7}

9. Exports for welfare purposes in developed countries, such as school lunch programmes, of the products covered by this Protocol shall be subject to the pricing provisions of this Article, it being understood however that a derogation under Article VIII of this Protocol shall be granted, when justified, after taking into account the specific character of welfare shipments, including school lunch programmes, their terms of sale, trade effects and other factors.7

Article IV - Provision of Information

1. In cases where prices in international trade of the products covered by Article I of this Protocol are approaching the minimum prices mentioned in paragraph 2 of Article III of this Protocol, without prejudice to the

^{1/} It was agreed that Article III:7 would be examined by experts.

^{2/} To the extent that the Sub-Group might decide to transfer the provisions of Article III:8, second sub-paragraph, of the Protocol to Article V(e) of the Arrangement, this sub-paragraph might not be included in the Protocol.

PART TWO (cont'd)

Article IV (cont'd)

provisions of Article III of the Arrangement, participants exporting these products shall notify to the Committee all the relevant elements for evaluating their own market situation and, in particular, credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates and exclusivity contracts, so that the Committee can make a verification.]

Article V - Obligations of Exporting Participants
[at the Level of Maximum Prices]

[1. Exporting participants undertake to supply importing participants on a priority basis [and to deliver to them, at prices consistent with the prices determined in paragraph 2 of Article III of this Protocol, [certain quantities of] products covered by Article I of this Protocol.]

Note: It was noted that provision should be made for the possibility of special and differential treatment for developing countries.]

Article VI - Co-operation of Importing Countries

1. Participants which import products covered by Article I of this Protocol undertake in particular:

[first alternative:

- (a) to co-operate in implementing the minimum prices objective of this Protocol and to ensure, as far as possible, that the products covered by Article I of this Protocol are not imported at less than the appropriate customs valuation equivalent to the prescribed minimum prices;]

[second alternative:

- (a) to buy supplies, subject to contracts already concluded, solely from participants exporting products covered by Article I of this Protocol, in cases where prices in international trade of those products are at the level of the agreed minimum prices [and not to resell the quantities delivered by participants exporting those products in cases where prices in international trade of those products are at the level of the agreed maximum prices.]

PART TWO (cont'd)

Article VI (cont'd)

- (b) to supply information concerning imports of products covered by Article I of this Protocol from non-participants; and
- (c) to consider sympathetically proposals for appropriate remedial action if imports at prices inconsistent with the minimum prices threaten the operation of this Protocol.

2. Paragraph 1 of this Article shall not apply to imports of skimmed milk powder /and buttermilk powder/ for purposes of animal feed, provided that such imports are subject to the measures and procedures provided for in paragraph 5 of Article III of this Protocol.

/Article VII - Commitments

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article I of this Protocol are set forth hereinafter.]

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and

PART TWO (cont'd)

/Article VII (cont'd)/

any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.]]

PART THREE

Article VIII - Derogations

1. Upon request by a participant, the Committee shall have the authority to grant derogations from the provisions of paragraphs 1 to 5 and 9 of Article III of this Protocol in order to remedy difficulties which observance of minimum prices could cause certain participants. The Committee shall pronounce on such a request within three months from the date of the request.

ANNEX II

Protocol Regarding Milk Fat

PROTOCOL REGARDING MILK FAT

PART ONE

Article I - Product Coverage^{1/}

1. This Protocol applies to:

- anhydrous milk fat, anhydrous butteroil or anhydrous butterfat, having a milk fat content of not less than 99.8 per cent by weight^{2/};
- ghee, having a milk fat content of not less than 99.6 per cent by weight;
- butteroil and butterfat, having a milk fat content of not less than 99.3 per cent by weight^{3/};
- butter, having a milk fat content of not less than 80 per cent by weight^{4/};

^{1/} It was agreed that Article I would be examined by experts.

^{2/} In accordance with the international standards regarding the milk fat content for dairy products, published by the Codex Alimentarius Commission (7th edition - 1973). The standard mentions "anhydrous butteroil" instead of anhydrous butteroil or anhydrous butterfat as in the Protocol existing within GATT. The standard stipulates among the essential composition and quality factors that the water content must not exceed 0.1 per cent by weight.

^{3/} The Codex Alimentarius standard (7th edition - 1973) mentions "butteroil" instead of butteroil and butterfat as in the Protocol existing within GATT. The standard stipulates among the essential composition and quality factors that the water content must not exceed 0.5 per cent by weight.

^{4/} The Codex Alimentarius standard (7th edition - 1973) also mentions "whey butter". This standard does not stipulate a maximum fat content. It stipulates among the essential composition and quality factors that the milk solids-not-fat content must not exceed 2 per cent by weight and that the water content must not exceed 16 per cent by weight.

PART TWO

Article II - Pilot Products^{1/}

1. For the purpose of this Protocol, minimum /and maximum/ export prices shall be established for the pilot products of the following descriptions:

Designation:	Butteroil or butterfat
Fat content:	99.3 per cent by weight
Packaging:	In packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lbs., as appropriate.
Terms of sale:	f.o.b. from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; <u>/or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance;/</u> or free-at-frontier exporting country. Prompt payment against documents <u>/on first presentation/</u> .
Designation:	Butter
Fat content:	<u>/</u> <u>/</u>
Packaging:	<u>/in packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lbs., as appropriate/</u>
Terms of sale:	<u>/f.o.b. from the exporting country or, for a land-locked country, f.o.b. from one maritime port of its choice to be designated at the time it signifies its acceptance; /or for the countries to be listed in a note, f.o.b. from one maritime port of their choice to be designated at the time they signify their acceptance;/</u> or free-at-frontier exporting country. Prompt payment against documents <u>/on first presentation/</u> .

^{1/} It was agreed that Article II would be examined by experts.

PART TWO (cont'd)

Article III - Minimum /and Maximum/ Prices

Level and observance of minimum /and maximum/ prices

1.^{1/} Participants undertake to take the steps necessary to ensure that the export prices of the products defined in Article II of this Protocol shall not be less than the minimum prices /nor more than the maximum prices/ applicable under the present Protocol. If the products are exported in the form of goods in which they have been incorporated, participants shall take the steps necessary to avoid the circumvention of the price provisions of this Protocol.

2. The minimum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (a) US\$/.../ per 100 kgs. for the butteroil or butterfat defined in Article II of this Protocol.
- (b) US\$/.../ per 100 kgs. for the butter defined in Article II of this Protocol.

/The maximum prices provided for in paragraph 1 of the present Article applicable at the date of entry into force of this Protocol are fixed at:

- (a) US\$/.../ per 100 kgs. for the butteroil or butterfat defined in Article II of this Protocol.
- (b) US\$/.../ per 100 kgs. for the butter defined in Article II of this Protocol./

/3.^{2/} The levels of the minimum /and maximum/ prices specified in the present Article can be modified by the Committee established in terms of Article VIII:2(a) of the Arrangement taking into account, on the one hand, the results of the operation of the Protocol and, on the other hand, the evolution of the situation of the international market./

^{1/} It was agreed that Article III:1 would be examined by experts.

^{2/} A proposal will be made at a later stage regarding the criteria to be taken into account for modifying minimum prices.

PART TWO (cont'd)

Article III (cont'd)

Adjustment of minimum /and maximum/ prices^{1/}

4. If the products actually exported differ from the pilot products in respect of the /fat content/ packaging or terms of sale, the minimum /and maximum/ prices shall be adjusted so as to protect the minimum /and maximum/ prices established in this Protocol for the products specified in Article II of this Protocol according to the following provisions:

/Fat content:

Packaging: /If the products are offered otherwise than in packages normally used in the trade of a net content by weight of not less than 25 kgs. or 50 lbs., as appropriate, the application of the minimum /and maximum/ prices shall be adjusted so as to reflect the difference in the cost of packaging from the type of package specified above./

Terms of sale: /If sold on terms other than f.o.b. from the exporting country or, for a land-locked country, f.o.b. from the maritime port of its choice /or, for the countries to be listed in a note, f.o.b. from the maritime port of their choice/, or free-at-frontier exporting country, the minimum /and maximum/ prices shall be calculated on the basis of the minimum /and maximum/ f.o.b. prices specified in paragraph 2 above plus the real and justified costs of the services provided; if the terms of the sale include credit, this shall be charged for at the prevailing commercial rate./

^{1/} It was agreed that Article III:4 would be examined by experts.

PART TWO (cont'd)

Article III (cont'd)

Special conditions of sales

5. Participants undertake within the limit of their institutional possibilities to ensure that practices such as those referred to in Article IV:1 of this Protocol do not have the effect of directly or indirectly bringing the export prices of the products subject to the minimum price provisions below the agreed minimum prices nor of raising the export prices of the products subject to the maximum price provisions above the agreed maximum prices^{1/}.

Field of application^{1/}

6. For each participant, this Protocol is applicable to exports of the products specified in Article I of this Protocol manufactured or repacked inside its own customs territory, whether their destination is temporary or final.

Transactions other than normal commercial transactions

7. The provisions of paragraphs 1 to 6 of this Article shall not be regarded as applying to donated exports to developing countries or to exports destined for relief purposes or welfare purposes in developing countries.

Such exports, and other transactions which are not normal commercial transactions, shall be effected in accordance with the FAO Principles of Surplus Disposal and Consultative Obligations.^{2/7}

^{1/} It was agreed that Article III:6 would be examined by experts.

^{2/} To the extent that the Sub-Group might decide to transfer the provisions of Article III:7, second sub-paragraph, of the Protocol to Article V(e) of the Arrangement, this sub-paragraph might not be included in the Protocol.

PART TWO (cont'd)

Article IV - Provision of Information

/1. In cases where prices in international trade of the products covered by Article I of this Protocol are approaching the minimum prices mentioned in paragraph 2 of Article III of this Protocol, without prejudice to the provisions of Article III of the Arrangement, participants exporting these products shall notify to the Committee all the relevant elements for evaluating their own market situation and, in particular, credit or loan practices, twinning with other products, barter or three-sided transactions, refunds or rebates and exclusivity contracts, so that the Committee can make a verification./

/Article V - Obligations of Exporting Participants
/at the Level of Maximum Prices/

/1. Exporting participants undertake to supply importing participants on a priority basis /and to deliver to them, at prices consistent with the prices determined in paragraph 2 of Article III of this Protocol, /certain quantities of/ products covered by Article I of this Protocol./

Note: It was noted that provision should be made for the possibility of special and differential treatment for developing countries./

Article VI - Co-operation of Importing Countries

1. Participants which import products covered by Article I of this Protocol undertake in particular:

/first alternative:

- (a) to co-operate in implementing the minimum prices objective of this Protocol and to ensure, as far as possible, that the products covered by Article I of this Protocol are not imported at less than the appropriate customs valuation equivalent to the prescribed minimum prices;/

PART TWO (cont'd)

Article VI (cont'd)

/second alternative:

- (a) to buy supplies, subject to contracts already concluded, solely from participants exporting products covered by Article I of this Protocol, in cases where prices in international trade of those products are at the level of the agreed minimum prices/and not to resell the quantities delivered by participants exporting those products in cases where prices in international trade of those products are at the level of the agreed maximum prices/;
- (b) to supply information concerning imports of products covered by Article I of this Protocol from non-participants; and
- (c) to consider sympathetically proposals for appropriate remedial action if imports at prices inconsistent with the minimum prices threaten the operation of this Protocol.

/Article VII - Commitments

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article I of this Protocol are set forth hereinafter/

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

PART TWO (cont'd)/Article VII (cont'd)/

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement. 7 7

/PART THREE/

/Article VIII - Derogations/

/1. Upon request by a participant, the Committee shall have the authority to grant derogations from the provisions of paragraphs 1 to 4 of Article III of this Protocol in order to remedy difficulties which observance of minimum prices could cause certain participants. The Committee shall pronounce on such a request within three months from the date of the request./

ANNEX III

Protocol Regarding Cheese

/PROTOCOL REGARDING CHEESE

Article I

/1. Concerted disciplines shall be established in respect of cheese. They shall constitute instruments co-operating toward the objectives of the General Agreement on Tariffs and Trade. They shall comprise rules of conduct, applicable by all participants to the present Arrangement, which may be clarified and supplemented, in respect of their implementing conditions, by bilateral or plurilateral commitments.]

/2. Multilateral rules of conduct

In view of the fact that adjustments of import and/or export policy are closely involved, these commitments must be entered into by both importing and exporting countries. Consequently, each participant shall undertake to take all necessary action to adjust

- its import policy in all necessary elements so as to ensure that its imports take place in the most orderly and regular conditions possible;
- its export policy in such a way that its exports take place in the most orderly and regular manner possible.]

Article II

/1. Commitments between participants to this Arrangement

The bilateral or plurilateral commitments clarifying and supplementing the content and nature of the disciplines accepted by the participants to this Arrangement are set forth hereinafter.]

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party

determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.//

/ANNEX IV

Protocol Regarding Other Dairy Products/

/PROTOCOL REGARDING OTHER DAIRY PRODUCTS

Article I - Commitments between participants to this Arrangement

/1. The commitments entered into between participants to this Arrangement in respect of products covered by Article II of this Arrangement which are not within the purview of the Protocol Regarding Certain Milk Powders, the Protocol Regarding Milk Fat or the Protocol Regarding Cheese are set forth hereinafter./

/2. The rights and obligations stipulated in Article XXVIII of the General Agreement on Tariffs and Trade for the party referred to in that Article as the "applicant contracting party" and for any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of that Article to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, shall be applicable mutatis mutandis to the commitments between participants mentioned in paragraph 1 of this Article.

3. In the evaluation of any compensatory adjustment that the applicant contracting party would be required to grant and that any contracting party with which a concession was initially negotiated, any contracting party determined under paragraph 1 of Article XXVIII of the General Agreement on Tariffs and Trade to have a principal supplying interest, and any contracting party determined under the said paragraph to have a substantial interest, would be entitled to obtain, in the event of application of paragraph 2 of this Article, due account shall be taken of the benefits accruing to the participants in particular from the application of each of the other Protocols referred to in Article VI of this Arrangement.//

/ANNEX V/

/Results of Bilateral or Plurilateral Negotiations as
Extracted from the Schedules Annexed to the /Geneva/ Protocol (...)/