Introduction

1. In accordance with the Decision of the CONTRACTING PARTIES of 7 December 1961, inviting GATT member countries to notify any substantial changes in their agricultural policy and authorizing Committee II to carry out consultations with the contracting parties concerned, the United States Government submitted the text of a law (Public Law 88-482) providing for the possible imposition of quotas on certain meat and meat products.

2. The consultation was held on 8 February 1965. The Committee had before it document COM.II/136, containing the relevant part of the above-mentioned Act, enacted on 22 August 1964. It also had before it document COM.II/136/Add.1, communicated by the United States Government.

3. In introducing the provisions of Public Law 88-482 the representative of the United States said that as the leading agricultural exporter, and one of the largest importers, the United States considered it essential to orientate its policy towards a significant expansion of world trade in both the agricultural and industrial fields. It hoped to pursue this policy through GATT and in particular, through the Kennedy Round. It was clear from this context that any legislation that might lead to a restriction of trade would be undertaken by his Government only with the greatest reluctance. There were substantial reasons for the legislation under review: in the course of a few years the United States had changed from a position of marginal importer of beef and veal to being the second largest importer. While domestic production had risen substantially, imports had grown at a far higher rate, resulting in a sharp fall in domestic cattle prices as from 1962. This had created serious problems for the livestock industry, an important sector of the economy. While no single cause could be given for these developments, imports were certainly a contributing factor, and the threat of a further rapid growth in imports had led to the introduction of the law under discussion. He wished to point out, however, that the law did not in itself impose import quotas, but only provided for an introduction of quotas should certain contingencies arise. Even in the event that quotas were introduced, they would be liberal; under the provisions the import quantities permitted would equal quantities imported in 1962, the second highest imports on record. Not only did the law not drastically reduce present high levels, but even allowed for their growth in the future. He added that the conclusion of a world-wide arrangement on trade in meat as a result of the negotiations carried out in the Group on Meat would eliminate the need for
the legislation on condition that it led to reasonable access to world markets thereby reducing the pressure in the United States. He stated that he would not consider the present consultations as closed until the effects of the legislation, if it ever became operational, could be examined.

4. Various members of the Committee stressed their interest in the United States meat market. They expressed their concern that a restrictive legislation should be introduced at a time when most trading nations were preparing for broad liberalization of trade. They felt, moreover, that the legislation contained elements of unpredictability. Outside suppliers, in particular those whose production season fell into the latter part of the calendar year, would be faced with particular problems. While imports were only one of many factors in the downward movement of prices in the United States, the legislation was predominantly directed at imports. Moreover, the exports of some countries consisted of manufacturing beef which did not impinge directly on the market in prime beef. Various members expressed their appreciation of the readiness of the United States Government to continue present discussions in this Committee if the legislation became operative.

5. The representative of the United States replied that he would transmit the concern of various members of the Committee to his Government which had, however, already consulted on this problem with a number of their countries. He said that the burden in correcting the situation in his country was not placed entirely on outside suppliers; an indication of this was the growth factor for imports included in the legislation itself. Furthermore, in its efforts to correct the situation in the beef sector, his Government was not confining its action to imports but used other instruments, available internally, such as school lunch programmes.

6. A member of the Committee asked to which previously established legislation, if any, Public Law 88-482 attached itself. The representative of the United States replied that no previous legislation as regards meat imports existed. It was also asked whether the United States Government considered this legislation to be in accordance with the provisions of the General Agreement. The Committee agreed that such a question fell outside its terms of reference.

7. Certain members of the Committee noted that under the provisions of the legislation quotas would be based on the quantity of imports during a previous representative period, and pointed out that if due to obstacles such as sanitary regulations, no imports had entered the United States from these countries, there would be no basis for an allocation once these obstacles were removed or overcome. The representative of the United States replied that the legislation took account not only of past patterns of imports but also of special factors which had affected, or might affect, trade in the product in question. Effective or potential meat exporters who had previously been excluded from the market would thus have an opportunity to participate. Apart from that case it was envisaged that other elements might be included among the special factors which could also be taken into account with a view to enlarging the quotas allocated to other countries - for example, a drought affecting livestock in an exporting country, or transport difficulties which might hamper exports. In reply to another question, he stated
that although a global quota provided some flexibility for individual suppliers, he considered that an allocative quota was fairer to distant suppliers.

8. In answer to a question concerning the reference periods selected for the estimation of domestic production and imports, the representative of the United States stated that the selection was a compromise resulting from a number of proposals, some of them less favourable to outside suppliers than the periods finally selected. The base period selected as regards both production and imports was 1959 to 1963, while the growth factor for any calendar year would be calculated as an average for that year and the two preceding years.

9. A member of the Committee pointed out that the imports the legislation was aiming to restrict were not necessarily the same in type or quality as the domestic production whose price situation it was trying to remedy, and therefore doubted whether it would achieve the desired results. In replying, the representative of the United States observed that different types of meat competed with one another, although to a degree that varied as between types and was not easy to establish. The implementation of the provisions of the legislation would therefore be actuated by changes in the import values and not by price movements, so that the price relationships between domestically produced and imported meats were not relevant. The assumption was that a change in the total volume of supplies would affect prices, including those of domestically produced meat. This was also reflected in the legislation, which gave the President authority to suspend the application of quotas or to increase their levels if prices in the United States warranted this.

10. Another member of the Committee observed that the legislation provided for a change in the level of quotas parallel with changes in United States domestic production. He pointed out that if production increased, imports would increase also, and total supplies would grow even faster. Unless consumption grew just as fast, the result would be a decline rather than the desired improvement in prices. If, on the other hand, domestic production declined without a corresponding decline in consumption, the outside supplier would be penalized because quotas would be reduced, although he might be at least partly compensated by the higher prices that would result from the diminished total supply. The representative of the United States confirmed that those observations were correct and indeed illustrated the efforts of the United States Administration to keep legislation as fair as possible, avoiding placing the burden on imports from outside suppliers. The legislation had in fact been so designed as to induce United States producers to discipline themselves and not to expect restrictions on outside suppliers to help them. If they let production rise unduly, imports would rise and prices would decline; if they kept the pace of production down to that of consumption, they would not be penalized. In the other case mentioned, if for some reason production were to decline, and the reduced supplies resulted in an undue rise in prices, the legislation provided for a suspension of the quota system.
11. Asked why live cattle were excluded from the provisions, when the substantial trade in this item with Canada and Mexico must have an influence on beef prices in the United States, the representative of the United States referred to the long historical background of this border trade and said that the disruption resulting from restrictions would be out of proportion to the benefits derived.

12. A member of the Committee asked about the purpose of the provision that quotas would be imposed if the estimated aggregate quantity of imports that would take place in a given period in the absence of quotas exceeded 110 per cent of the estimated aggregate quantity of imports allowed during the same period if quotas were in operation. The representative of the United States explained that this provision meant that quotas would be applied only if the Secretary of Agriculture's estimate of how much meat would be imported in the absence of quotas exceeded by at least 10 per cent the quantity of imports (1959-1963 average and growth allowance) that would be permitted to enter if a quota system were in operation. This provision therefore allowed for a margin of error in case the Secretary of Agriculture underestimated the growth in domestic production or overestimated imports; it thus provided extra leeway so as to avoid the introduction of quotas.

13. A member of the Committee noted that the provisions required that estimates of how much meat would be imported during a given calendar year in the absence of quotas be made before the beginning of that calendar year and subsequently before each quarter; and that estimates made after the year had begun would take into account actual imports made in that year, to the extent that data were available. He asked whether the President was empowered to regulate imports currently on the basis of these quarterly estimates, by, for instance, introducing new restrictions. The representative of the United States replied that the legislation did not empower the President to introduce any restrictions not provided for by law. He stated that quotas, when applied, would be for the calendar year. The quarterly revision of estimates of imports would permit the authorities to see whether the imposition of quotas during the year was necessary or not. For instance, according to the first estimate quotas might not be required, but might become necessary on the basis of a subsequent estimate, as revised in the light of imports that had actually taken place since the beginning of the year. Quotas would then be imposed, at a level calculated for the whole calendar year but taking into account the quantities already imported.

14. A member of the Committee asked for clarifications regarding the discretionary authority of the President of the United States to suspend a proclamation or increase quota levels if required because of overriding economic or national security interests of the United States, giving special weight to the importance to the nation of the economic well-being of the domestic livestock industry. The United States representative replied that in his view there was no inherent contradiction in that provision and that the President would take into account all factors which affected the national well-being.
15. A member of the Committee referred to the provision under which the President could suspend the proclamation of a quota or increase the amount of a quota also in the event that supply was inadequate to meet demand at reasonable prices, and asked for more details. The United States representative replied that in determining whether or not consumer prices of beef were reasonable the primary consideration would be current prices in relation to prices over the immediately preceding years. If prices received by farmers and ranchers for beef cattle in the current year unduly exceeded and were expected to continue to exceed unduly through the end of the calendar year average prices over the preceding five years, and if furthermore, those prices resulted in comparable or greater increases in the retail prices of beef, as reflected in reports of the Bureau of Labour Statistics, a basis would be established for suspending quotas.

16. Replying to a member of the Committee who referred to the provision authorizing the President to suspend the proclamation of a quota or to increase the total quantity admitted for import if trade agreements entered into after the date of enactment of the Act ensured that the policy established in regard to the limitation of imports would be carried out, the United States representative explained that the President had discretionary authority to admit quotas larger than those determined by the Act provided assurances were given that, in the long term, those limits would not be exceeded. Referring more specifically to the possibility of a world-wide arrangement on meat as a result of the work of the Group on Meat, the United States representative expressed the opinion that in the event that an arrangement could not fit into the framework of existing legislation, it could be concluded with a view to ratification by Congress in the form of a Treaty.

17. Questioned on the subject of bilateral agreements for the voluntary restraint of exports, concluded prior to the adoption of Public Law 88-482, the United States representative declared that there was no conflict between the quotas provided for in those agreements and the new legislation and that if difficulties were to arise, his Government would immediately enter into consultations with the governments concerned.

18. A member of the Committee complained that the labelling practice and sanitary regulations such as the quarantine and inspections required in certain States encouraged disposal of the domestic product to the detriment of imported meat. The United States representative explained that a distinction should be made between the application of the Food Stamp Act, which concerned the federal subsidies paid to producers, and the various State laws on labelling and sanitary regulations. While admitting that the latter might in some cases be more stringent than the federal requirements, he nevertheless wished to draw the Committee's attention to the fact that since they were a matter within the jurisdiction of the States any remedy against them must be sought through the State courts, and in the event that such laws and regulations were indeed discriminatory they could not survive that test.
19. Concluding the discussion, a member of the Committee pointed out that the considerations which had led to enactment of the Act by the United States recalled the anxieties shared by other countries and the market organization methods which the latter had adopted. To illustrate his thinking, he emphasized that the United States Government gave priority to domestic meat production over the import trade and maintained strict control over the operation of the American market. Another member of the Committee stated that he could not accept that point of view and considered that the silence of other delegations in that regard must not be interpreted as implying their concurrence with the scope of the remark in question. In his reply, the United States representative emphasized that under the provisions of Public Law 88-482, any growth in domestic meat production automatically entailed an increase in imports.