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GENERAL AGREEMENT ON TARIFFS AND TRADE

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Sub-Group on Meat

STATEMENT MADE BY THE REPRESENTATIVE OF AUSTRALIA ON 16 JUNE 1975

The Meat Sub-Group has been established as a negotiating sub-group to deal with all the elements relevant to international trade in meat. Australia supported the establishment of this Sub-Group. We want to see that negotiations on meat fully satisfy the objectives of the Tokyo Declaration in terms of the expansion and ever greater liberalization of world trade.

Australia is of the view that initially the Sub-Group should concentrate on bovine meat given the importance of this trade and the significant barriers to trade which exist. In the event that delegations subsequently consider that there are special trading problems in other categories of meat that have not been taken up in the Groups on Tariffs or on Non-Tariff Measures we believe this Sub-Group should consider them. We ourselves may wish to raise some issues in respect of other meats.

The task of the Group is not to focus on the particular trading problems at present existing in the world trade in meat but to look further forward to undertake a fundamental negotiation on trade barriers and restrictions and the underlying causes of market instability.

The principal objectives of the Tokyo Declaration are also Australia's objectives for negotiations on meat in the Multilateral Trade Negotiations:

- the progressive dismantling of obstacles to trade
- and improvement of the international framework for the conduct of world trade.

A decade ago negotiations were initiated in the Kennedy Round to seek multilateral solutions on meat and when this did not prove possible intensive bilateral negotiations were undertaken between major trading partners. The framework of major national import policies governing international trade in beef and veal today is at least as restrictive as the situation faced at that time. If overall reciprocity in the MTN is to mean anything for Australia and other meat exporting countries then there must be practical results in dismantling barriers to trade in meat.

The characteristics of the world trade in beef and veal are important when considering the work of this Sub-Group. World trade accounts for only 10 per cent of world production. The bulk of world trade is centred on three major Northern Hemisphere market areas - North America (that is, the United States and Canada) the EEC, and Japan. They account for 80 per cent of world imports.

The level of price for beef and veal and the prices of close substitutes powerfully affect the per caput consumption of beef/veal. For example when retail prices of beef in Australia have fallen in real terms by 30 per cent consumption is about 60 per cent greater. Per caput consumption in Australia of beef and veal is now some twenty times greater than in Japan and two and a half times greater than in the EEC.

So-called stabilization policies which seek to maintain domestic price levels for beef and veal at artificially high levels through the application of various mechanisms at the frontier such as variable levies and State-trading practices are a major impediment to the expansion and liberalization of trade. In economic terms, they represent a costly misallocation of resources - costly to the consumers and to the economies of the countries carrying out those policies and costly to the exporting countries to which those same policies deny markets.

We think liberalization means freer competitive access. We think it means a reduction of the gap between artificially supported high prices in the domestic market and the relatively low import prices of economic exporters. We look to liberalization of the trade in meat at a level of price that will bring about an expansion of trade because of a favourable impact on consumption whilst still affording a remunerative return to economic producers.

Production and marketing policies in major markets are important in determining the scope for expansion of the world meat trade. The impact of price on consumption is obvious. We hope importing nations will outline in detail their views on what can be done and how it can be done in their particular markets to liberalize imports consistently with the Tokyo Declaration.

The Community spokesman foreshadowed at the March meeting of the Agriculture Group that an approach might be negotiated in the meat sector based on a system of "joint disciplines". Australia now looks to the European Communities to outline their thinking on this approach including the extent to which such proposals would fulfil the liberalization objectives of the Tokyo Declaration.

We want to hear the views of the Japanese, United States and Canadian delegations on how they think their meat import régimes may be liberalized. In previous negotiations on meat it was virtually left to the exporters including Australia and Argentina to propose and develop negotiating approaches on meat. We believe that importing nations bear a major responsibility to initiate proposals for negotiation in this Sub-Group.

During last week's meeting of the GATT Consultative Meat Group several delegations mentioned the phenomenon known as the "cattle cycle". Empirical evidence has shown that production in both major importing and exporting countries responds inversely to changes in market price levels. The effects of such a cycle have been greatly accentuated in recent years by Government measures in importing countries. There has thus been persistent and massive instability in world beef markets which is neither in the interests of importers or exporters and importantly consumers. In the case of Australia it can take up to four years between the point where a decision is made to expand production and the period where extra production reaches the market. At the present time we face the paradox in Australia that our national cattle herd has increased by over 3 million head in the last twelve months in a period of international market depression. Just as surely we can expect that producers either through being forced to leave the industry or by taking measures to limit their herds will reduce production in response to continuing unsatisfactory market opportunities. Under those circumstances disinvestment is inevitable.

Such disinvestment and the extreme destabilizing effects of Government action and the cattle cycle just need not occur if sufficient scope is given to exporters to produce under suitable marketing conditions and after making reasonable allowances for natural influences such as drought and flood. Certain importing nations have said they require security of supply in the importation of foodstuffs. It is the view of the Australian delegation that in the case of bovine meat national policies applied by certain major importing countries are a primary determinant in preventing increased security of supply through the joint effects of direct trade restricting measures and national price policies.

Arrangements for security or assurance of markets and of supply can be an important part of these negotiations.

It will be clear that we seek a significant reduction of existing tariff and non-tariff barriers at the frontier to imports of bovine meat.

In a number of major markets tariff barriers are high - the case of Japan fresh, chilled and frozen beef is subject to a 25 per cent ad valorem customs tariff; in the EEC a 20 per cent ad valorem duty applies to bovine meat and the United Kingdom duties on beef and veal from non-EEC sources are being progressively increased to the common level; in the United States a duty of US\$3 per pound applies to imports of fresh, chilled and frozen beef. These tariffs should be reduced or eliminated consistently with any general approach to tariff negotiations adopted by the Tariff Group.

Non-tariff measures are greater barriers against beef import than tariffs. We see residual quantitative import restrictions variable levies, voluntary export restraints and State-trading practice. These measures should be considered in conjunction with the negotiations being carried on in the Non-Tariff Measures Group.

Such tariff or non-tariff barriers to trade are naturally most important in respect of the three major markets, but they are also of concern in relation to any meat importing country. Australia exports meat to a great many countries and we have a concern about all markets.

We propose that the secretariat in conjunction with existing inter-governmental bodies dealing with meat should circulate particulars of tariff or non-tariff trade restrictions or trade distortions such as export subsidies on bovine meat prior to the next meeting of the Sub-Group.

The current unsatisfactory world market situation has clearly demonstrated that a series of restrictions imposed independently at different times have resulted in a global beef crisis. This Sub-Group should therefore give consideration at an appropriate stage in its work to the development of new forms of international co-operation for the bovine meat trade with perhaps some kind of umbrella. The GATT Consultative Group on Meat can provide an early warning system to both exporters and importers on market trends.

In considering the scope for improved international co-operation we might find ourselves considering again such matters as security of markets for established exporters; mutually acceptable safeguard procedures to minimize market disruption in importing countries; and security of supply. It is a major characteristic of the present situation that exporters do not have any security of access. The flow of exports is pretty much at the discretion of importing nations.

Each market presents a different picture. In the case of Japan there is no GATT commitment and a long-standing import control that is illegal in GATT terms. In the case of the EEC there is a small GATT levy-free quota administered individually by member States at their discretion. In the case of Canada suppliers are subject to global quotas.

In the case of the United States there are voluntary restraints. There are a number of elements in the current United States Meat Import Law which provide suppliers with an element of security and a share of growth in the market. These are positive elements. We want to see them built on in the course of these negotiations, but we want to see the Meat Import Law eliminated in due course.

On the initial work programme that the Sub-Group should undertake we want each of the major importing nations to state at an early date what they propose to do in the negotiations on bovine meat and how they see the Sub-Group carrying out its functions.

Secondly the Sub-Group should study the existing barriers to trade in meat - both tariff and non-tariff, going on to consider the impact of those barriers in each of the major markets and relationships between them.

Third the Group could take up questions relating to security of access to markets and security of supply.

Finally the Group will need to consider how far new and improved forms of international co-operation are required between importers and exporters of bovine meat, and if the need is there, the shape such new arrangements might take.

Summing up, the Australian delegation invites the attention of the Sub-Group to the principal factors that have led to the current unsatisfactory market and trading situation in beef and veal. However, we are looking ahead to the longer term framework of the international trade. We think that the initial emphasis of the Group should be on bovine meat including live animals but we do not exclude later consideration of other meats.

We stress the need for liberalized and growing access to the major beef markets. In addition there is a need for exporters to have security in relation to their access to the major markets because the investment necessary for continued or expanded production will not take place in its absence. We recognize there may be some need on the part of importers for assurances regarding security of access to supplies. These matters must be negotiable.

Inter-relationships between the major markets mean that the Group needs to take into account the characteristics of the trade in meat in each of the three market streams without neglecting the situation in other markets. In doing so, for technical information, it should if necessary draw on the work of the existing groups in GATT, FAO and OECD.

Whilst at this stage of the Group's activities we are emphasizing the need to identify the major barriers to trade and the need for trade liberalization (including control of State-trading activities and distorting export practices), we invite the major importing countries to outline in detail their approaches to the work of this Sub-Group including an indication of the extent to which those approaches envisage increased access for outside economic suppliers.

Accordingly, we are proposing a tentative programme for the Sub-Group in four parts:

- (a) indications by major importing countries of their intentions and attitudes;
- (b) a study by the Sub-Group of the existing tariff and non-tariff barriers to the trade in bovine meat, leading on to consideration of their impact on each of the major markets and relationships between them. We ask that the secretariat circulate a summary of tariff and non-tariff trade barriers.
- (c) security of markets and of supply;
- (d) forms of international co-operation.