

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONFIDENTIAL

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Group on Meat

SUMMARY RECORD OF THE DISCUSSION 1-5 JULY 1963

INTRODUCTION

1. The Group met in Geneva from 1-5 July 1963 in order to initiate its work on the basis of the instructions by the Ministers. Papers had been submitted to the Group by the Governments of Argentina (Spec(63)206), Australia (Spec(63)197), New Zealand (Spec(63)203), and the United Kingdom (Spec(63)190). A list of points for discussion was suggested by the secretariat and amended in the light of the comments made at the meeting (Spec(63)208/Rev.1).

INTRODUCTORY STATEMENTS

2. The representative of the United Kingdom introduced the paper submitted by his delegation. His statement has been circulated to the Group as document Spec(63)195.

3. The representative of the EEC explained the position of his delegation. While the EEC was in principle prepared to study all aspects of the meat problems, his delegation was not in a position to take part substantively in the present discussion, since no common policy for beef and veal had as yet been established. A communication by the EEC had been circulated as document Spec(63)191.

4. The representative of Australia in introducing the paper submitted by his delegation described the importance to exporting countries of trade in meat. He stressed that vast areas in his country relied solely on cattle raising, so that it would not be practicable for Australia to restrain production. In relation to access, the problems both of internal assistance to producers in the major importing areas and of protective barriers at the frontier would have to be considered. The question of international prices at a level remunerative for efficient producers was also part of the problem. He was pleased to note that the United Kingdom did not exclude the possibility of a system of minimum import prices. He agreed that such a system was not without its difficulties but stated that nevertheless the system offered many advantages and should be explored very carefully and fully. Other issues, such as the implications of veterinary regulations, were also important and should be considered. He stressed that countries in the Meat Group were charged to undertake a negotiation on meat as part of the general trade negotiations. They should accept that they had a responsibility to move into effective negotiations as quickly as possible. In the meantime he felt that participating countries should undertake not to take action that would aggravate the international trade problems for meat.

5. The representative of New Zealand introduced the New Zealand paper and stated that, in his view, the aim of the work of the Group should be to provide opportunities for the efficient exporting countries to increase their export earnings to the maximum extent consistent with their ability to provide meat at competitive prices. Although he considered that it was not unreasonable to expect the normal application of the rules of GATT, he realized that the modification of internal meat policies was a politically sensitive matter. Conditions of access had to be created in such a way that they were acceptable to all parties concerned. He went on to say that, because of the great variety in type, price and quality of meat products, there was not one international meat market but a series of different markets which were more or less related. The specific problems of each market had to be considered. The differences in levels of consumption as between various countries and the factors which led to these disparities also required consideration. He expressed concern about the present trend in production, particularly in importing countries. Such production increases would certainly have an impact on the position of traditional exporters. In the New Zealand view a prima facie case had not yet been established for the Group to consider an international meat agreement, nor would it be appropriate to adopt for international approval the kind of market-sharing based on present shares proposed by the United Kingdom.

6. The representative of Argentina briefly summarized the paper presented by his delegation. He stressed the fact that there were three main import markets for meat. These had very differing characteristics, which would make it impossible to establish a single set of criteria for the development of international trade in meat. As regards the objectives of any arrangements, a distinction should be made between long-term, medium and short-term objectives. The Argentinian suggestions in this respect were spelt out in document Spec(63)206. While agreement would have to be reached on any long-term objectives, particular arrangements could be designed in order to reach the medium or short-term objectives for specific meats for which there were special problems.

7. The representative of Uruguay also felt that for exporting countries, the essential aim was to receive treatment which was in conformity with the provisions of GATT. Nevertheless, his delegation was prepared to consider other solutions which would lead to acceptable conditions of access; it was obvious that this meant an expansion of the market and of trade in meat. The question whether the problems of international trade in meat could be solved by the conclusion of an international meat agreement still remained to be proved. It was, therefore, necessary to study various possible formulas without any preconceived ideas; these studies might well arrive at the conclusion that the question of meat presented ideal conditions for solving the marketing problems through loyal compliance with the General Agreement.

8. The representative of the United States made a statement which was circulated to the Group as document Spec(63)211.

9. The Group proceeded with its discussions on the basis of a list of points suggested by the secretariat and circulated as document Spec(63)208/Rev.1.

PRODUCTS INCLUDED IN THE DISCUSSIONS

10. The discussion concentrated on meat of cattle and sheep. It was understood that live animals and other types of meat would be borne in mind and might, as appropriate, be brought into discussion at a later stage.

AGRICULTURAL POLICIES

Internal measures

11. The representative of New Zealand drew attention to the statement made in the paper submitted by his delegation that, unless the tendency towards self-sufficiency in some major import markets was checked, a serious situation could be foreseen for meat exporting countries. The objective of achieving an improvement in the conditions in access to the world's major existing or potential meat import markets implied a reduction or limitation of present and prospective levels of protection.

12. The representative of the United Kingdom recalled that the paper submitted by his delegation included the concept of restraint on price support.

13. The representative of Australia regarded the question of internal measures as part of the conditions of access. He pointed out that the volume of meat entering into international trade was only small in relation to meat production in the large importing countries, so that a relatively small increase in production in the large importing countries could have a disproportionately large adverse effect on international trade. He stressed that, at an appropriate stage, all aspects of national policies affecting meat production would have to be considered.

14. The representative of New Zealand, commenting on the existing disparities in consumption levels as between different countries, expressed the view that many of such disparities were the consequence of import policies of the importing countries. He would expect importing countries eventually to undertake certain commitments as regards the height of the domestic support price level; the height of production subsidies; a limitation of their price or income support to a certain negotiated standard quantity; and as regards any other measures affecting production or price policies.

15. The representative of the United Kingdom stated that the per capita beef consumption in his country since the abolition of rationing had not shown such an increase as was expected and it was still below the pre-war average. Consumption of mutton was fairly stable; on the other hand consumption of pigmeat and poultry had increased substantially. The present situation was such that relatively small increases in meat supplies led to a quite disproportionate fall in prices.

16. The representative of Uruguay stressed the importance of examining, during the Group's further work, the relationship between domestic consumption and availabilities and prices.

17. The representative of the United States explained that beef imports into his country consisted predominantly of frozen boneless meat for manufacturing, a type of meat for which there was a strong demand inadequately covered by domestic supplies.

18. The representative of Argentina drew attention to the fact that the disparities in consumption as between the various countries were not in keeping with disparities in income levels. Other factors such as availabilities of animal proteins from various sources and problems of distribution and marketing also affected meat consumption. He expressed the hope that importing countries would supply information regarding these aspects for the benefit of the further work of the Group.

19. The representative of the EEC gave some details about projections of consumption, production and imports of beef for the Community in 1970. These projections were based on the assumption inter alia of an average increase in population in the whole Community of 3.7 per cent over the period 1958-1970, and a development in income of 4 per cent annually. The projections showed an estimated increase in total beef consumption in the Community during this period of 1,736,000 tons from 3,285,000 tons in 1958 to 5,021,000 tons in 1970. There were, however, appreciable variations in the increase per member State, ranging from 4 per cent in Belgium and Luxemburg to 38 per cent in Italy. The projection for the average per caput consumption in 1970 was 19.5 kilogrammes per year, which was still less than the per caput consumption in countries like Denmark and the United Kingdom. It was estimated that total beef production during this period would increase from 3,032,000 tons in 1958 to 4,682,000 tons in 1970, an increase of some 55 per cent. These figures would leave room for total net imports into the Community to increase to 339,000 tons, which meant an increase of 81,000 tons as compared to total beef imports of 258,000 tons in 1958. Imports would however vary greatly between the member States. He stressed that such figures should be used only with great caution. Beef production, for example, was closely related to dairy production and would, therefore, depend not only on developments in the meat sector but also on the dairy situation. Furthermore, the projections were based on certain price assumptions. Variations in price would have an appreciable bearing on the figure for consumption and it was impossible to make any predictions about the price level in the Community in 1970.

INTERNATIONAL TRADEAccess

20. The representative of Denmark stressed the close relationship between the problem of reducing the great variety of protective measures and the problem of the establishment of a fair and stable price level in international trade in meat. All countries, both importers and exporters, endeavoured to secure a more fair and stable income for their producers. It was for consideration whether there was a possibility of co-ordinating the various systems in such a way as to provide a fair balance in the rights and obligations of the participating countries. Another question was whether importing countries were prepared to adapt their systems of protection so as to bring the degrees of protection in these countries more in line with one another.

21. The representative of New Zealand stated that the extent to which his country received improved terms of access would determine its participation in the Trade Negotiations as a whole. It was essential, in his view, for importing countries to modify the internal policies which encouraged high cost production, so as to leave room for trade to expand on a more satisfactory basis. He recognized, however, that this could only be achieved as a long-term objective. In the meantime, it was essential that present trade conditions should not deteriorate and that importing countries should gradually bring the terms of access more in line with their obligations under the GATT. In this connexion, he referred to the findings of Committee II which stated in its third report that world meat trade conditions were favourable for the relaxation, indeed for the removal, of barriers to trade. In particular, as regards trade in mutton and lamb, it was found that the removal of restrictions on imports was unlikely to result in a sudden or large increase in imports. He pointed out that there were no important stocks of meat, nor would it be possible to increase production so rapidly that markets might be disrupted. He further stated that his delegation opposed the concept of a balance between domestic production and imports, whereby domestic producers would have a pre-emptive right to market their products within the country. The question of price was important in this connexion and he felt that prices should be set at a level remunerative for efficient producers; the level should not be such as to leave high cost production unchecked. As regards the question of opportunities for exporting countries to compete for participation in meeting market demand, this question would not arise if import barriers were sufficiently relaxed.

22. The representative of Australia pointed out that there were two types of protection being given by countries who protected their meat industries. Where countries only afforded protection by means of a tariff, then the level of these tariffs could be subject to negotiations. However, where protection was afforded by various measures, internal support measures (whether by subsidies or other means) and measures at the frontier, negotiations would only be meaningful if countries were prepared to undertake commitments as regards all these measures,

to the extent that they had implications for international trade. The conditions of entry had to be predictable and the degree of protection had to be known in advance. Furthermore, the negotiations should not just aim at maintaining the current situation but should lead to increasing shares of the world market for meat for exporting countries. It would not be acceptable if imports were regarded as the regulator in the major world markets to be varied as necessary to complement fluctuations in internal demand or production. Obligations undertaken by industrialized importing countries in this field should be comparable to the kind of concessions these countries expected to receive in the trade negotiations for their industrial exports. As regards the question of the elimination of discrimination in opportunities for access, he emphasized that this should apply to all kinds of discrimination including discrimination against a particular meat product such as frozen beef. He further expressed the view that future discussions, after agreement had been reached on certain principles, should deal with the means by which these principles were to be implemented and also with levels of prices. In referring to prices, he was referring to the prices at which meat was sold in international markets and also to prices paid to producers as compared with market prices and prices to consumers. The exporting countries, on their part, should be prepared to consider undertakings in respect of assuring regular supplies and avoiding disruption of the major import markets.

23. The representative of Uruguay stressed the importance of eliminating the uncertainty about measures at the frontier. Any solution should give producer countries the possibility of carrying out reasonable production planning. This would facilitate the maintenance of a fairly stable level of production, which would be beneficial both to exporters and importing countries. As regards measures which were currently maintained inconsistently with the GATT, he expressed his understanding that such measures would be included in the negotiations but that exporting countries would not be expected to grant concessions in return for commitments in regard to such measures undertaken by the importing countries concerned. Discriminatory practices had to be removed. As such practices, he mentioned import licensing procedures for certain types of beef only, for example, frozen beef, and existing formalities which hindered entry of the product to the retail market. As regards the maintenance of veterinary restrictions, he did not contest the legitimacy of such restrictions but in the work of the Group consideration should be given to ways and means of ensuring that such regulations in their operation would not have unduly restrictive effects.

24. The representative of the United Kingdom stated that his Government wanted to see trade preserved with its traditional suppliers. On the other hand domestic meat production constituted a very important part of meat supplies in the United Kingdom, while, furthermore, assurances against deficiencies in

supply were necessary. He pointed out that, by its nature, it was not possible to change the level of meat production suddenly. Neither would it be desirable to have sudden changes in imported supplies; these would bring about quite disproportionate changes in prices. For these reasons the United Kingdom suggested the maintenance of a certain balance between domestic and imported supplies. As regards deficiency payments he stated that, while the United Kingdom wished to see a reduction in the total amount of its deficiency payments, it was not in favour of doing so by means of forcing prices upwards. This would have quite considerable implications in other economic sectors. The new policy the United Kingdom Government now had under consideration would provide for some restraint on home production, some guarantee as to the level of access and assurances as regards the participation of exporters in any expansion in the market.

25. The representative of the United States expressed the view that arrangements should be worked out which were sufficiently flexible to meet the specific requirements of different markets. In the interim period, importers should refrain from any action which would adversely affect trading opportunities. Any arrangement, however, should apply equally to all countries concerned and there should be no question of formalizing a distinction between countries which strictly abide by the rules of GATT and those to which more relaxed standards would apply. His Government's policy of free access for meat imports into the United States would greatly depend on whether other markets remained open or were being opened so as to afford room for expansion of trade, and secondly, on exporting countries conducting careful marketing policies.

26. The representative of Argentina repeated the long-term objectives on which, in his view, agreement should be reached. Among these objectives were the establishment of competitive marketing and the elimination of trade restrictions contrary to GATT; the promotion of efficient meat production and the discouragement of high cost production, having regard to a reasonable balance between world supply and demand; and a fair and equitable participation in import markets. He felt that a major contribution should be expected from countries where, through the maintenance of high producer prices, domestic demand was discouraged and the entry of imports was impeded. He expressed some doubt whether a limitation of the guarantee to a certain quantity would allow sufficiently for the entry of imports from efficient suppliers. Exporting countries might also be expected to contribute to the final objectives. If the conditions of access were in line with the long-term objectives, exporting countries would have to undertake commitments regarding assurances of a regular and orderly supply.

27. The representative of New Zealand enumerated various ways by which importing countries discriminated against other countries, groups of countries or against particular types of meat. He stressed the importance of eliminating such practices. He opposed the principles of market sharing and co-ordinated access and expressed the view that new suppliers should compete for a share in the market without distorting their competitive position by means of export subsidies. It was premature to consider a proposal for market sharing in isolation. Such proposals needed much more examination. He emphasized that conditions of trade should be known and predictable. This applied to such devices as tariffs, variable import levies, minimum import prices, etc. He pointed out that even with a fixed and negotiated minimum import price, it could happen that domestic prices fell below this price so that imports could no longer compete. He also stressed the desirability of examining veterinary regulations so that such regulations would not be used as restrictive or discriminatory devices.

28. The representative of the United Kingdom recognized that a system of market sharing as suggested by his delegation might not be applicable to all markets. His Government wanted to keep any arrangement as flexible as possible but, in the present situation of free access and unchecked domestic production, the United Kingdom felt obliged to take action. His delegation would like to see an arrangement which brought stability to the trade in meat and afforded the United Kingdom an opportunity to meet its domestic difficulties.

International prices

29. The representative of Australia, addressing himself to the question of international prices, pointed out that in the present situation where there were only a few residual markets, world prices varied considerably and fluctuated widely and were not necessarily remunerative for efficient producers. This was partly because of increasing quantities of subsidized domestic supplies coming on the market and because of imports from countries granting export subsidies. Any arrangement should be such that efficient exporters were not expected to carry the burden of low prices. He also pointed out that currently there was a great disparity in prices on different markets. It should be recognized that the relationship of prices in various markets was important in avoiding diversion of trade to the more remunerative markets and distortion of trading patterns.

30. The representative of Argentina expressed the view that any arrangement should be based on realistic and remunerative prices for all countries, so that, while the interests of domestic producers were protected at a reasonable but not artificial level, the interests of exporters were safeguarded at the same time. Such an equalization of interests implied a limitation of the overall volume of subsidized production. Exporting countries should be prepared to exercise a certain discipline as regards their exports and should undertake to eliminate export subsidies. Importers, on the other hand, should accept a commitment not to purchase subsidized meat.

31. The representative of Uruguay stressed the necessity of eliminating the present uncertainty regarding conditions of access on the major markets. This situation gave rise to particular difficulties for the exporting countries. Another aspect was the fact that it was difficult to compare prices because of the distortions as a result of restrictive measures applied. He supported the ideas expressed concerning the improvement of relations between the various markets by removing restrictive practices and equalizing import conditions. He also supported the principle of the removal of export subsidies. Such dumping practices disrupted the markets to the detriment of traditional exporters.

32. The representative of the United Kingdom felt that it would not be possible to have a uniform international price for meat. Too many factors had an influence on the price. Changes in price would have an immediate effect on consumption and a rapid increase in prices would bring about a decline in consumption and consequently reduce access opportunities. Furthermore, costs of production in efficient producing countries depended on differences in price and cost levels. He agreed with the principle of stable prices. In the United Kingdom, prices had been highly unstable because of unexpected arrivals. Exporting countries should undertake commitments as regards phasing of supplies to import markets so as to avoid sudden peaks. The establishment by exporters of an efficient marketing intelligence service might be considered in this connexion.

33. The representative of Australia, while agreeing that a rapid and steep price increase might adversely affect consumption, pointed out that present prices on some markets were unsatisfactorily low for efficient producers. In his view import prices in various markets should be aligned but this did not mean there should be a rigid uniformity. Australia wanted to avoid too great disparities in import prices which distorted world trade. While recognizing that there might be the need for an arrangement to phase supplies in an orderly manner, he pointed out that the present unsatisfactory price situation did not result only from fluctuations in imports but more importantly from increases in domestic production in some importing countries.

OTHER MATTERS FOR DISCUSSION

34. The representative of New Zealand thought there could be some value in the establishment of confrontation procedures. Several commitments undertaken both by importers and exporters, arising from the trade negotiations as a whole, could be dealt with in such procedures. Also questions of disorderly supplies and assurances for regular supplies could be discussed during such confrontations.

35. The representative of Australia doubted the value of confrontation procedures but pointed out that if obligations were sufficiently specific there would be less need for confrontation. The value of confrontation procedures would be the greater the more the obligations undertaken were specific and firm.

36. The representative of the United Kingdom doubted whether a single agreement was appropriate for dealing with the various aspects of different markets. He felt that at a later stage the possibility of having some sub-agreements within the framework of an overall agreement should be considered.

37. The representative of Argentina supported the establishment of confrontation procedures through which, in the light of developments, the need for any corrective measures should be considered.

38. The representative of the United Kingdom stated that in the period before any arrangement was finalized, his country would be unable to avoid taking measures of the kind suggested in the United Kingdom paper. His Government, in taking such interim measures, would take into account the views expressed by members of the Group and would like to see these measures eventually incorporated in, or replaced by, an international arrangement.

39. The representative of Australia, supported by some other members of the Group, emphasized the desirability of countries not taking any action which would involve new elements of a restrictive character in advance of a substantive discussion by the Group. Such action could have a prejudicial effect as regards the kind of arrangement which might come out of the Group.

40. The representative of Australia, in addressing himself to the question of surplus disposal and market development stressed that there was no surplus problem in meat and that if appropriate action were taken, no problem need arise. He pointed to some of the difficulties in developing new markets and stated that members of the Group could not look to these markets for a solution of world meat problems. The low level of income in many countries and dietary habits were great impediments and it had to be recognized that any development of new markets would be in line with the economic and industrial development of these countries.

41. The representative of Argentina stated that surpluses in the meat trade were only temporary and of a short-term character. If access opportunities were improved, there would be no structural surpluses.

42. The representative of Uruguay stated that normal procedures of surplus disposal had not always been followed. His country had been adversely affected by disposal transactions. If negotiations in the Group were to be meaningful, this matter must be considered attentively and appropriate solutions must be found.

MEMBERSHIP OF THE GROUP

43. The Group received an application by the Government of Yugoslavia for membership of the Group and invited the representative of Yugoslavia to present its case. The majority of the Group accepted the application on the grounds that, as well as having a substantial interest in trade in meat, Yugoslavia had, in fact, prior to the first meeting of the Group on Meat, presented a request to the Trade Negotiations Committee to participate in the work of that Group.

PROGRAMME OF WORK

44. It was agreed that the aim should be to advance the work of the Group to the stage where early in 1964, substantive negotiations might be begun in accordance with the terms of reference of the Group.

45. Although the EEC did not take part in the substantive discussion, its position was clarified in regard to the programme of work, the EEC representative expressing the hope that the Group would not meet again except to the extent that the Community regulations on meat of the bovine species had been drawn up in final form.

46. Most members of the Group made it clear that they attached great importance to the next meeting of the Group being held in the autumn and it was essential for the successful prosecution of the work of the Group that all members should then be in a position to discuss the relevant questions of substance.

47. It was agreed that the actual date of the next meeting should be determined by the Chairman in consultation with the members of the Group but that the aim should be as mentioned above, for the next meeting to take place in the coming autumn.