GENERAL AGREEMENT ON
TARIFFS AND TRADE

GROUP ON MEAT

PAPER PRESENTED BY AUSTRALIA

(Note: In the interests of brevity and simplicity
this paper has been confined to discussion of
problems in the world trade in beef and veal)

INTRODUCTION

It is the purpose of this meeting of the GATT Meat Group to negotiate
arrangements between importing and exporting countries in relation to the world
trade in meat.

Other meetings of the Group have prepared the way for this negotiation and
there is no need to go over in detail points already made in previous meetings
and put before the members in a number of papers prepared by members and the
secretariat.

The stage has now been reached in these meetings where the Group must settle
down to the job of negotiating acceptable world arrangements for meat. The fact
that it will be doing so as part of the Kennedy Round means that certain things
have already been established or laid down. First, it has been laid down in
the Ministerial Resolution of last May that the arrangements are to be in
furtherance of a significant development and expansion of world trade in meat.
So it follows that arrangements that merely maintained the existing level of
international trade in meat would not satisfy the objective of the Kennedy Round.
To carry this point just one step further, there cannot be a significant develop­
ment and expansion of this trade unless the arrangements are such as to provide,
through commitments on the part of importing countries, assured opportunities for
larger exports by the meat exporting countries. The latter are entitled to
expect that through arrangements negotiated in this Group they will receive
benefits comparable with those obtained by exporters of industrial products in
the course of the Kennedy Round.

Second, it has been laid down that in the Kennedy Round each country shall
obtain a balance of advantages between it and the other participating countries
(which are not less-developed countries). This does not mean that within the
meat arrangements there must be a balance of advantages for each participant,
whether an exporter or an importer of meat. Such a requirement would be incon­
sistent with the objective of expanding trade in meat. The balance of advantage
is intended to be struck over the Kennedy Round negotiations as a whole. So the countries taking part in the meat arrangements negotiated through this Group will carry into the general balancing process that is foreseen in the Ministerial Resolution, the concessions or other commitments that they will have given as part of the meat arrangements - to the extent that these are not matched or requited within the meat arrangements. How large these unrequited commitments would be must depend on the extent to which the (importing) country concerned had contributed to the benefits which the exporting countries would obtain from the meat arrangements.

In previous meetings of the Group some important areas of agreement have been identified and some of the basic factors in the situation have been isolated. It has been recognized, for example, that the trade in meat, unlike the trade in many other primary products, is not at present beset by problems of world surpluses. In fact because meat is a perishable commodity it would be unusual to accumulate surpluses in the sense in which this term is applied in relation to other goods. Available supplies of meat are usually sold, but often at ruinously low prices. On other occasions, cattle are not slaughtered and stocks are held in producing areas. So that, although there are not surpluses of meat in the usual sense, there have been recurring problems of imbalance between supply and demand which have led to instability and low prices, often over relatively long periods.

Australia has contended, and the contention would seem to have been accepted by other countries, that these problems of imbalance will continue and become even more serious unless existing uncertainty as to future markets can be removed.

It has also been recognized in these meetings that any world arrangements must take account of the interdependence of the four major markets or potential major markets for meat (United Kingdom, United States, EEC and Japan). Any action to limit imports into one of these markets must inevitably have repercussions in the other three.

This is exemplified by the present situation in which two major markets (EEC and Japan) by limiting their imports in any period to an unpredictable level determined by the uncertain shortfall between domestic production and consumption (at artificially restricted levels) have distorted world meat trade with the result that all world pressures for markets are concentrated in the two remaining markets (United Kingdom and United States). The United Kingdom and the United States claim that as a result their markets are very much more unstable than if exports were more evenly spread over the major markets.
On the other hand, the United Kingdom while maintaining an open market for meat imports operates a system of support to its domestic producers which has repercussions beyond the United Kingdom market. The support given to the United Kingdom industry amounts to a very high degree of protection against imports. The method of supporting - by means of subsidy - had distorted price relationships on the market while ensuring that exporters will not benefit in any way from the high prices guaranteed to United Kingdom producers. Furthermore, the uncertainty that this policy has introduced into the United Kingdom market has made it virtually impossible for overseas producers to plan ahead with confidence. Moreover this distortion and uncertainty created for overseas producers extends beyond the United Kingdom market because the United Kingdom meat markets frequently determine so-called world prices for a number of classes and grades of meat. Artificially low prices brought about by United Kingdom subsidy policy, from time to time, therefore influences meat export price levels in world markets. This has become of even greater significance in view of the EEC Beef and Veal Regulation which provides for the imposition on imports of supplementary levies based on prices in representative third country markets.

In earlier meetings of this Group there has been general understanding also of the vulnerability of exporters dependent on these major markets for a large part of their export income and of their great concern to achieve predictable and growing access for their increasing export surpluses in years ahead.

The task of the Meat Group is to prevent the problems in the world trade in meat becoming even more serious; to remove uncertainties and to provide the framework for the orderly and profitable expansion of world trade in meat; to remove distortions in supplies to major markets and to allow exporters to plan ahead in confidence that their outlets will grow and not be seriously disrupted in the years ahead.

In our negotiations it will, of course, be one of the central problems to take proper account of the interests of producers in both importing and exporting countries. In other words to reconcile the protection of producers of importing countries with the objective of expanding and liberalizing trade.

OBJECTIVES IN MEAT MARKETING ARRANGEMENTS

The Group's objective to negotiate arrangements for the expansion of the meat trade implies several things. It implies:

- predictable and growing market outlets for exporters;
- assurances on supplies for importers;
- reasonable and stable international prices.
The last meeting of the Meat Group in November 1963, identified the elements to be considered in these negotiations. This list of elements is a logical starting point for the present meeting. Australia has therefore set out below to examine what it is expecting from this negotiation in respect of each of these elements.

1. Internal measures

Only one of the major importing countries, the United States, does not operate a system of internal support for its domestic meat producers. In the other three markets the system of support varies, but from the exporters' point of view the effect is the same. All of the systems have had the effect of ensuring to home producers a very much higher price than is available to efficient overseas producers. The result has been that domestic production has been greatly stimulated in countries operating supports.

The history of support systems in the United Kingdom, the EEC and Japan is a history of increases in the degree of support and a quite remarkable expansion of production. On the basis of past trends and what is known about existing and intended support policies in these countries, exporters are fearful that domestic production will continue to increase to the point of self-sufficiency or even further. These importing countries are now the main suppliers on their own markets and the gap to be supplied by imports tends to shrink further year by year. Australia believes therefore, that if the Group is to achieve its objective of expanding the trade in meat importing countries will need to take steps to reduce their level of support for their domestic products and so restrain production in their countries.

The means by which domestic production would be restrained would necessarily vary from country to country and depend on the type of support applied in each country. In general exporters are more concerned with the effectiveness and results of the restraint than with the method of restraint itself. Nevertheless, it is often impossible to judge results separately from methods and it is unlikely that exporters will be convinced about the effectiveness of any restraint until they have had an opportunity to analyze the proposals put forward by the importing country concerned.

So far as internal support is concerned, Australia is therefore requesting that those countries which support their domestic industries should accept a commitment which will make a significant reduction in their levels of support. The commitment must take account of the whole range of internal support measures including such measures as guaranteed prices, guide prices, reference prices, indicator prices, subsidies, deficiency payments, etc. It would be the aim of the reduction in support level to impose restraints on domestic production. The
more effective and the more concrete the restraint the more valuable the commitment to exporters. In the final result the effectiveness will be judged by the level of production resulting under the reduced support levels.

Australia, and it is expected other exporters, will be looking for an early indication from importing countries that they will be prepared to enter meaningful negotiations on the level of support and to accept firm commitments.

2. Measures at the frontier

Any satisfactory arrangements must, of course, deal not only with the critical problem of methods of support but also with the problem of frontier measures restricting trade in meat.

The significance of frontier measures varies from one market to another. The United States has an import duty which it has bound in GATT. In the United Kingdom frontier measures have not been of great importance (although domestic support arrangements have adversely affected access to that market) but the United Kingdom is presently examining mechanisms to contain imports. In the EEC, where imports have become less and less important, and in Japan, frontier measures are of great importance in limiting imports coming onto the market. Control in Japan is by means of a quota on beef and veal at a relatively low level supplemented by a duty which has recently been increased from 10 per cent to 25 per cent.

So far as Japan is concerned there is a clearly established need to negotiate a reduction in frontier barriers. Such imports of beef and veal as do occur are dependent on the condition of domestic production. This market for beef and veal is in fact very restricted and maintenance of such a system is clearly incompatible with the objectives of the Group.

In the EEC the mechanism of duties, levies and determined import prices is an integral part of the whole system of support for domestic industry. In the EEC as in Japan the system is capable of being operated so as to provide unlimited protection to domestic producers. Australia has noted that the EEC is proposing to meet existing GATT obligations and to go some way to recognizing the special nature of the trade in frozen meat by establishing a tariff quota of 22,000 tons plus an undecided supplementary quota of meat for processing under customs supervision. It has also been noted that there is no automatic provision for growth in either of these quotas, and that features of the EEC's policy for beef and veal continue the uncertainties of exporters access to EEC markets.
These barriers to trade in meat erected at the frontiers of meat importing
countries must clearly be open to negotiation. Australia does not adopt
a doctrinaire approach either for or against particular measures. Our concern
is to negotiate on measures at the frontier that will enable an expanding
trade to flow as freely as possible.

3. Access

The measures that have so far been discussed are part of the major question
of access for imports. It is clear that the effect of frontier measures and
other devices has been to reduce exporters to being merely residual suppliers
to many of the established world meat markets without any worthwhile
assurance on access.

The point has already been made in relation to measures of internal support
that exporters have no assurance that they will be able to find in the future,
markets for larger exports of meat. Put in positive terms this means that
exporters are seeking assurances from importers on their internal measures of
assistance and frontier measures which taken together will add up to a meaningful
commitment on access to markets.

The form these assurances might take (and some have already been mentioned)
are of course matters for negotiation. From Australia's point of view the most
significant assurance would be one which gives a guarantee of access as a
meaningful level which can be calculated in advance and which can confidently
be expected to grow in years ahead. Importing countries on the other hand are
no doubt seeking that any assurance of access will have regard to particular
conditions in their markets and avoid disruption of their markets. These
objectives have been largely met in the meat agreement recently concluded between
the United States and Australia. Although this agreement reduces the freedom of
entry that exporters enjoyed into the United States it nevertheless has several
desirable features. To the United States it gives an assurance that imports
will not exceed a specified level. To Australia it gives as a basic export
entitlement a substantial quantity of meat plus a growth factor related to market
growth in the years ahead. We believe it is a most important feature to have
acceptance of the principle that the market growth should be shared with the
exporting country. It is our view that the Group should look at the possibility
of extending the principles in this agreement into other major markets. Of
course there would be no question of adopting the same rate of growth as
applies in the United States/Australia agreement in markets where imports are
low and have been prevented from rising. In the EEC and Japan present conditions
of access are so much less favourable than to the United States and - for that
matter - the United Kingdom that exporters would expect those countries would
agree to accelerated rates of growth of access for imports. We could accept
that in Japan, for example, we might start with the guarantee of a small export entitlement which would be augmented by a larger growth factor than in other markets, with the result that our export entitlement would grow fairly rapidly as indeed we expect the Japanese market to grow.

Britain has already made some proposals to exporters about the kind of interim arrangements which she would regard as suitable for her market. These proposals contained some of the principles which we consider to have merit in the United States/Australia agreement. The British proposals, for example, did recognize the principle of a basic entitlement for exporters to the United Kingdom market increasing with future growth in the market. But the United Kingdom, EEC and Japan unlike the United States operate measures to assist domestic producers and any agreement on the lines of the United States/Australia agreement would have to be reinforced by commitments of the sort previously mentioned in relation to internal measures and measures at the frontier.

Importing countries will readily see that to exporters this question of fair and reasonable access is a vital element in the negotiations. Exporters could not regard negotiations in the Meat Group as having been successful if satisfactory assurances on access are not obtained.

4. International prices

Prices in world meat markets have been characterized by two main features:

(i) a wide disparity between markets in the prices received by exporters;
(ii) a marked instability in prices to exporters.

Prices in the various markets vary from the relatively attractive prices in the United States to the, at times, very low prices in the United Kingdom.

Throughout the world the meat trade is largely in the hands of private traders. In the absence of any trade restraints exporters would seek the market giving the best return. But in fact the existence of barriers to trade results in a great disparity of prices throughout the world and exporters have been forced on numerous occasions to accept unremunerative prices.

It is Australia's view in relation to agricultural products including meat that any international arrangements should contain provisions that will ensure remunerative prices for efficient producers.
Experience has shown that the policies followed by some countries have had the effect of keeping prices to exporters much lower than prices to domestic producers whether by the subsidizing of home production or protection by levies and duties. Commitments on access will therefore need to be supported by measures to establish prices for imports at reasonable levels. Australia believes that it should be possible to devise a method that will ensure that prices in importing countries do not fall below an agreed minimum. It is bad enough for exporting countries to face severe restrictions be they in the form of quotas or variable levies, but for these to operate in a way that depresses prices far below a reasonable level is neither in the interests of trading countries as a whole or GATT.

The other aspect of the price problem, instability of price, apart from instability arising from weather or cyclical factors, stems from two main causes. First, the great increase in production in the major importing countries has restricted the market available for imported supplies and consequently even small fluctuations in domestic supplies generate wide fluctuations in the prices received for imports. Second, the pattern of marketing or "phasing" of meat supplies entering international trade, often has little regard to the total supplies coming forward with the result that there are relative surpluses or shortages from time to time.

Australia believes that the first problem could be met by regulating the shares in the market of domestic production and imports, by measures such as those already discussed in relation to internal support and access. As to the problem of phasing, Australia will be seeking the recognition by all countries that more adequate phasing of supplies on the markets of importing countries would greatly benefit the trade in meat by improving the tone of meat markets.

5. Assurances of supply

Australia recognizes that importing countries who are being asked to accept commitments in relation to the supply of their own production may not be able to do so unless they can be assured that exporting countries will be prepared to supply their import requirements. Exporting countries are in a position to increase their supplies efficiently and economically but they need the assurance that markets will be available to enter into the investment necessary to provide adequate supplies in the future. For its part Australia would be prepared to consider assurances to supply as part of an overall arrangement involving concessions and commitments on meat which were regarded as together forming an acceptable total package.
6. Market development

All countries recognize the need to develop new markets as rapidly as possible. Australia cannot accept, however, that the solution to world meat problems will be found in the foreseeable future in reliance on the expansion of new markets. It is from the existing markets of the world that the increased demand for meat must come over the next few years at least. Australia is, however, prepared to look at any proposals for co-operation in market development. We have recently set about giving powers to the Australian Meat Board to enable it to enter into market development to an increased extent.

CONCLUSION

This paper has been concerned with problems of the trade in beef and veal and has taken as its starting point the elements for negotiation agreed at the last meeting of the Group.

Australia believes that the Meat Group can and should settle down to meaningful negotiations on meat and it has been the purpose of this paper to provide practical suggestions on the course these negotiations, leading to an international arrangement on meat, might take.