GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

IMC/W/61
12 June 1987

Special Distribution

Arrangement Regarding Bovine Meat

Original: English

INTERNATIONAL MEAT COUNCIL

For discussion under agenda item (v) of the draft agenda, the following questions have been submitted by Australia:

EUROPEAN ECONOMIC COMMUNITY

Question 1

For 1987, the EEC Commission proposed that the so called "balance sheet" manufacturing beef quotas should be set at zero and replaced by an additional autonomous global allocation of 12,000 tonnes high quality beef. This reflected a view by the Commission that demand for imported manufacturing beef was declining in the Community. In the event, the EEC Council of Agricultural Ministers decided to set the balance sheet quotas at 15,000 CWE and reduced the additional allocation of high quality beef to 8,000 tonnes. On what basis did the Council of Ministers conclude that there was a requirement for this quantity of imported manufacturing beef? Does the Commission believe that there is likely to be a continuing requirement for this product? Is the demand for it expected to increase or decrease in the future?

Question 2

In 1986, the EEC Council of Ministers announced a package of measures aimed at reforming the beef and dairy sectors in the Community. How effective have these measures been to date in achieving their objectives and does the Commission now regard the reform of the beef sector as having been effectively completed? What are the Commission's latest estimates of the impact of the dairy and beef reform measures on EEC production, consumption, stocks and exports of beef?

JAPAN

Question 1

Australia notes that while beef imports into Japan are strictly controlled by quotas and other administrative arrangements (including state trading), so called diaphragm beef enters Japan as offal outside of quota and at a tariff advantage but in direct competition with some types of

imported and domestic beef. Imports of diaphragm beef have increased dramatically in recent years, mainly from the USA. At the same time, almost 80 per cent of growth in beef imports under quota is reserved for grain fed high quality beef, again mainly from the USA. If, as the Japanese Government asserts, Japanese consumers prefer high quality beef, why have imports of diaphragm beef outside of quota increased to this extent? Does this not indicate considerable unsatisfied demand for beef in Japan and the potential for substantially increased access for beef? Does not this growth in imports of beef outside of quota demonstrate also that the present import quota system is creating distortions in the market?

Question 2

Australia has noted the continuing strong demand for beef in Japan confirmed by the Japanese Government's early announcement of the global quota for the first half of JFY 1987 and for a larger quantity than expected (93,000 tonnes). Moreover, imports under quota have been accelerated and according to Japanese Ministry of Finance figures, Japan's beef imports in JFY 1986 exceeded the global quota level for that year by some 20,000 tonnes. Australia notes also that the Japanese Government has introduced some limited additional measures to reduce beef prices in Japan and to pass back to consumers some of the benefits of the appreciation of the Yen. Against this background, does the Japanese Government expect demand for beef in Japan to remain strong? If so, what additional beef imports does the Japanese Government anticipate will be required during the remainder of JFY 1987 to satisfy this expanding demand?

Question 3

Australia notes the information provided by Japan to the GATT on the import mark-up and resale price of beef arising out of the notification of its beef import regime as state trading under Article XVII (L/5937/Add.2/Suppl.2). In view of the brevity of Japan's response in that document, could Japan provide the International Meat Council with a fuller explanation of the basis on which the import mark-up and resale price figures have been derived. Australia notes also that the figures have not been disaggregated into grass fed and grain fed beef and would be grateful if this could be done. Independent research undertaken by the Australian Bureau of Agricultural Economics indicates that the import mark-up of grain fed beef is significantly less than for grass fed beef.

U.S.A.

Question 1

The United States Government is funding meat promotion activities in Japan (US$6.5m) and Hong Kong (US$0.5m) annually under the Targeted Export Assistance Programme (TEAP). Why has it been necessary for the United States Government to subsidise promotional activities for beef in these two markets in this way? What are the objectives of these TEAP programmes and what form of activities have been funded to date?