

RESTRICTED

IMC/W/33

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**GENERAL AGREEMENT ON
TARIFFS AND TRADE**

Arrangement Regarding Bovine Meat

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INTERNATIONAL MEAT COUNCIL

At the December 1983 meeting of the International Meat Council, the Chairman invited participants to give their views and comments as well as possible solutions on the problem of instability in writing for discussion at the June 1984 meeting of the IMC. Pursuant to that invitation the following note¹ has been submitted by Australia.

¹Subsequent notes by other participants on the same subject will be issued as addenda to the present note.

Instability in the World Beef Trade

I. In summary our views on the causes of instability and possible solutions are outlined below.

Major causes of instability

1. Government intervention and protection: A major cause is the actions of various governments in underwriting high cost beef production through generous price supports and import restrictions. The resultant flood of subsidized product onto world markets has depressed prices and undermined the confidence of low cost producers in traditional exporting countries.
2. The nature of international beef trade: The amount of beef traded is only a small proportion of the total world production and as a result beef trade is highly sensitive to relatively small changes in consumption and production levels in major producing and importing countries. This is accentuated by the fact that many of the major importing countries, the US, EEC, Japan and Canada are also major world producers of beef. Consequently because the major importing countries have a high level of self-sufficiency, any significant change in domestic production or consumption has a magnified effect on trade levels.
3. The demand for beef: The uncertain and depressed economic conditions of the last decade have had a considerable impact on the international beef trade and have significantly dampened demand prospects. Beef demand during this period has also been adversely affected by increasing availability and consumption of alternative meats especially poultry.

Effects of instability

4. Efficient producers penalized - while beef producers in the major importing countries are insulated against market forces by government intervention the effect has been to transfer the burden of instability onto efficient producers in exporting countries. Because of an increasingly unstable beef trading traditional environment, producers in exporting countries have become increasingly unwilling to make long term investment in the beef industry. In addition these producers have suffered reduced profitability from beef which in many cases has encouraged them to turn to alternative farming enterprises. In essence the question of structural adjustment is transferred from high cost producing countries to low cost producers.

Solutions to the instability problem

5. The only lasting solution to the instability in the world beef trade lies in adjustments to the domestic policies of high cost producing countries. In addition these countries should be encouraged to modify

those policies which interfere with world beef trade, particularly export subsidization, and to seek alternative solutions to problems caused by domestic measures. For these reasons Australia favours the adoption of income support measures in preference to the present reliance in many countries on price support policies. This would help to reduce the possibility of domestic oversupply and hence the need for export subsidization.

6. While we acknowledge that some of the instability in the beef trade is due to the nature of the product itself, we firmly believe that national policies have a more significant impact on trade. Australia believes that the IMC can play a useful rôle in focusing attention on the problem of beef trade instability and on the search for solutions to this problem.

II.

7. Australia's views on the instability issue are outlined in IMC/W/22 of 7 June 1983. The secretariat's paper (IMC/W.25) largely substantiates our views on this issue. However there are some points on which our emphasis and interpretation is somewhat different.

8. Firstly, the secretariat apparently concludes that there has been a relaxation of import restrictions since the mid-1970s. However our belief is that the opposite has been the case. In spite of minimum access commitments there has in fact been a trend towards increased restrictions. Examples include the EC's introduction in 1977 of a more restrictive beef regime with its punitive variable levies on beef imports; the expansion of Japan's LIPC's powers to more rigidly control imports; the introduction of the Countercyclical Meat Import Law in the US and the progressive decline in access to the US market as determined by the falling trigger level. Minimum access commitments may have slowed but certainly have not reversed the trends towards greater import restrictiveness.

9. Secondly, we believe that paragraph 23 of the secretariat's paper tends to seriously understate the extent to which export subsidies have destabilized the exports of non-subsidized beef. There is no doubt that export subsidization has had a major depressing effect on world beef prices. In this context the following comments by the FAO on its 1980 study are relevant. "Export subsidies, like import duties and levies tend to depress world market prices and decrease outlets for low cost exporters. However, the degree of depression of world market prices and distortion of international trade is much greater in the case of export subsidies".

10. Thirdly, while there are a number of elements, including information exchange, supply commitments etc. which seem to make the market more predictable and therefore stable, the major overriding factor currently affecting the predictability and stability of world beef trade is the policies of the major consuming countries which are distorting production responses and interfering with the operation of the market system. In order to sustain such policies, imports are discouraged and exports are subsidized to the detriment of traditional low cost exporters. The only genuine solution to the problem of international beef trade instability lies in major consuming countries adopting more market responsive production and trade policies.