

RESTRICTED

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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 reflect on the document IMC/W/16/Rev.1 concerning the medium-term outlook, and to submit in writing any ideas, suggestions or views on the subject in order to have an in-depth discussion at the June 1984 meeting of the IMC. Pursuant to the invitation, the following note* has been submitted by Australia.

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

The medium-term outlook: comments by Australia

1. Australia believes that IMC/W/16/Rev.1 is a valuable document that highlights the problems confronting the medium-term outlook for world beef trade. The basic conclusion of the document is that amongst member countries beef production will increase faster than beef consumption in the period to 1987 and that the level of self-sufficiency in all the major importing countries will increase. This suggests a contraction in the level of trade among member countries. This is a disturbing conclusion and it behoves the Council to examine the underlying reasons in order to identify action that may be taken to improve the trade outlook.

2. The major reason for the pessimistic outlook lies with the overly generous support policies of many countries which over a period of years have had the effect of depressing domestic consumption while encouraging surplus production to the detriment of world beef trade. This is acknowledged by the secretariat in IMC/W/16/Rev.1.

3. A number of observations about this situation are made in the secretariat paper which deserve further examination and discussion by this Council, including of course the question of increasing instability in world beef markets which will be discussed separately under Agenda item 9 at the June meeting of the IMC.

4. Attention is drawn in the paper to the importance of avoiding further increases in support prices if the worsening imbalance between production and consumption is to be dealt with. The extent to which price support policies have already encouraged production and discouraged consumption by keeping beef prices high, especially compared with the price of competing meats and the capacity of the continuation of these policies to further reduce demand for beef is a question which needs urgent attention by the Council.

5. Similarly the link between support price policies and increasingly restrictive import measures is another related question that needs to be addressed in any consideration of the medium-term outlook for beef. The maintenance of high domestic support prices will lead to increasing pressures for more restrictive import measures with further consequent downward pressure on the level of world trade.

6. The effect of export subsidies on world trade also needs to be closely examined in the light of the pessimistic outlook for the medium term contained in the secretariat paper. The dangers for the continued commercial viability of particular export markets caused by individual producing countries seeking to solve their surplus problems by subsidising their exports are clearly indicated in the secretariat study. Subsidies of beef exports have already depressed international prices, displaced efficient exporting countries from markets and threaten the commercial nature of trade in beef in many markets around the world for the future.

7. IMC/W/16/Rev.1 suggests that some of the pressure exerted by the above factors on market outlets for the traditional non-subsidising exporting countries could be relieved by increasing access to certain "new" or recently expanded markets in the Middle East and Asia. In the present uncertain world economic climate however it is not clear to what extent these countries can continue to be regarded as providing reliable and increasing markets for beef. This underlines the need for the Council to address itself urgently to dealing with the factors identified in the secretariat report as likely to adversely affect world beef trade in the medium term.

8. A number of countries are currently taking belated measures to deal with a surplus of dairy products which has now also become a serious problem in world trade. The effect of such measures on beef production is alluded to in IMC/W/16/Rev.1 and is another factor which the Council should examine further in its consideration of the medium-term outlook for beef.

9. Australia believes that the Council should discuss in detail the impact of production and trade policies identified and described in IMC/W/16/Rev.1 on world beef trade. The Council should identify those policies that lead to structural surpluses, that discourage consumption of beef and disrupt trade. The analysis in the secretariat paper indicates that the problems facing the world beef market are caused less by seasonal and cyclical factors associated with the cattle cycle than by domestic policies that seek to protect and expand high cost domestic industries at the expense of efficient low cost producers and at the expense of freer world trade.