

Canada's action did not cause the round of restrictions that was to follow in the next twelve months nor did the situation on the North American market. No, an event more calamitous than these minor aberrations shook the world economic system. The oil embargo, utilized as a weapon in the October 1973 war in the Middle East, precipitated an economic crisis and then a recession in the developed countries. Unfortunately, this happened at the time when beef supplies caught up with and then surpassed demand.

With the prices of most basic commodities, but especially energy, rising, the level of inflation increased. In the major OECD countries the growth rate fell from an average of 6.5 per cent in 1973 to -1.5 per cent (annual rate) in the first six months of 1974. The recent gains in personal real income were eroded, workers sought "catch-up" pay increases and began to decrease consumption. Countries too were forced to make difficult choices, to restrict imports, reduce consumer demand and increase domestic self-sufficiency.

In Japan, with industry now dependent on very costly imported energy and other basic commodity supplies, the government moved in February 1974 to cut the beef import quotas from the expected 90,000 tonnes in the first six months to 40,000 tonnes. Only a few months later, in May, the quota was suspended for the remainder of the year and this important market for Oceanic beef was lost.

The situation in the European Economic Community was more complex but the solution adopted was similar. There the problems of the beef producers, now selling on a surplus market, and of the stagnant economy caused the restriction of beef imports. The Community's policy of intervening on the market when prices fell below established levels resulted in the creation of a "beef mountain" by early 1974. Member countries, notably Ireland, France, and Italy called for the re-introduction of the safeguard measures to limit imports from third countries. The concern of Ireland and France was as the major producers of beef for intra-Community trade, while that of the Italian government was over its growing balance of payments deficit.

The decision by the European Economic Community came in April 1974 when licenses to import beef were linked to purchases of equivalent quantities from the intervention stocks and when the export sales of beef and veal were authorized at 25 per cent off purchase costs to facilitate competition on the world market. These actions had only a limited effect, stocks continued to rise as supplies flowed onto the market and as consumer resistance to rising prices strengthened. In July an embargo on