

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Arrangement Regarding Bovine Meat

INTERNATIONAL MEAT COUNCIL

Special Meeting

Draft Report

Chairman: Ambassador Federico Grünwaldt Ramasso

1. The International Meat Council (IMC) held a special meeting on 27 February and 1 March 1985 in order to discuss the results of the International Meat Council's Working Party, set up in June 1984.
2. Since the Working Party had decided that there would not be a written report to the IMC, the Chairman of the Working Party, Mr. Antti Satuli (Finland), made the following oral report:

"The Working Party, as you recall, was set up in June 1984 by the IMC, to assist the Council in carrying out its functions under the Arrangement of Bovine Meat and in particular its Article IV, paragraph 2. According to its mandate, the Working Party had as its task to analyse, in the light of the current situation and probable development of the international bovine meat market, the existence of a serious imbalance or threat thereof. It also had to make an assessment of factors, including export subsidies and other forms of assistance affecting exports, that are leading to or may lead to such an imbalance or threat thereof. It further had to investigate the effects, in particular on traditional exporting countries, of such an imbalance or threat thereof and to see whether this situation was hampering the attainment of the objectives of the Arrangement. Finally, the Working Party had as a task to make proposals, for the consideration of the International Meat Council, for suitable steps to be taken to overcome the imbalance or the threat thereof.

In December last, when the Working Party should have reported to the IMC on the outcome of its work, it instead asked for a two-month extension to finalize its recommendations.

In the last eight months, the Working Party has met ten times in formal meetings, meetings often lasting two days. In these ten meetings the Working Party carried out its task following closely the terms of reference of the Group: it discussed in some detail the situation and outlook but was not able to agree on a common view, that is, having completed the analysis, a number of participants were of the opinion that the international bovine meat market was in serious imbalance, whereas others thought that there was a threat of imbalance. The Working Party discussed factors that were leading to or could lead to an imbalance or threat thereof at some length, and for the purposes of the discussion, these were divided into four broad groups, namely, those affecting production, consumption, imports and exports, respectively. It was recognized that there was a great deal of interrelation between factors, or certain of them, in these groups. However, there was a great divergence of views as concerns the significance and importance of a number of these factors for the imbalance or threat thereof. There was also a divergence of views as to the effects on traditional exporting countries of the imbalance or threat thereof as well as a divergence of views regarding whether the objectives of the Arrangement had been hampered.

In these circumstances, I regret to say that the Working Party was not in a position to agree on a written report to the IMC and it was decided that I should make a factual oral report.

The Working Party was required to propose recommendations for the consideration of the IMC, "for suitable steps to be taken to overcome the imbalance or threat thereof". Over the last couple of months the Working Party has worked hard to propose a set of recommendations that all participants could agree on. Unfortunately, in the end this was not possible. However, the Working Party decided to forward the proposals (annexed) on which it could not reach agreement in its entirety to the

International Meat Council in the hope that the IMC would be able to decide between the alternatives and brackets in the text. I might add that the order in which these proposals are now presented is one of convenience and has not been agreed upon by participants. Therefore, it should be considered as without prejudice to any final order decided upon.

Before concluding, I would like to make a personal remark. The Working Party has worked hard and although it was not in a position to agree on a set of recommendations there is, in my view, a certain degree of agreement on certain elements. Therefore, the IMC could consider whether, on this basis, some balanced and meaningful results could be achieved."

3. The IMC took note of the oral report by the Working Party Chairman and thanked him for all his efforts throughout the work of the Working Party.

4. The representative of Argentina recalled the reasons leading to the setting-up of the Working Party. He said that Argentina's purpose in asking for a special meeting of the IMC a year ago was essentially to carry out a process of reflection on the existing problems and very difficult situation, and to try to find a solution within the principles of the Arrangement Regarding Bovine Meat and those of the General Agreement. When this meeting took place in April 1984, he said, Argentina particularly had in mind the statement in the Ministerial Declaration of 1982 in which ministers pointed out the need to better incorporate agriculture in the multilateral trading system, that is, improve the rules and disciplines of the General Agreement in the field of agriculture, trying to improve conditions of access to markets and to bring under better disciplines competition and imports. At the time of the setting-up of the Working Party, Argentina drew attention to the objectives of the Arrangement. In particular, he said, his country stressed the importance of, and the need to, promote expansion, liberalization and stabilization of international trade in meat, as well as to progressively dismantle obstacles to trade in this sector. He pointed out that it had been recognized that the situation was particularly difficult. He said that his delegation was therefore

concerned that there did not seem to be any political will on the part of participants to reverse the trends on the market in order to remedy the situation. He was very concerned to see that the document containing the Working Party's draft recommendations was full of square brackets, indicating that no agreement was reached amongst participants on the measures to be adopted, despite the fact that, in his opinion, the document was perfectly coherent in terms of the mandate of the Working Party. He said that the solutions proposed in the document were not "hard" solutions, but solutions which would have opened a further process of negotiation to remedy the situation progressively, following the adoption of the document. He stressed that the first month of 1985 has confirmed the seriousness of the situation, and that the year as a whole will see a continual deterioration of the international bovine meat market. He said that this was characterized by an increase in the participation of subsidized exports, both of the European Communities and other European countries. In other words, he said, the international bovine meat market was becoming a market where sales were not based on the efficiency of the producers or on available natural resources, but on the basis of the capacity to subsidize exports. Because of these subsidized exports, the participation of Argentina in various markets has been decreasing, since Argentina, an efficient producer, was not in a position to compete with subsidized products. As an example, he cited Egypt, where prices have recently dropped from US\$1,600 to US\$1,000, because of competition from subsidized exports. The effect of such policies was a decrease in export receipts, deterioration of domestic prices in real terms, leading in the case of Argentina to increased domestic consumption, and decreased participation in international trade. Finally, he invited all participants to reflect further on the draft proposals submitted by the Working Party. He believed that these provided a good basis for a solution of the existing problems, that is, a basis for further negotiations on a progressive elimination of market access limitations and of subsidies which distorted bovine meat markets. He said that Argentina reserved its right under the General Agreement to have recourse to other means of defending its legitimate rights as an efficient producer of bovine meat.

5. The representative of Uruguay said that the Working Party had carried out its mandate as far as the analysis of the imbalance and the weighing of the various factors contributing to such an imbalance were concerned. However, what the Working Party failed to do was to make concrete proposals for recommendations to the IMC, since the document submitted was replete with square brackets, making it difficult for the IMC to adopt remedial measures. If the IMC does not adopt measures in such a serious situation, he said, it will be evident to all that it only serves as a body for exchange of views and information and he wondered if it was only for that that the participants had signed the Arrangement.

6. The representative of the European Communities said that the difficulties faced by the Working Party as concerns the proposals to the IMC stemmed from big differences of views in regard to the willingness to examine all the elements that could have an influence on the current situation. Firstly, there was a big difference of views concerning the appraisal of the situation, i.e., whether there is an imbalance or merely a threat thereof. Evidently, he said, if one cannot agree on the appraisal of the situation, it is difficult to find solutions. However, also the analysis of the measures having an influence on the trade of bovine meat was, in his opinion, unbalanced: there was, he said, a certain number of participants who were of the opinion that the only problems on the bovine meat market were those created by the EC restitutions. All our work ran into that difficulty. Secondly, some participants were too exacting in their demands as concerns the recommendations, rejecting some other participants' arguments of a legal nature with regard to the terms of reference, the General Agreement and their own national policies. He thought there had been an understanding at the outset to stay within the limits of what was feasible, respecting existing domestic policies, when suggesting solutions. In his opinion, there was a certain number of solutions suggested that went beyond these limits and it was as a result of this that the Working Party failed to suggest agreed proposals. He said, however, that rarely in the history of the GATT had a Working Party worked as hard and met as often and discussed the matters at hand so thoroughly as this one. Therefore, all participants were confronted with the problems of its trading partners

which, in his opinion, was profitable to everyone and the reason why all this work was not done for nothing. He hoped that in their reports to capitals, participants would indicate that a certain number of participants felt injured by the policies followed by one or the other participant and that an attempt should be made to avoid causing prejudice when implementing domestic policies.

7. The representative of Australia believed it was undeniable that there was a situation of imbalance confronting the international bovine meat markets. He said that one must admit that there had to be an imbalance when a participant, who produces with the assistance and benefit of high domestic support prices bearing no relationship to prevailing world market prices, is able to build up stocks equal to the traditional annual level of Australian exports, traditionally the world's largest. One must admit further that there had to be an imbalance when a participant becomes the world's largest exporter with the help of price support and assistance for producers and of subsidies for exporters, rendering the international bovine meat market and its prices meaningless. Furthermore, he said, distortions in the bovine meat market affected also the traditional markets for sheepmeat where these disappeared, in spite of a preference for sheepmeat, because of subsidized beef offered in those markets at prices well below those of sheepmeat. In the view of Australia, this constituted an undermining of the objectives of the Arrangement. He said that the proposals submitted to the IMC were meaningless since they contained a number of brackets and no agreement could be reached on a deletion of these brackets. He wondered whether it was possible to arrive at any solution for any issue in these types of fora as long as participants do not accept discussing proposals and solutions which conflict with domestic policy considerations.

8. The representative of Japan said that he was quite satisfied with the efforts made to analyse the situation and the various factors and to find solutions to the problems. To his country, the most important aspect was the lasting stability of trade and his country would continue its efforts in this regard.

9. The representative of New Zealand said that his delegation was very disappointed at the lack of results in the Working Party. He said that he had hoped for short-term solutions, something less ambitious than what might be hoped for from the Committee on Trade in Agriculture. But, he said, the simple fact is that while we can agree that there is at least the threat of market imbalance, there is no political will to address that situation, and what appeared to him to be the basic incompatibility of some countries' domestic legislation with the rules of the GATT, let alone the Bovine Meat Arrangement. He said that New Zealand exporters faced competition from subsidized beef and access barriers which hindered the development of trade. Giving an example of the seriousness of the situation, he said that during the Working Party meetings, reference had been made to the displacement effect of cheap subsidized EC exports in markets where the traditional fare was sheepmeat. Recently New Zealand mutton, which is at the lower end of the sheepmeat price scale, was displaced from a North African market by EC beef at US\$800 per ton against US\$950 for mutton. In his opinion, that pointed to a situation of imbalance and to a serious situation for traditional exporters of meat and livestock products. Furthermore, the situation was now such that competition was between those with the capacity to subsidize and the country with the greatest capacity obtains the market. Referring to the draft proposals submitted by the Working Party to the IMC, he agreed with Australia that these were meaningless in their present form. Unless there was something which led in the direction of an improvement of the situation, he was of the view that the IMC had achieved nothing, and had failed to agree on solutions for the problems facing the international meat market. However, he said that he was still prepared to consider realistic solutions if there were any. At a later stage in the meeting, the representative noted the EC statement that it was prepared to conduct its trade policy in future in a manner which would not damage its trading partners.

10. The representative of Canada stated that his delegation's analysis of the situation was broadly similar to views already expressed by the representatives of Argentina, Australia, New Zealand and Uruguay as it relates to the causes of imbalance in the international beef market. He said further that it was dangerous to create an illusion of progress

when no progress was being made. His delegation hoped, however, that the IMC could lead the way to measures that would be able to alleviate the current situation in the short term, and which would perhaps help to develop longer-term solutions to the basic problems in the sector. If, on the other hand, the IMC were to prove unable to resolve the situation, he thought that some time would be needed to reflect on the implications that such a situation would have for the Arrangement and for the GATT itself.

11. The representative of the United States said that his delegation had hoped at the outset of the Working Party that it would be possible to find some mutually acceptable solutions to the problems that did exist in the world beef market. Unfortunately, that did not seem to be the case and he agreed with other participants as to the danger of creating an illusion of success. He further said that the Arrangement and perhaps even the GATT would be discredited by the adoption of a set of meaningless recommendations.

12. Referring to the divergence of views and the lack of agreement as concerns the recommendations, the representative of the European Communities said that if proposals for solutions were to be made, one had to take into consideration resolutions which addressed all factors which have a negative effect on exports, while at the same time finding a balance between the proposed solutions, which, in his opinion, was lacking in the present ones. He further said that the systems of income and price support existing in a number of countries had to be looked at in the light of the general price and income level of the countries in question. A factor of great importance which had been neglected, in his opinion, during the discussions, was animal feed. However, he did not share the pessimism expressed by other participants as to the lack of results of the Working Party and its repercussions on the IMC. He said that the IMC and the Meat Market Analysis Group exist and function well. He further said that it had been established in the Working Party that there were a certain number of problems which could have been provoked by domestic measures. Therefore, one should now make an appeal to the political willingness to take action. Perhaps also an appeal should be

made to these countries to conduct their existing national policies in such a manner as to avoid a prejudice to trading partners. He said that the Community had this political willingness to steer its policy in this direction in the future. He believed that this was a good lesson to learn from the work done in the Working Party.

13. The representative of Uruguay was of the opinion that the divergence of views was due to certain facts being interpreted along different lines, facts that cannot be discussed as such. For example, he said, an exporter became in 1984 the largest exporter of the world with subsidized prices below the cost of production. This, he said, is a fact which one cannot argue for or against. An equitable share of the market, he continued, is difficult to determine. However, a country which for several years subsidizes its exports and thereby gets the main part of the market cannot claim to have an equitable share of the market, in the sense of Article XVI of the GATT. Such subsidized exports have displaced the products of other exporters, for example, from the Egyptian market, causing prejudice to the economic interests of trading partners, in particular Uruguay.

14. The representative of the United States pointed out that it was not that different participants put more or less emphasis on one factor or another, but that the analysis was different from one participant to another. He said, moreover, that even a small supplier to the United States market, such as the Community, does increase competition on that market. As concerns animal feed, he said, one would assume that low-priced feed would help lower the cost of production, allowing a lower price on exports.

15. In response to the Uruguayan participant, the representative of the European Communities stressed that the fact that the Community has taken an important part of the market these last few years is because certain traditional suppliers were short of meat and were not in a position to satisfy demand. In other words, the Community has done nothing other than to replace the traditional suppliers who were lacking meat. He explained that in order to reach these markets, it was necessary to reduce the high level Community price to the level of the world market in general. This, he said, is the only reason why the Community granted an export refund.

16. A number of participants expressed deep regret and dissatisfaction, that despite the fact that a majority of participants had concluded that there was at least a threat of imbalance, no recommendations could be agreed upon to solve this problem. The lack of any result of the work put in over the last eight months would leave the way open to inaction and would put the Arrangement Regarding Bovine Meat under considerable pressure. These participants reiterated the opinion that the lack of results was due to a lack of political willingness to take action in the current situation; others said that the outcome of the work of the Working Party was, in their view, caused by less than balanced draft proposals.

17. After having attempted one more time to reach agreement on a set of recommendations, but without result, the Chairman of the IMC made the following statement, a statement with which participants expressed agreement:

"The International Meat Council takes note that the Working Party established in June 1984 has not been able to make mutually acceptable proposals to it for remedying the situation of imbalance or threat thereof in the international meat market, notably for lack of a common assessment of the situation as well as of the effects of factors influencing the international meat trade.

Nevertheless, draft proposals for suitable steps to be taken to overcome the imbalance or threat thereof in regard to the sectors of production, consumption, imports and exports were discussed. No overall consensus was reached on these points.

In view of the fact that these draft proposals contain positive elements, the International Meat Council invites participants not to lose sight of these elements and it will review the situation regularly, in the light of the above considerations, at its regular meetings. In this context, participants reaffirmed their commitment to the objectives of the General Agreement and to the Arrangement Regarding Bovine Meat."

18. It was decided that the draft proposals should be annexed to the present report and be available for discussion at the next regular meeting of the IMC.

Date of next meeting

19. The Chairman of the IMC informed the participants that a special meeting of the IMC would be organized, with their agreement, on 15 May 1985 in order to discuss, at the request of the CONTRACTING PARTIES, "the adequacy and effectiveness" of the Arrangement "and the obstacles to acceptance which contracting parties may have faced" (L/5756).