

## The need for special safeguards for developing countries

### SUMMARY

- ▶ *Fluctuations in agricultural trade and unfair trade practices often lead to import surges and low import prices which seriously affect developing economies.*
- ▶ *Developing countries lack resources to protect producers from artificially low import prices. The potential for raising duties is limited, and will decline with lower bound rates.*
- ▶ *There is a demand for a new safeguard mechanism in the Agreement on Agriculture with differential treatment for these countries.*

Many developing countries are vulnerable to import surges (temporary sharp rises in imports) and temporary low import prices that could damage agricultural production activities. Access to WTO-compatible, simpler-to-use safeguard measures is a great concern, especially for developing countries that lack fiscal resources to compensate producers.

#### Import surges<sup>1</sup> and low import prices

Agricultural markets are by nature cyclical and subject to wide fluctuations due to factors such as weather variability. Import surges and low import prices are of particular concern to developing countries striving to develop agricultural potential and diversify production to enhance food security and alleviate poverty. While lower import prices may benefit consumers, sudden and large temporary declines in commodity level prices disproportionately hurt producers.

Subsidizing agricultural production and exports, as well as the anti-competitive behaviour of trading firms also result in short term import surges and lower import prices. As countries reduce tariffs and bind them at low levels, they also become increasingly vulnerable to import surges and low import prices.

#### Incidence of import surges in developing country agriculture

The implementation of reform commitments under the WTO Agreement on Agriculture (AoA) by developing countries has been associated with cases of import surges. Since the 1980s, with trade reforms and unilateral trade liberalization in many developing countries, there have been more frequent import surges by country and by product (see Table 1). Based on detailed fieldwork, civil society organizations have documented import surges and their negative effects<sup>2</sup> which have damaged, or threatened to damage or displace, viable domestic production.<sup>3</sup>

<sup>1</sup> An import surge is defined as a 20 percent positive deviation from a 5-year moving average of import volume of a particular commodity.

<sup>2</sup> These include Action Aid (2002), *Farmgate: the developmental impact of agricultural subsidies* (2002); Oxfam Briefing Paper Number 30 (2002), *Cultivating poverty: the impact of US cotton subsidies on Africa*; and OXFAM (2002), *Rigged rules and double standards: trade, globalization and the fight against poverty*.

<sup>3</sup> Three examples are Jamaica, with respect to chicken, Kenya with respect to dairy products, and Senegal with respect to tomato paste. See FAO (2000), *Agriculture, trade and food security*, Vol. II: Country case studies.

**Table 1: Number of cases of import surges in 28 developing countries (1984-2000), selected foods**

	Wheat	Rice	Maize	Vegetable oils	Bovine meat	Pigmeat	Poultry meat	Milk
Average of countries	6	5	5	6	6	7	7	4
Highest by any one country	11	10	10	11	12	11	14	7

*Source: adapted from FAO (March 2003) CCP 03/10.*

## How developing countries deal with import surges and low import prices

Where applied tariffs are below bound levels, some countries have reacted to import surges and low import prices by raising duties within their bound levels or by imposing other charges.<sup>4</sup> However, as bound rates are brought down, the scope for such action is correspondingly reduced.

Many developing countries do not have access to effective safeguard instruments. The special agricultural safeguards (SSGs) of the WTO AoA are only available to a few (see Table 2), because these measures were reserved for countries undertaking tariffication. In contrast, close to 80 percent of the tariffed items of the OECD countries are eligible for SSGs.<sup>5</sup>

In addition, few developing countries have the resources and capacity to apply general safeguard measures, including providing evidence for the obligatory proof of injury.

## Proposals for special safeguards for developing countries

Several proposals have been tabled in the on-going negotiations for special safeguards for developing countries. The draft on agriculture from the Chairman of the WTO negotiations suggests that Article 5 of the AoA will cease to apply to developed countries. It calls for a new safeguard mechanism, as special and differential treatment for developing countries, to enable them to take account of their development needs, in particular food security, rural development and livelihood security.

<sup>4</sup> For example, a price-band policy has been used in Peru, a threshold-price-based formula for determining import tariffs in Morocco, suspended duties (surcharges) in Kenya and additional stamp duties in Jamaica (*ibid*).

<sup>5</sup> UNCTAD (1995), "Identification of new trading opportunities arising from the implementation of the Uruguay Round Agreements in selected sectors and markets" (TD/B/WG.8/2).

**Table 2: WTO members who currently have reserved the right to use special safeguards on agricultural products**

Australia (10)	Hungary (117)	Panama (6)
Barbados (37)	Iceland (462)	Philippines (118)
Botswana (161)	Indonesia (13)	Poland (144)
Bulgaria (21)	Israel (41)	Romania (175)
Canada (150)	Japan (121)	Slovak Republic (114)
Chinese Taipei (84)	Korea (111)	South Africa (166)
Colombia (56)	Malaysia (72)	Swaziland (166)
Costa Rica (87)	Mexico (293)	Switzerland-Liechtenstein (961)
Czech Republic (236)	Morocco (374)	Thailand (52)
Ecuador (7)	New Zealand (4)	Tunisia (32)
El Salvador (84)	Norway (581)	United States of America (189)
EU (539)	Namibia (166)	Uruguay (2)
Guatemala (107)	Nicaragua (21)	Venezuela (76)

(The figures in brackets show the number of products involved.)

Source: WTO (2003) WTO Agriculture Negotiations: the Issues, and where we are now, WTO Website, June 2003: [http://www.wto.org/english/tratop\\_e/agric\\_e/negs\\_bkgrnd00\\_contents\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd00_contents_e.htm)

## KEY CHALLENGES

- ▶ To lessen the vulnerability of developing countries to import surges and low import prices;
- ▶ To provide fair access to simple-to-use special safeguards such as the SSGs;
- ▶ To simplify general safeguards and provide developing countries with technical, financial and legal assistance to strengthen their capability to use them.

