



No.110/January 2006

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Africa's Requirements from Special Safeguards and Special
Products

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IIS Discussion Paper No. 110

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Christopher Stevens and Jane Kennan¹

Abstract

The 1 August 2004 Framework Agreement stated that developing countries would have access to a Special Safeguard Mechanism and Special Products designation as part of special and differential treatment within a new WTO Doha Round agricultural agreement. This was confirmed in the Ministerial Declaration following the WTO Hong Kong Ministerial in December 2005. This paper discusses the potential usefulness of these instruments for the six programme countries of Development Cooperation Ireland, and what further research is desirable to help countries define them in a way that maximises their usefulness.

JEL: Q18, Q12

Key words: WTO Doha Round, special products, special safeguard mechanism, least developed countries.

Acknowledgement

This paper is an output of the Policy Coherence project based in the Institute for International Integration Studies at Trinity College Dublin supported by a research grant from the Advisory Board for Development Cooperation Ireland. The views expressed are not necessarily those of the Board of Trinity College or those of the Advisory Board for Development Cooperation Ireland.

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Introduction

Purpose of the paper

The Doha Round of WTO negotiations is proceeding at a pace that is glacial (at best). Following the Hong Kong Ministerial meeting in December 2005, it is clear that it will be some time yet before sufficient detail emerges on the scope and extent of the liberalisation modalities that a realistic assessment can be made of their potential implications particularly for African countries. WTO members have set themselves a target of 31 July 2006 to submit the draft schedules on agricultural liberalisation that would allow such assessments to be made – but they have missed several such deadlines already.

At the same time, there have been some developments in the Doha process that are relevant to African agriculture. In particular, the 1 August 2004 Ministerial Decision (WTO 2004) provided two ‘pegs’ for special and differential treatment (SDT) in the area of agriculture: a Special Safeguard Mechanism (SSM) and Special Products (SPs). These two pegs were confirmed in the Ministerial Declaration issued following the Hong Kong Ministerial meeting in December 2005 (WTO 2005).

This paper examines how these two pegs might best be used to support African agriculture, with a particular focus on Ethiopia, Lesotho, Mozambique, Tanzania, Uganda and Zambia, the programme countries for the Development Cooperation Ireland (DCI) development cooperation programme.²

As explained below, almost everything about SSM and SPs remains to be negotiated. This is both a weakness (because there are no certainties over the outcome) and a strength (because little is ruled out). The paper aims to ‘think through’ the ways in which these two pegs might be useful for the six DCI focus countries. This will contribute both to the evolution of ideas about the desirable outcome of the Doha negotiations and to thinking about the role of agricultural trade in these states.

What is known about SSMs and SPs?

The short answer to the question posed in the heading is: very little! The so-called Harbinson draft on modalities for the Agreement on Agriculture negotiations of March 2003 included references to both concepts, but this draft produced by the Chairman of the agricultural negotiations was never officially adopted by the WTO membership. Discussion tended to be narrowly focused on technical issues of how products were to be designated and how many would be allowed. Then, the failure to agree the March 2003 modalities shifted further discussions on the Agreement to a more general level before any clear progress had been made identifying areas of consensus on either SSMs or SPs.

One thing that is clear from the 1 August Decision (and from the Hong Kong Ministerial Declaration) is that both pegs are distinct from ‘sensitive products’ which is a separate category for which some, as yet unspecified, modulation will be allowed to both industrialised and developing country Members. Within the context of the negotiations on market access, all countries that take on commitments (which excludes least developed

² The way in which SSMs might be useful to Tanzania and Zambia is also explored in Matambalya (2005) and Muyakwa (2005), respectively.

countries (LDCs) as explained below) will have some scope to modulate their commitments on a group of sensitive products. In addition, developing countries will be able to justify additional actions (or inactions) on the basis of either the SSM or the SP provisions.

In both a logical and a negotiating sense the scope and value of the SSM and SP pegs depends partly on what is agreed for non-sensitive and for sensitive products. The extent to which the additional pegs are needed by developing countries will depend on what would be required of them under the standard provisions for non-sensitive and sensitive products, which will become clear only as the negotiations progress. At the same time, negotiators are likely to link them all together, adjusting their position on each item in the light of negotiations on the others.

Given this uncertainty it is important to ensure that the 'Geneva dynamic' does not predominate over the 'development dynamic'. The negotiations need to be informed by what would make sense on the ground. This paper aims to build upon the little that is known at present to see how the pegs could be fashioned in a way that would be useful for agricultural development in the six countries.

Special Safeguard Measures

The market access chapter in Annex A of the 1 August Decision on the Doha Work Programme includes a bald statement that 'A Special Safeguard Mechanism (SSM) will be established for use by developing country Members' (WTO 2004: para. 42). The Hong Kong Ministerial meeting made only limited progress in elaborating what might be involved. The Declaration notes merely that:

Developing country Members will also have the right to have recourse to a Special Safeguard Mechanism based on import quantity and price triggers, with precise arrangements to be further defined.

This reference to quantity and price triggers, together with the history and name of the instrument, suggests that it is intended to perform a function analogous to that of the Special Safeguards (SSGs) allowed for some countries in the Uruguay Round. Broadly speaking, this permits countries that nominated SSGs (mainly the industrialised countries) to take temporary action to restrict import surges. SSG surcharges can be triggered either by an increase in imports beyond a certain volume or by prices falling below a threshold level. Members do not have to prove 'serious domestic injury' before applying the safeguard.

It has long been a complaint of developing countries that most of them do not have access to SSGs. There are reasons for this: choices were made – sometimes wittingly, other times probably unwittingly. But whatever the merits of the complainants' case in terms of the deal they struck in 1994, the demand that an equivalent be available to developing countries is one that has been taken on board in the current negotiations. The issue to be investigated is then one of whether such a regime would be helpful to Africa and what form it should take.

A great deal remains to be negotiated and it cannot be assumed that the final details of the SSM provision will necessarily bear any strong resemblance to what may be inferred from a contextual reading of the 1 August Decision or the Hong Kong Declaration. On the other hand, the analysis has to start somewhere!

Given that all of the six DCI focus countries are LDCs, a first question that arises is whether SSMs will be available to them. Since the instrument is mentioned in the market access chapter, and LDCs ‘are not required to undertake reduction commitments’ (*ibid.*: para. 45), it might be supposed that the provision would be redundant for them. On the other hand, the text of para. 45 of the 1 August Decision states quite clearly that LDCs ‘will have full access to all special and differential treatment provisions above ...’ (which includes the references to both SSMs and SPs). It is possible that circumstances might arise in which SSMs could be useful to LDCs. For example, the scale of import surges might be sufficiently large that an LDC’s tariff bindings do not provide adequate protection.

Hence, it is assumed in this paper that SSMs, when finalised, will be available to the focus countries. It is also assumed that the instrument will apply to any product (and not be limited to sensitive items), and that it will be triggered, as foreseen in the Hong Kong Declaration, solely by an actual import surge (in terms of a sharp increase in volumes) or a potential surge (following a sharp fall in prices which, if not remedied, could be expected to result in higher imports). The question then becomes whether or not the countries given special attention appear vulnerable to such surges.

Special Products

Very little more is known about SPs. Earlier versions of WTO texts seemed to equate the concept of SPs with an instrument to protect against import surges, but the creation of the parallel peg of SSMs has removed any such direct link. On the contrary, because the concept of SSMs now exists, it must be assumed that SPs are intended for a purpose that is quite distinct from controlling import surges.

The full text of para. 41 of the 1 August Decision, Annex A, is as follows:

Developing country Members will have the flexibility to **designate an appropriate number** of products as Special Products, **based on criteria** of food security, livelihood security and rural development needs. These products will be eligible for **more flexible treatment**. The criteria and treatment of these products will be further specified during the negotiation phase and will recognize the fundamental importance of Special Products to developing countries [emphasis added].

This is very broad and Annex A to the Hong Kong Declaration makes it clear that there is a ‘clear divergence’ between Members over the designation of SPs and a ‘fundamental divergence’ over their treatment – which is one reason why the Declaration adds nothing of substance. Despite these problems, the text is the most extensive that is available which is why four phrases have been emboldened in the quotation to draw attention to their implications.

The first two emboldened phrases emphasise that the only Members allowed to designate SPs are developing countries (but by inference from para. 45 this will also include LDCs). As will become clear in the final section of this paper, it is important to distinguish between the verbs ‘to designate’ and ‘to implement’. What para. 41 states is that only developing countries may specify SPs, but it leaves completely open what is to be done about them.

The third emboldened phrase points to the criteria that are to be used. These are broad; a very wide range of factors contribute to livelihood security and rural development. The important point to note is that there is no suggestion in the clause that narrow trade concerns should

predominate in the selection of SPs. On the other hand, since the peg is to be found in the market access chapter of the 1 August Decision, unless the items nominated as SPs are actually traded (or affected by traded substitutes) it is not clear what sort of SDT could be envisaged. The SDT provisions being negotiated under Doha can only modulate the rules that would otherwise apply. Unless the rules created could cause problems directly or indirectly for the nominated SPs, it is unclear what SDT could achieve.

In many cases what is most relevant is imports: cassava in Zambia can receive special treatment on its market access commitments only if the country imports the product or a substitute, or might begin to do so as a result of Doha. But, as explained in the final section, some developing country exports might also find the SP provisions helpful.

The fourth emboldened phrase is on the ‘flexible treatment’ that will be allowed in the framing, interpretation or implementation of the rules. It merely points up the vague nature of the SDT that may be possible. But a point to which we return in the final section should be noted. The paragraph does not specify by whom the ‘more flexible treatment’ can be implemented. In particular, it does not specify that the only allowable flexibility is by the government that nominated the SP.

How useful are SSMs?

If we assume that SSMs bear more than a passing resemblance to SSGs, then countries must exhibit three characteristics if they are to find the instrument of use. These are that:

- ◆ they must import agricultural products;
- ◆ these imports must be subject to cyclical fluctuations in either volume or unit price, or both; and
- ◆ any surge in imports must be undesired: if a country needs to import, say, more wheat to meet food needs and prices fall this will reduce the foreign exchange costs of achieving its goal; only if its import needs are static will it want to impose an SSM tax either to choke off increased imports or to transfer the windfall gain of the price fall from the private to the public sector.

How does the trade of the six focus countries measure up to these three requirements? We have identified for each country all imports covered by the Agreement on Agriculture that fulfil all four of the following criteria.

1. They must have been imported over a sufficient period of years to allow cycles to be identified (and we have taken a period of four –not necessarily consecutive - years as the minimum in almost all cases³).
2. They must also have been imported in at least three of the most recent five years for which data are available, and so be considered ‘currently traded’ goods.
3. To keep the analysis within manageable proportions, we have also imposed the requirement that the value of imports in the most recent year of import must have exceeded \$1 million.
4. There must have been an identifiable cycle during the review period, which we have defined for this exercise as a maximum import value (in any year) which is at

³ The exception is Zambia – for which we lowered the threshold to three out of the six years of import data that are available, because it represents at least as large a proportion as does four years for the other countries.

least 40 percent greater than that in the earliest year and greater than that in the latest year for which data have been analysed.⁴

We were able to apply these criteria to the Agreement on Agriculture imports of four of the six countries at the six-digit HS level for as many recent years as possible.⁵ Lesotho and Mozambique had to be excluded because only three years' import data could be obtained.

Only a limited number of products fulfilled all criteria (see Table 1). There are also marked national variations. Only the catch-all item 'food preparations not elsewhere specified' applies to all four countries; none of the other 28 items applies to more than two countries. Tanzania has the longest list of potential SSM targets (at 15), and Ethiopia the shortest (five).

Table 1. Potential candidates for SSMs

HS6	Description	Ethiopia	Tanzania	Uganda	Zambia
040229	Milk and cream powder	◆		◆	
071310	Peas dried, shelled		◆		
100110	Durum wheat		◆		◆
100510	Maize (corn) seed		◆	◆	
100590	Maize except seed corn		◆		
100630	Rice, semi-milled or wholly milled		◆	◆	
110313	Maize (corn) groats or meal				◆
110710	Malt, not roasted	◆		◆	
110720	Malt, roasted			◆	
110812	Maize (corn) starch		◆		
150300	Lard stearin, oleostearin & oils, natural tallow oil				◆
150710	Soya-bean oil crude				◆
151190	Palm oil or fractions		◆		
151211	Sunflower-seed or safflower oil, crude		◆		
151219	Sunflower or safflower oil, fractions				◆
151590	Veg fats, oils nes, fractions	◆	◆		
151710	Margarine, except liquid margarine		◆	◆	
151913	Tall oil fatty acids			◆	
151920	Industrial fatty alcohols			◆	
170111	Raw sugar, cane			◆	
170112	Raw sugar, beet		◆		
170199	Refined sugar, in solid form, nes, pure sucrose		◆	◆	
190530	Sweet biscuits, waffles and wafers				◆
210420	Homogenised composite food preparations			◆	
210690	Food preparations nes	◆	◆	◆	◆
220300	Beer made from malt			◆	
220830	Whiskies		◆		
240120	Tobacco, unmanufactured, stemmed or stripped	◆	◆		
330210	Mixed odoriferous substances - food & drink industries				◆
Total number		5	15	13	8

Source: UNSD Comtrade database.

⁴ For a really comprehensive review we could also have specified as an alternative fourth criterion that there was a 40 percent increase in import volume. This would have brought into the net any product for which the volume of imports has surged but not the value, because of offsetting price falls. However, the implication to be drawn from the products that were selected is that this might not have had any significant impact on the range of products assessed. Sharp price falls have not, in the main, been associated with stable or moderately increasing import values – which is what one would have found if volumes had surged but the items had been overlooked by our fourth criterion.

⁵ i.e. Ethiopia – eight years (1995 and 1997–2003); Tanzania – nine years (1995–2003); Uganda – ten years (1994–2003); Zambia – six years (1995 and 1998–2002). Statistics were taken from the UNSD Comtrade database.

This only produces a list of *potential* candidates; the next step is to determine whether recent experience suggests that an SSM could have been useful, and what form it should take. Figures 1–29 in the Appendix take in turn each of the basic products in the table (e.g. excluding whisky!) and show the value and unit value of imports by the country concerned.

Changes in the volume of imports are not shown directly, but can be inferred from the relationship between the value and unit value lines; for example, volumes go up in all cases where the slope of the total value line rises faster than that of the unit value line. In most cases, temporary surges in value have not been associated with price declines. And, as explained, only in cases where unit prices have fallen relative to total value will there have been a disproportionately large surge in the volume of imports.

The most significant instances of a value rise/unit value fall are shown in Table 2. In these cases the cause of the increase in imports *may* have been a sharp fall in price, but further enquiry at a country level is needed to check on this; the increase may have been to fill a domestic shortage and the unit price fall merely fortuitous (or perhaps a consequence of fixed costs being spread over higher volumes). Where there has been no unit price fall the *prima facie* evidence of the import rise being ‘unwanted’ is lacking. Further in-country analysis is required to check the reasons for the import surge.

Table 2. Correlation between surges and price fall

	Maize	Maize seed	Maize starch	Rice	Durum wheat	Palm oil	Soya oil
Ethiopia							
Tanzania	1998	1998	1998		1998	2001	
Uganda		1996		1998			
Zambia							1998–2000

In many cases where there have been import spikes they have been of only one or two years’ duration. This poses a practical problem unless countries have well developed market monitoring systems. No sooner has the ‘problem’ of an import surge come to the consciousness of decision takers than it has passed. This implementation difficulty is likely to be an acute one in the focus countries. One of the arguments made for SSGs or SSMs for countries which have much higher bound than applied tariffs (which includes all of the countries covered in this paper⁶ (Table 3) is that raising the applied rate may be impractically slow. It may require legislation, for example. An SSM needs to be much more quick acting. But there are limits to how quick it can be.

The cases in which there has been a sustained surge over several years seem mainly to have involved semi-milled rice and refined sugar (in both Tanzania and Uganda), and vegetable oils (in Tanzania, Uganda and Zambia). The first of these emerges below as a potential SP, suggesting that it is a high priority for further research into the role of imports and their impact on rural livelihoods and food security. Any identified action to enhance the role of rice in promoting a country’s objectives on rural livelihoods and food security could be included on both the SSM and SP agendas.

⁶ Except Ethiopia, as it is not a WTO Member.

Table 3. Bound and applied tariffs for potential candidates for SSMs in the review countries^a

HS6	Description	Tanzania		Uganda		Zambia	
		Bound	Applied ^b	Bound	Applied ^b	Bound	Applied ^b
040229	Milk and cream powder			80	15		
071310	Peas dried, shelled	120	0 or 25				
100110	Durum wheat	120	0 or 10			45	5
100510	Maize (corn) seed	120	0 or 25	80	7		
100590	Maize except seed corn	120	25				
100630	Rice, semi-milled or wholly milled	120	25	80	15		
110313	Maize (corn) groats or meal					125	15
110710	Malt, not roasted			80	0		
110720	Malt, roasted			80	0		
110812	Maize (corn) starch	120	10				
150300	Lard stearin, oleostearin & oils, natural tallow oil					125	5
150710	Soya-bean oil crude					125	5
151190	Palm oil or fractions	120	10 or 25				
151211	Sunflower-seed or safflower oil, crude	120	10				
151219	Sunflower or safflower oil, fractions					125	25
151590	Veg fats, oils nes, fractions	120	25				
151710	Margarine, except liquid margarine	120	25	80	15		
151913	Tall oil fatty acids			70 or 80? ^c	n/a ^d		
151920	Industrial fatty alcohols			80	n/a ^d		
170111	Raw sugar, cane			80	15		
170112	Raw sugar, beet	120	25				
170199	Refined sugar, in solid form, nes, pure sucrose	120	25	80	15		
190530	Sweet biscuits, waffles and wafers					125	25
210420	Homogenised composite food preparations			80	15		
210690	Food preparations nes	120	10 or 25	80	7	125	5 or 25
220300	Beer made from malt			80	15		
220830	Whiskies	120	25				
240120	Tobacco, unmanufactured, stemmed or stripped	120	0				
330210	Mixed odoriferous substances - food & drink industries					125	5

Notes:

- (a) Ethiopia is omitted, as it is not a WTO member.
(b) The data are for 2003 for Tanzania and Zambia and 2004 for Uganda.
(c) Uganda's Uruguay Round goods schedule stipulates an 80 percent ceiling for all Agreement on Agriculture items other than listed exceptions. HS 151913 does not appear on the list (and so could be assumed to be bound at 80 percent), but the identical product description appears next to HS 151912, which is listed and is bound at 70 percent.
(d) No items falling under these two HS sub-heads appear in the 2004 tariff schedule for Uganda in the TRAINS database.
Sources: UNCTAD TRAINS (*Trade Analysis and Information System*) database; WTO (http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_e.htm).

How useful are SPs?

Under the 1 August Decision, LDCs will not be required to make any further liberalisation than they have undertaken already and will have access to the SSM. In these circumstances, what need do they have for SPs? Since the answer cannot be that SPs are needed to deal with any changes they are required to make under Doha on market access (as there are none), it must be found (if it exists) in one or more of the following:

- ◆ to deal with consequences of past changes which are now considered undesirable;
- ◆ to deal with the consequences of changes that may be required of them by Doha in areas other than agricultural market access;

- ◆ to deal with the consequences of changes made by other WTO Members (including those to which they export, those from which they import, and their regional partners).

This section takes each of these areas in turn, after an initial review of what is known (and not known) about SPs.

The scope for SPs

On the assumption that SSMs mirror SSGs, the key criteria for eligibility relate to fluctuations in imports, but for SPs a wide range of factors are potentially relevant. Whilst there must be a trade dimension (or else there would be no need for SDT on WTO market access requirements), this could be indirect. One question that has arisen, for example, is what happens if a country nominates as an SP a product that is lightly traded internationally (such as white maize or cassava) but has substitutes that are heavily traded (such as wheat and rice)?

The reference in the 1 August Decision to livelihood security and rural development suggests that the list of candidates for SPs should include (but not be limited to) products that are important for the rural economy. And the reference to food security indicates that the list should also include products that form a significant portion of the diet.

Table 4 identifies the main sources of calorie supply in the six focus countries. Maize (white) and cassava are the most widely spread important calorie sources. Wheat and rice, by contrast, are important in only one country apiece. Since both maize and cassava are produced domestically the criteria of rural development and food security overlap. But, as noted above, neither is widely traded (although the Southern African market for white maize is becoming more developed).

Table 4. Main sources of daily *per capita* calorie supply^a, 2002

	Ethiopia	Lesotho	Mozambique	Tanzania	Uganda	Zambia
Cassava			35%	15%	13%	
Fruit					20%	
Maize	21%	56%	26%	33%		56%
Other cereals	12%					
Other roots	11%					
Plantains					19%	
Rice (milled equivalent)				7%		
Sorghum	11%					
Wheat	16%					
Total	71%	56%	61%	55%	52%	56%

Note:
(a) Most important items which together account for 50 percent or more of daily supply.
Source: FAO FAOSTAT database: food balance sheets.

SDT on market access would appear to be most relevant to securing the role of these crops if it could be applied to substitutes that are more widely traded. The first step is to determine whether the focus countries have significant international trade in such substitute staples; if they do, it makes sense for the analysis to continue to consider how the ‘flexibility’ allowed to SPs should best be framed.

Table 5 lists widely traded staple cereals that have been imported into the focus countries on a consistent basis in recent years. Only semi-milled rice also appears in the list of potential SSMs. The others are not present in that list not because imports are stable but because the rise has been sustained and not cyclical! This is illustrated in Table 6, which takes the three most widely imported cereals (soft wheat, maize and semi-milled rice) and shows for the states in which they are an important source of calories the value and volume of imports in 2003 and the percentage increase over the five years from 1999 for each of these.⁷

Wheat is an important and rapidly growing import into all five states. In all except Mozambique and Zambia it is the highest-value cereal import and has increased the fastest over the last five years. Industrialised countries are the most important sustained sources for all the states except Zambia (for which it is South Africa, possibly trans-shipping out-of-area supplies). Developing countries (especially South Asia and China), though, are the main sources of rice (again with the exception of Zambia and South Africa). Except in Uganda, Africa is the main source of maize, with South Africa as a dominant but not exclusive source.

Table 5. Potential candidates for SPs

		Ethiopia	Mozambique	Tanzania	Uganda	Zambia
100110	Durum wheat	◆				
100190	Wheat except durum wheat, and meslin	◆	◆	◆	◆	◆
100510	Maize (corn) seed			◆		
100590	Maize except seed corn		◆		◆	◆
100630	Rice, semi-milled or wholly milled		◆	◆		◆
100640	Rice, broken			◆	◆	
110100	Wheat or meslin flour	◆				
110220	Maize (corn) flour	◆				
110313	Maize (corn) groats or meal					◆
190490	Cereals, except maize grain, prepared nes	◆				

Table 6. Major cereal imports

Country	Element	Soft wheat <i>HS 100190</i>	Maize (excl. seed) <i>HS 100590</i>	Milled rice <i>HS 100630</i>
Ethiopia	Value (\$ mn)	174.0		
	Volume (MT)	7,271.6		
	Avg. annual change in value 1999-2003 (%)	105.6		
	Avg. annual change in volume 1999-2003 (%)	101.9		
Mozambique	Value (\$ mn)	24.3	5.6	41.9
	Volume (MT)	n/a	n/a	n/a
	Avg. annual change in value 2000-2002 (%)	20.6	1,953.3	19.8
	Avg. annual change in volume 2000-2002 (%)	n/a	n/a	n/a
Tanzania	Value (\$ mn)	75.6		8.6
	Volume (MT)	486.6		60.1
	Avg. annual change in value 1999-2003 (%)	37.5		-17.6
	Avg. annual change in volume 1999-2003 (%)	55.8		0.8
Uganda	Value (\$ mn)	54.7	13.2	
	Volume (MT)	167.3	47.6	
	Avg. annual change in value 1999-2003 (%)	41.6	6.4	
	Avg. annual change in volume 1999-2003 (%)	37.0	15.8	
Zambia	Value (\$ mn)	15.5	56.7	4.2
	Volume (MT)	64.1	267.0	12.9
	Avg. annual change in value 1998-2002 (%)	25.5	3.7	15.6
	Avg. annual change in volume 1998-2002 (%)	31.9	19.2	27.6

Source: UNSD Comtrade database.

⁷ Lesotho is excluded from Table 6 because its SACU membership means that trade data are unreliable. The average annual change figures are for five years from 1998 for Zambia, and 2000–02 for Mozambique.

Past changes

What is required is a country-by-country analysis that considers current government trade and trade-related policy towards cassava, white maize, rice and wheat. Are current policies the most supportive available for the domestic staples sector, taking account of the needs of urban and rural net consumers as well as producers? If not, what needs to change? Are any of the required changes in areas in which the focus countries have already accepted WTO disciplines?

Only if the answer to the last question is positive will there be a potential case for SPs to be identified so that past commitments can be modified. But it is important that the question be asked and the issue not overlooked. Hard as it is likely to be to negotiate useful SPs in the Doha Round, it will be infinitely harder to agree retrospective changes to past commitments after the Round has been completed. This is a one-off chance to deal with any commitments that were made unwittingly in the Uruguay Round or for which the development justification is now being questioned.

Changes in other areas

Conditions on a country's domestic market are not only affected by its market access regime. An example is to be found in para. 25 of the 1 August Decision. This is in the section dealing with export competition. It refers to the role of state trading enterprises (STEs), and states that those 'which enjoy special privileges to preserve domestic consumer price stability and to ensure food security *will receive special consideration* for maintaining monopoly status' (*ibid.*, emphasis added). This may sound reassuring – but the legitimate question has been asked: 'special consideration in relation to what?' Placed as it is in the sub-section on SDT within the section on export competition, the implication is that there will be negotiations on the role of STEs, potentially even in countries that have no export subsidies and where the STE plays no export role; if there were no such negotiations there would be no need to offer 'special consideration'.

Analysis of the Malawi food crisis of 2001/2 points to the changed role of the parastatal grain agency ADMARC as one of the contributory factors (Stevens *et al.* 2003). At the very least this salutary experience counsels caution in any new WTO rules that would affect the feasibility of domestic marketing arrangements for cereals that would otherwise have been justified on developmental grounds. And the sudden appearance in the 1 August Decision (reputedly due to last-minute lobbying by the US Soyabean Association) of a peg on which to hang negotiations in this area demonstrates how broad needs to be the scrutiny of WTO texts if such unintended and undesirable constraints are to be avoided.

The SP concept may provide an alternative to the fine-tooth analysis of every section of Doha lest it contain a peg on which a future challenge to developmentally desirable policies could be hung. A broadly specified 'exemption from commitments' by developing countries in relation to SPs would have both dangers and benefits.

The prime danger is that it could allow a coach and horses to be driven through commitments made by non-LDC developing countries during the negotiations. An example would be if India's schedules specify that it will reduce its tariff on a specific line by a stated percentage but its SPs allow it to suspend such cuts for vague reasons such as 'rural hardship' or 'food insecurity'. On the other hand, a broad SP provision might give developing countries a

defence in dispute settlement in cases where post-Doha judicial interpretation of WTO principles indicates that their schedules may be inadequate. It would be analogous to cases in which the Appellate Body has found against the primary justification given by a Member for its challenged policies but has then ruled that, for example, they can be justified under Article XX (as necessary to protect public morals or animal health). The alternative is that prudence dictate that every peripheral issue (such as the potential future role of domestically oriented STEs in non-exporting states) be taken into account when agreeing the text on disciplining export monopolies.

For the purpose of the present paper, the conclusion is this. WTO rules tend to have unintended as well as intended consequences, with numerous examples of Member policies being declared contrary to commitments even though the implementing countries believed that they were compatible. The current and future development needs of the staples sector in the focus countries should be assessed from a very broad perspective. And the ‘flexibilities’ sought under the SP provisions should be couched in similarly broad terms. To continue with the STE example, an SP could allow Ethiopia and Zambia considerable latitude in the organisation of the domestic market for teff or white maize. Challenges in dispute settlement to these countries’ policies would have to show that any infringement of the rules went beyond what might reasonably be required to support their domestic staples market.

Changes by other states

For imports

The cereal imports of the focus countries will be affected by the new disciplines accepted by the major trading countries. The different origins of imports for the main cereals mean that the post-Doha regime is likely to affect these three cereals differentially. The world market for wheat may be heavily influenced by the new disciplines accepted by industrialised countries, whilst for rice it may be developing country commitments (which include allowance for SPs) that may be more important. Maize would seem to be largely a regional trade, which is something that ought to be nurtured. It would be unfortunate if SPs on maize by some African countries hit the maize sector of their regional neighbours.

In other words, some serious thought may need to be given to the design of SPs in the six focus countries so that they support regional production and are attuned to a different post-Doha world. One issue to consider is whether, having identified maize as a SP, the allowed flexibility should be to restrict imports of other cereals so that regional trade is not undermined. If post-Doha disciplines on rice are likely to be weaker than those on wheat, perhaps it should be the former that receives the highest priority for action under SPs as well as SSMs. All in all, there are plenty of in-country questions to ask.

For exports

Until more is known about developed country commitments it is difficult to present a precise example of the use of SPs in relation to developing country exports. But the potential may be illustrated by assuming that Doha allows the developed countries to retain tariff rate quotas (TRQs) on some imports. Such TRQs were introduced in the Uruguay Round by developed countries as a means of maintaining current access and ensuring minimum access commitments in the light of tariffication. Some are an important feature of the most remunerative trade preferences given at present.

A literal interpretation of the wording in Annex A of the 1 August 2004 Decision would appear to offer a potential way of linking measures in preference-giving countries that might be useful for the exports of preference-receiving states. Specifically, it would link together para. 41 (especially the second sentence) and para. 34 of the 1 August Decision, which requires that all TRQs be expanded by the Doha Round.

At present, recipients of preferences for products covered by TRQs obtain two related advantages (in different proportions depending upon the product concerned). One is that they are sold into an artificially high-priced market. Sugar under the EU–ACP Sugar Protocol is the extreme example of this, since not only is the EU sugar market price artificially inflated but ACP beneficiaries are entitled to receive a price directly related to that prevailing on the European market.⁸ The other advantage is that preference-recipients obtain a commercial advantage over other potential suppliers of the market. In the case of the Beef Protocol, for example, there is no possibility of substituting purchases from Namibia with, say, purchases from Argentina; if EU importers do not wish to buy the Namibian beef they have to forgo that quantity of reduced-tariff import.

If at the end of the round the EU can continue to maintain significant market access restrictions on products covered by preferences as a result of designating these products as sensitive products then EU prices will continue to be artificially high (although they may be lower than they are at present). Some preference-recipients might be able to continue to cover their production costs at these artificially high but lower-than-before prices. But if they face unbridled competition from other exporters, able to sell at a lower price, they may not get the chance to do so. Such unbridled competition could occur if the EU opens TRQs that are allocated globally for these products (i.e. on a first come, first served basis) and are sufficiently large relative to the Cotonou quotas that importers would prefer to buy cheaply under the TRQ than more expensively under Cotonou.

If such circumstances come to exist then some ACP preference-recipients would be squeezed out, even though they would have been able to survive if the EU had opened country-specific TRQs. If the EU's TRQs were country-specific and allocated on the basis of past exports, an importer of beef, for example, would not be able to increase its purchases from Brazil above that country's sub-quota even if a better price were offered than by Namibia or Botswana.

An obvious area in which such flexibility might be useful is in the design of TRQs. Annex A para. 34 states that details of TRQs are to be negotiated. One aspect that remains to be negotiated is whether they should be global or country specific. Other areas in which SPs might be relevant may become apparent as the negotiations progress.

Such an arrangement, entitling countries that have designated an export product as an SP to special treatment in the administration of TRQs by importing countries, can be countered on several grounds: that it is undesirable, that it is irrelevant, or that it is not negotiable. An objection on the grounds of undesirability is that there could be scores of such special arrangements to the detriment of multilateral uniformity of treatment. With 100 or so developing countries entitled to designate SPs, would not nearly every product be covered by some country and thus be entitled to this treatment? The answer is no: the number of

⁸ Horticultural preferences would be at the other end of the spectrum because they provide only a limited competitive advantage: the most-favoured-nation (MFN) tariff is quite low, preferences of a similar nature are quite widely available, and there are no quantitative restrictions, country specific or otherwise.

preference regimes that depend on TRQ administration is quite small, and will diminish as TRQs are phased out in future negotiations. For the ACP's exports to the EU, they are effectively limited to sugar, beef and rice.

There are at least three reasons why the proposal might be considered irrelevant, and therefore not worth further investigation. One is that the EU will not be willing to take advantage of any flexibility that might be offered. First, it would need to designate as sensitive products items that are of export interest to developing countries. This is consistent with the 1 August Decision, para. 44, which recognises the importance of preferences and makes a commitment to address preference erosion. But para. 44 is only an enabling one; it does not commit the EU to select preference-receiving items as its sensitive products. Second, even if it does do so, the EU has to agree to take appropriate action by extending country-specific TRQs rather than introducing global ones.

A second reason why the proposal might be irrelevant is if no amount of tinkering with TRQs will stop a particular exporting country being squeezed out of its preferential market. If the level to which sugar prices fall in the EU market is below the cost of supply from some ACP states, then they will cease to export to the EU market regardless of whether or not they face full-frontal competition from other sources.

The third reason why the proposal might be irrelevant is if the special flexibility is not needed. Perhaps there will be no objection, for example, to establishing country-specific TRQs based upon past import volumes. The administration of TRQs⁹ is itself an area of negotiation under Doha.

The third of these objections seems to be a bit risky – it would be wise not to assume that such tinkering with TRQs will be problem free. The first can really be established only once we have identified which products might be relevant and how far the EU would have to move from the position it would otherwise adopt. The key objective for early research, therefore, is whether or not it would make any difference for particular countries. This is a question that should be answerable in broad terms fairly easily.

Finally, it can be objected that the proposal is not negotiable: that it is naïve to read the 1 August decision as a completely free-standing document, and that WTO Members have clear ideas (from which they will not be budged) on what is, and is not, allowable. All that can be said here is that the past actions of the industrialised countries suggest that they do not limit their negotiations in this way. It would seem a shame to 'miss a trick' by not even investigating whether or not such a linking of provisions within the August decision could be helpful.

Conclusions

At first sight SSMs and SPs might seem superfluous for the focus countries which, as LDCs, will be exempt from agricultural tariff reduction under Doha. But this is not the case: plausible cases for both instruments can easily be identified. The main issue for the use of both instruments in the focus countries is to determine how domestic policies should evolve to deal both with current challenges and those expected to emerge in future, not least from the

⁹ Covered by the Agreement on Import Licensing.

changes that the Doha Round may unveil. Only when these are known more clearly than at present can the most appropriate form of the SSM and SP instruments be determined.

The contribution of this paper has been to focus the attention of such a broad-ranging enquiry on the very small number of products for which SSMs/SPs might be relevant. It is not ‘all domestic agriculture’; it is a very small number of domestically produced crops and their traded substitutes. These are the items for which a development strategy is required to inform the trade negotiations.

In the case of SSMs, for example, the key question in many of the focus countries is the long-term position of imports in domestic food supply. Import surges, for which SSMs are assumed to be designed, have been found in this paper to be relatively uncommon. More common is a pronounced trend for imports to increase. If this is considered to be an undesirable trend, the remedial measures required go well beyond the probable scope of SSMs. The specific cases identified in the paper where SSM-relevant research is required is in relation to the semi-milled rice, refined sugar and vegetable oil imports of some focus states.

In the case of SPs the need is even greater for a broad ranging review of (a) the long-term needs of agriculture in the focus states and (b) how this might be hindered by Doha in the absence of SPs or furthered by their existence in a specific form. The second of the two questions must consider the consequences not only of any specific agricultural market access commitments required of LDCs in Doha (of which there are expected to be few or none) but also the consequences of past changes which are now considered undesirable, of changes that may be required of them by Doha in areas other than agricultural market access, and of changes made by other WTO Members (including those to which they export, those from which they import, and their regional partners).

In most cases the questions cannot be answered in Geneva; answers need to emerge from in-country analysis of the development role of agricultural staple production, taking into account the long-term interests of producers and consumers, and of producing rural areas, non-producing rural areas, and urban areas. One intriguing possibility, though, that is floated in the paper is more Geneva-focussed. This is that developed countries wishing to do so should be allowed to take into account in the administration of any remaining TRQs the needs of those trade preference recipients that have nominated the product as an SP. Only a limited number of products are likely to be involved. But the effect could be to ease the adjustment to preference erosion during the period in which developed country import policy remains fundamentally illiberal. All the signs from Hong Kong suggest that this period may be quite long in the cases where this use of SPs could be helpful.

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Appendix

Figure 1. Ethiopia: milk and cream powder (HS 040229)

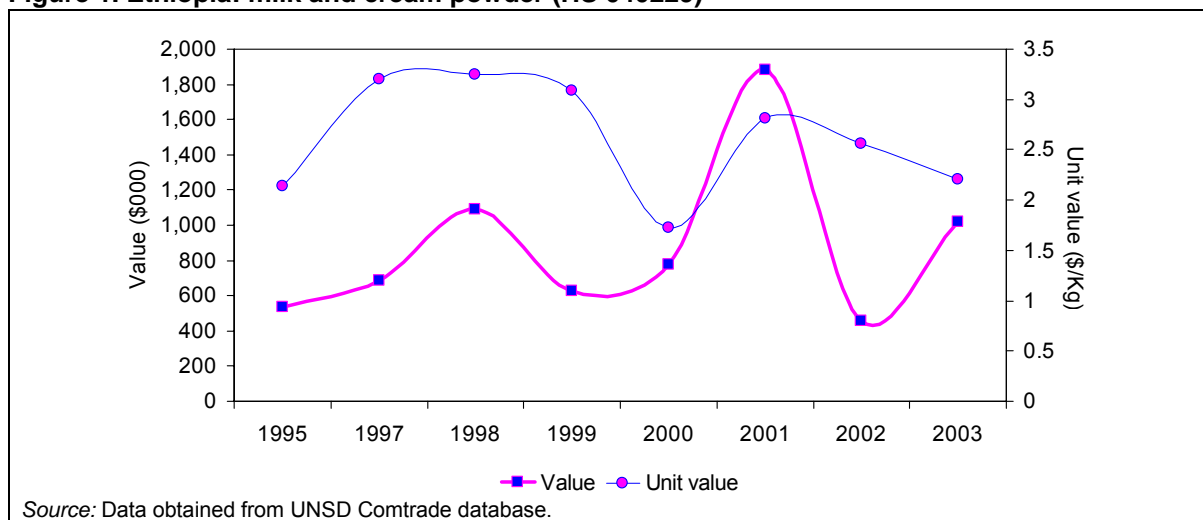


Figure 2. Ethiopia: malt, not roasted (HS 110710)

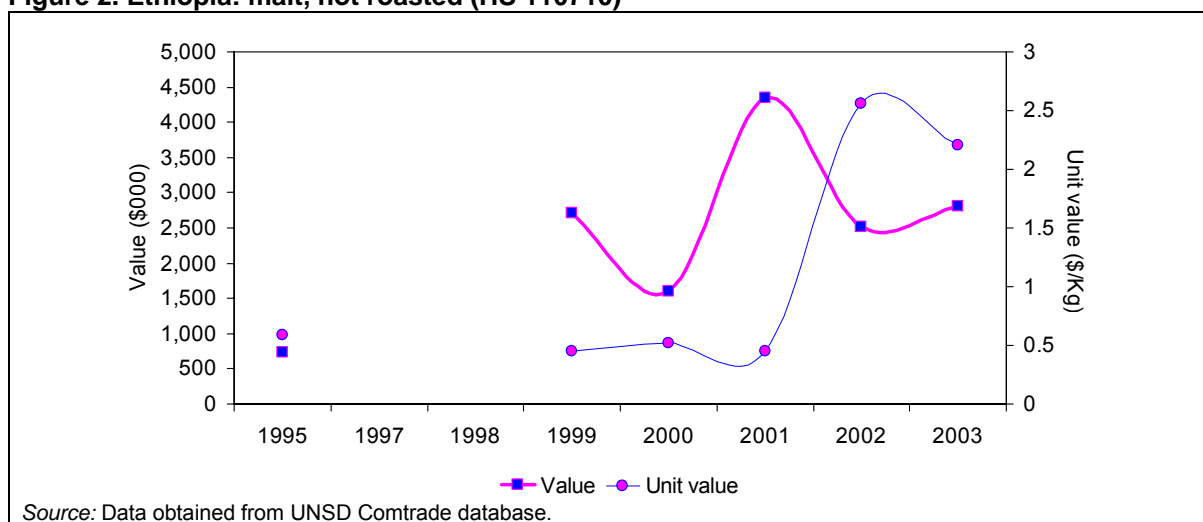


Figure 3. Ethiopia: vegetable fats and oils, n.e.s., fractions (HS 151590)

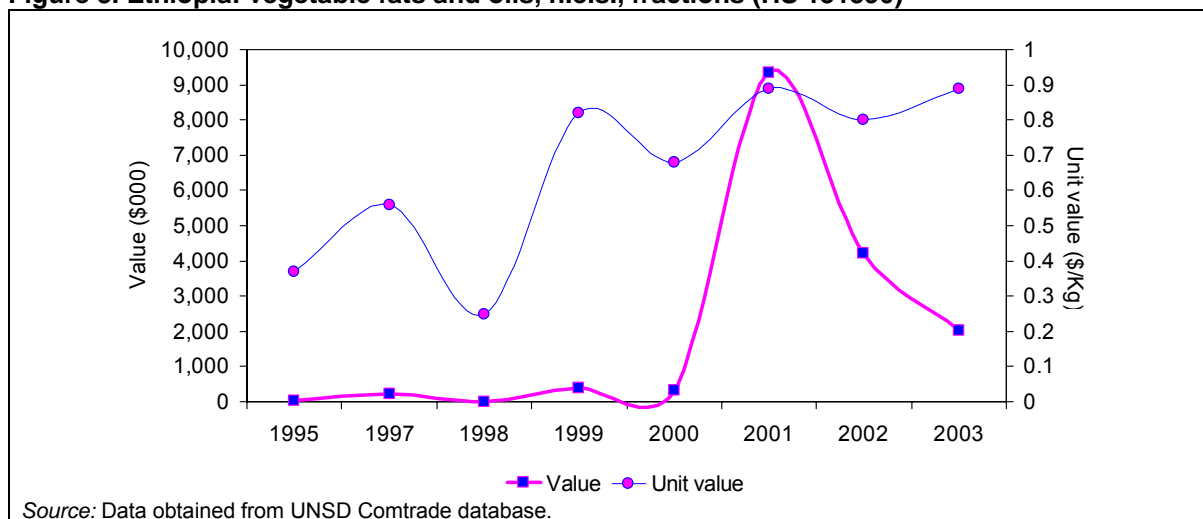


Figure 4. Tanzania: durum wheat (HS 100110)

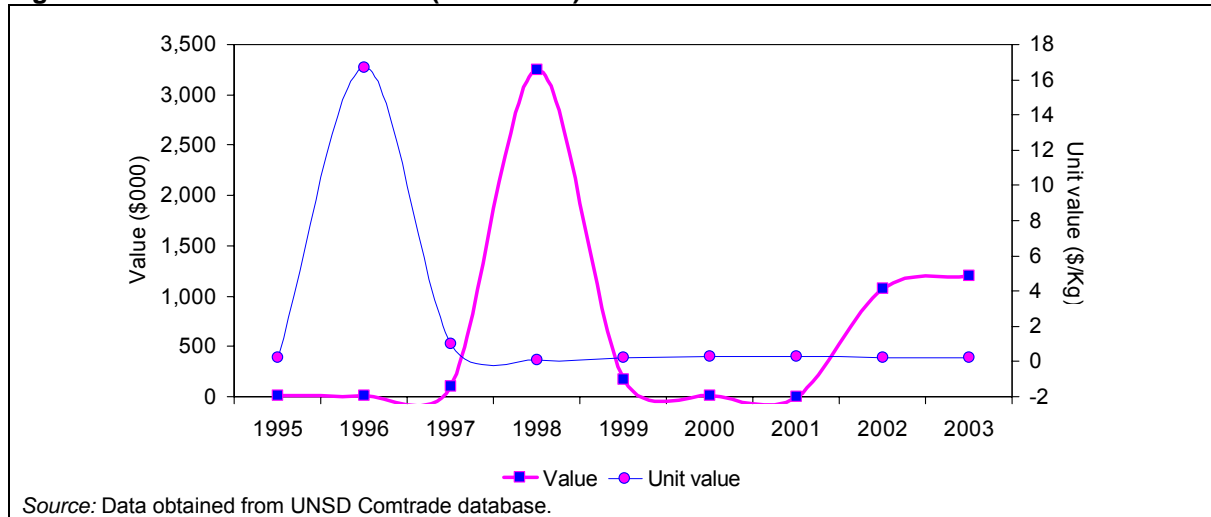


Figure 5. Tanzania: maize (corn) seed (HS 100510)

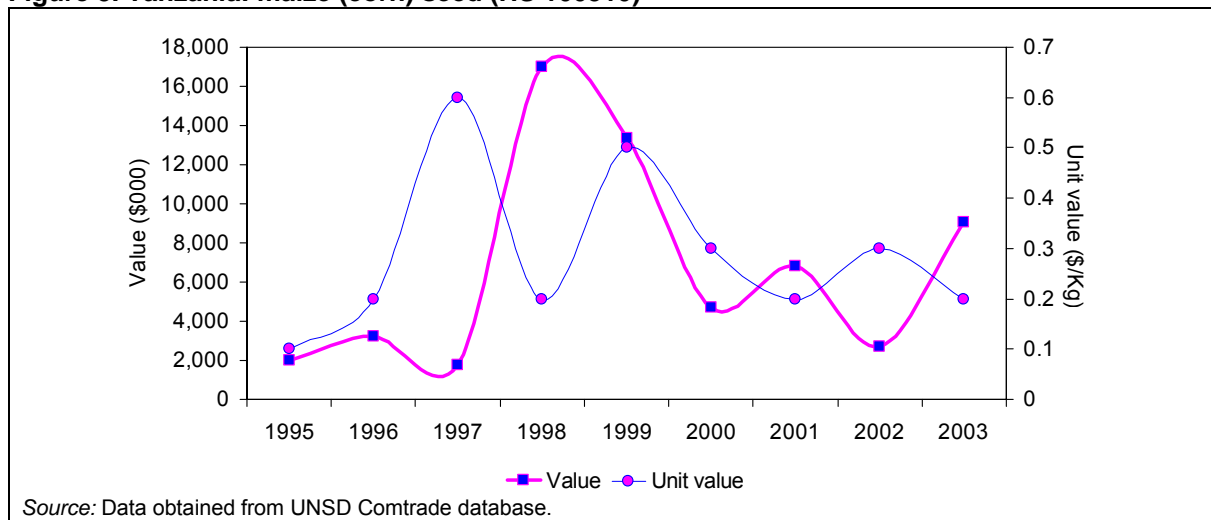


Figure 6. Tanzania: maize except seed corn (HS 100590)

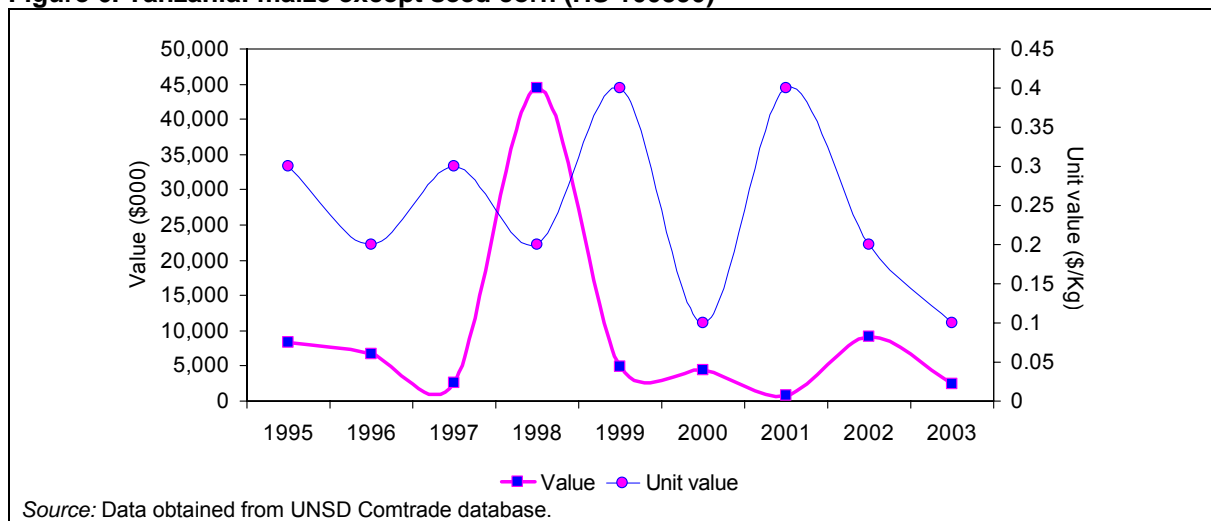


Figure 7. Tanzania: rice, semi-milled or wholly milled (HS 100630)

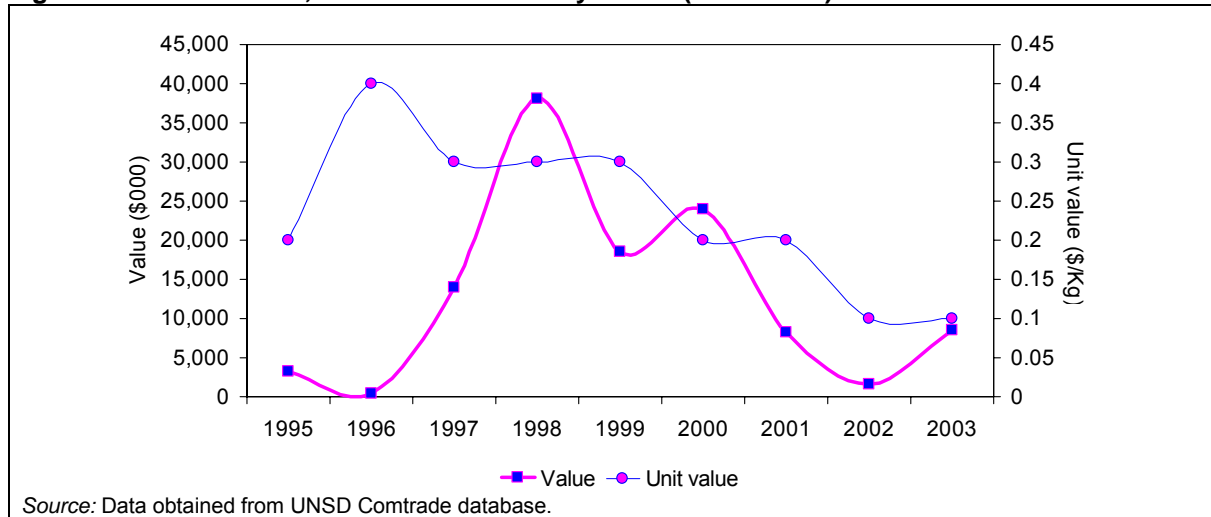


Figure 8. Tanzania: maize (corn) starch (HS 110812)

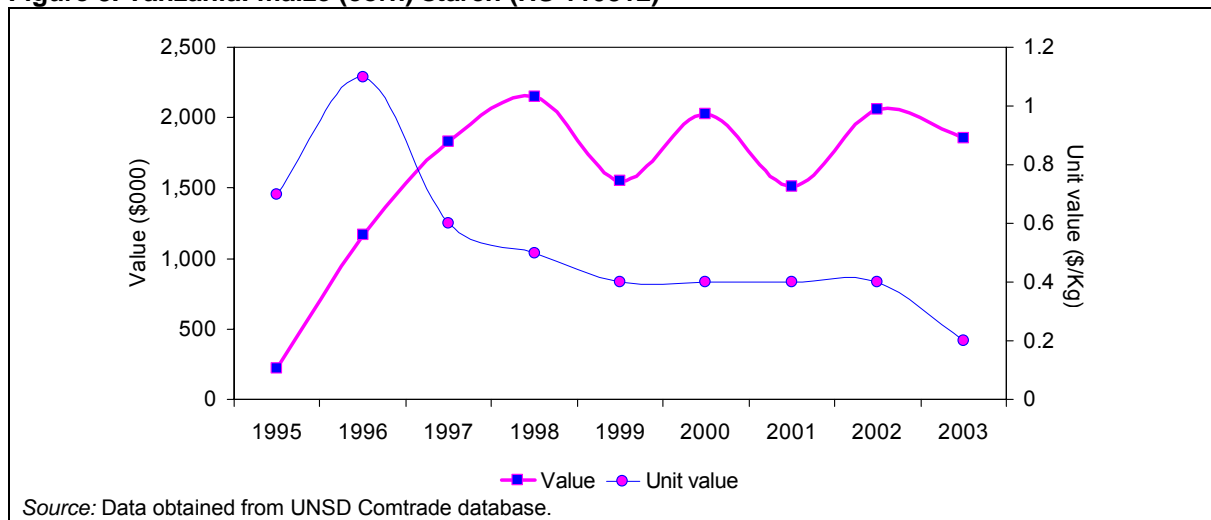


Figure 9. Tanzania: palm oil or fractions (HS 151190)

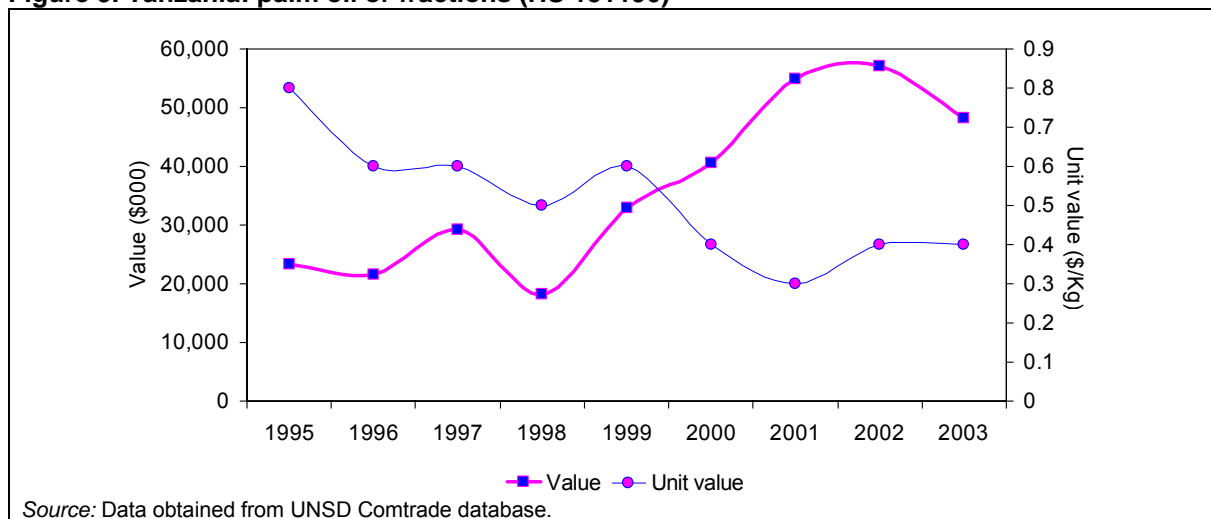


Figure 10. Tanzania: sunflower or safflower oil, crude (HS 151211)

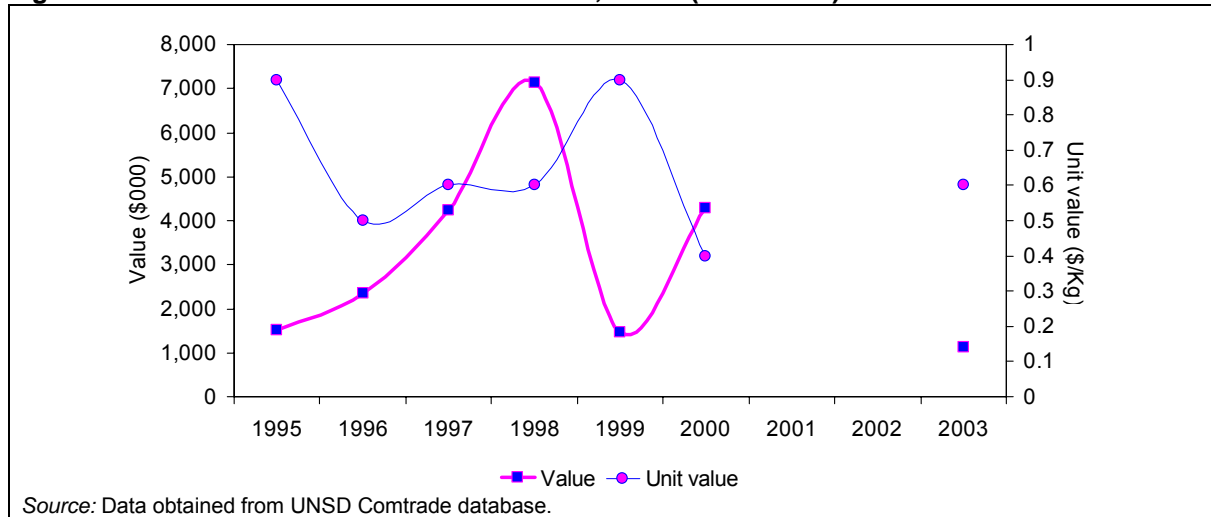


Figure 11. Tanzania: vegetable fats and oils, n.e.s., fractions (HS 151590)

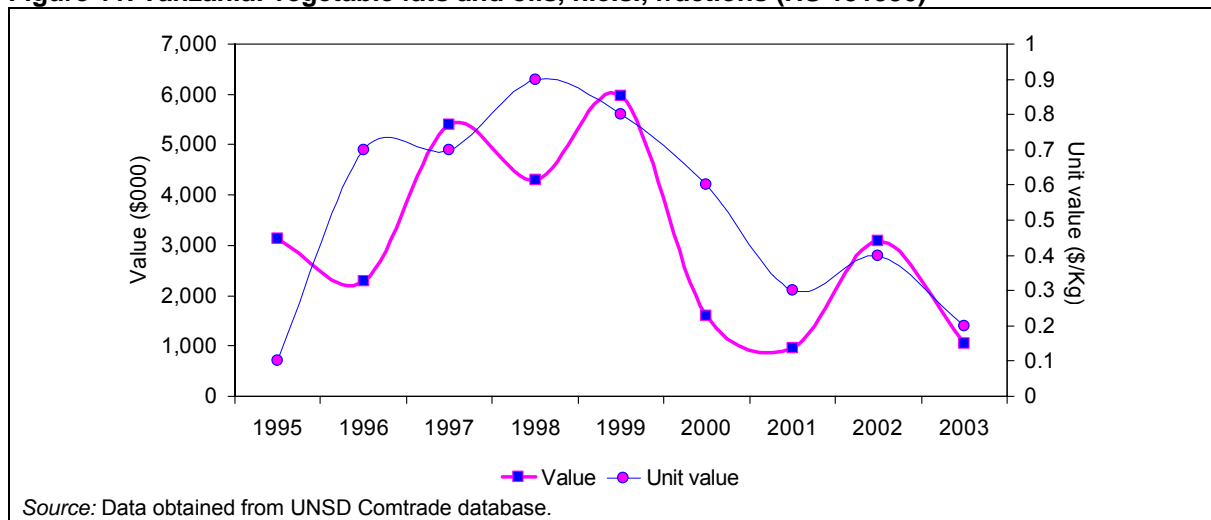


Figure 12. Tanzania: margarine (HS 151710)

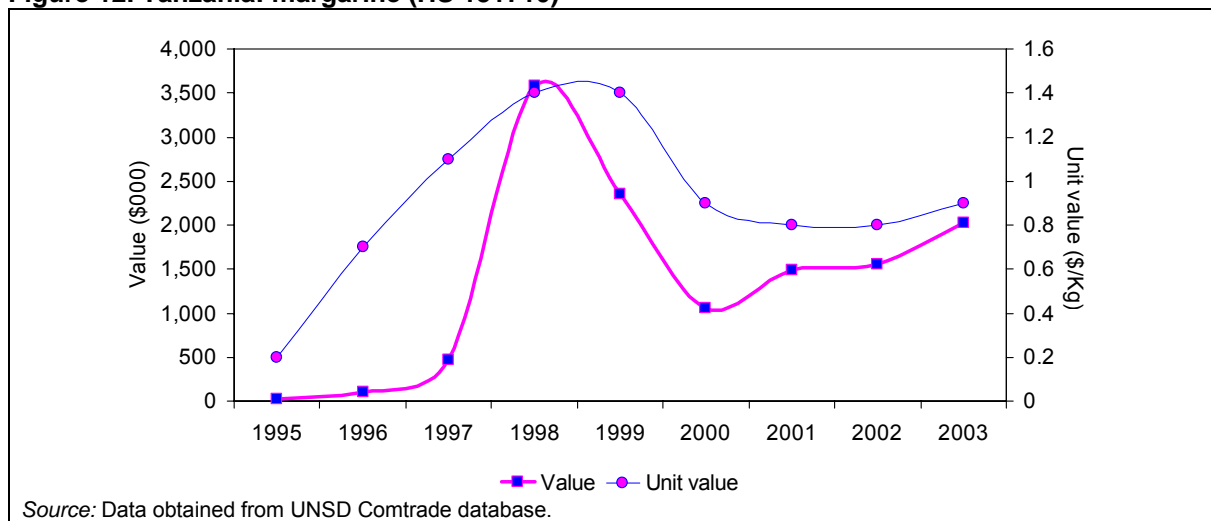


Figure 13. Tanzania: raw sugar, beet (HS 170112)

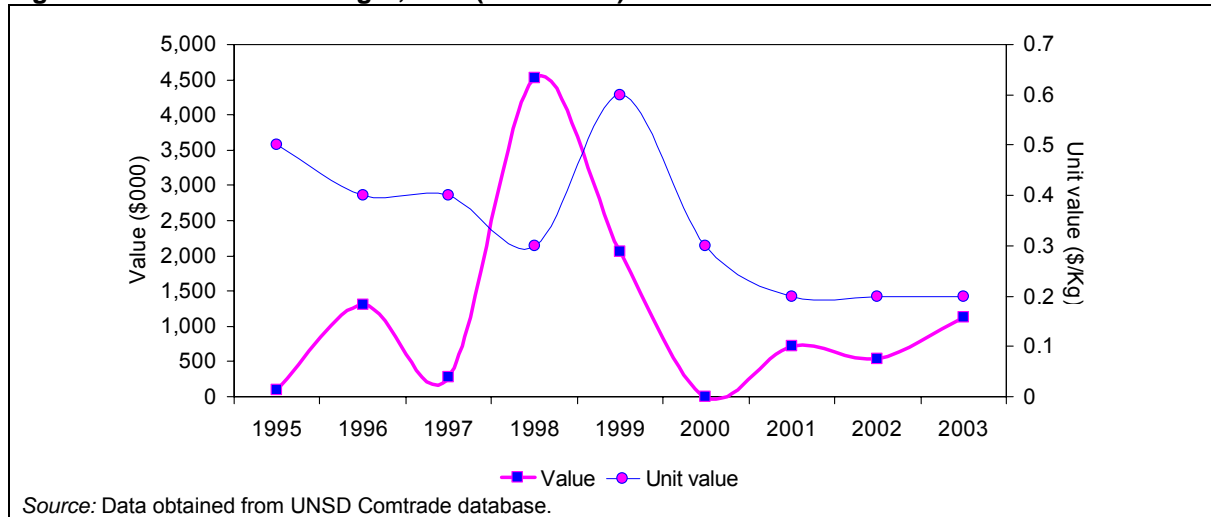


Figure 14. Tanzania: refined sugar (HS 170199)

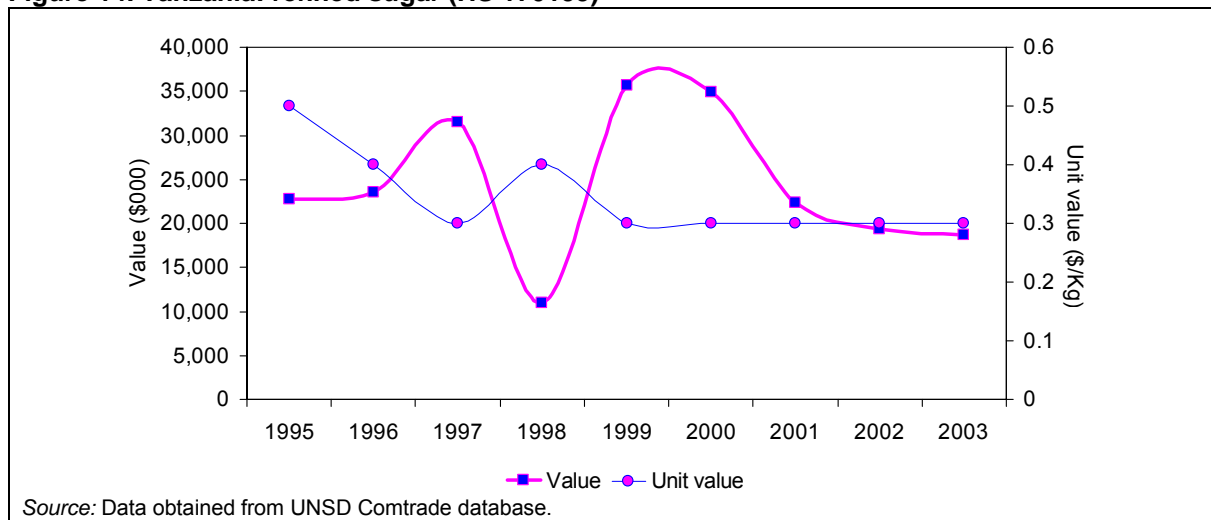


Figure 15. Uganda: milk and cream powder (HS 040229)

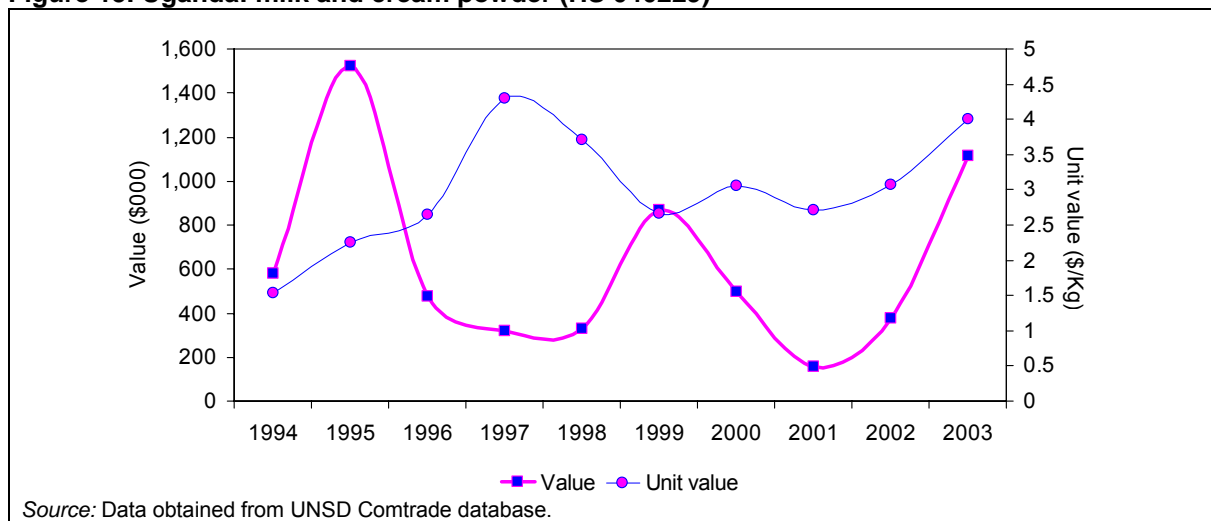


Figure 16. Uganda: maize (corn) seed (HS 100510)

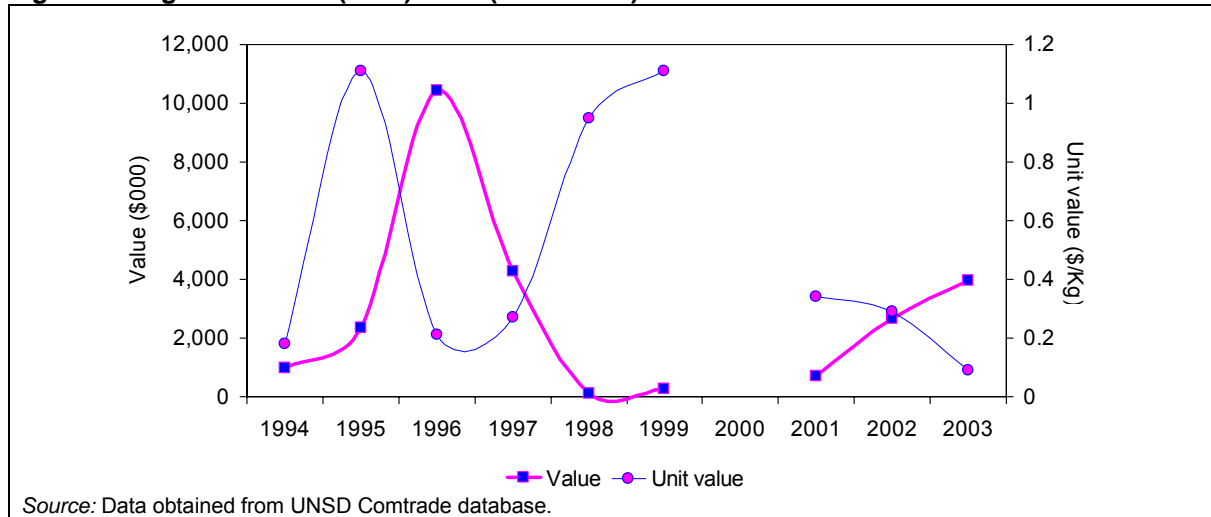


Figure 17. Uganda: rice, semi-milled or wholly milled (HS 100630)

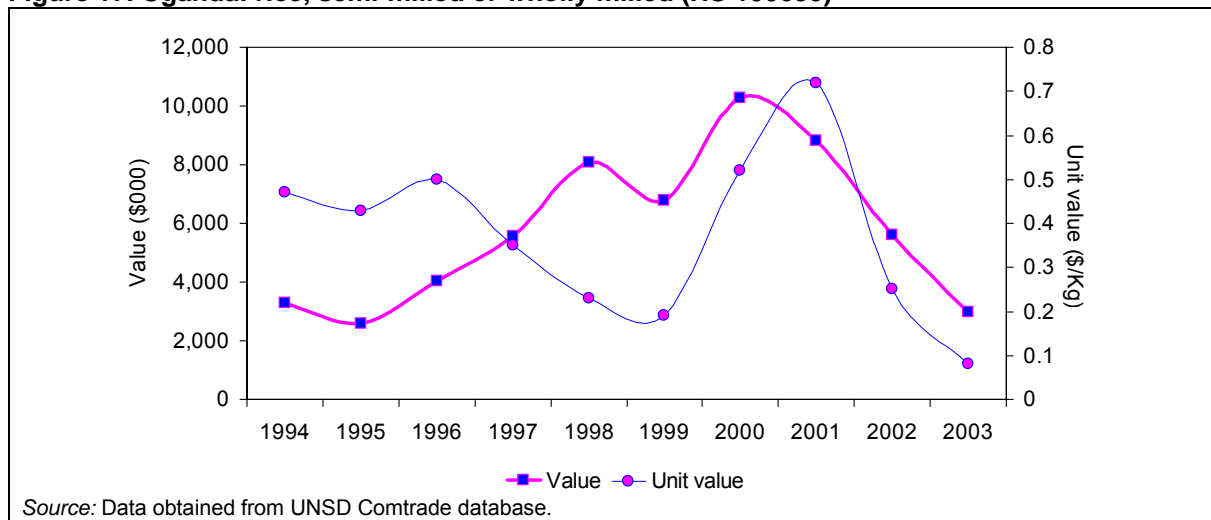


Figure 18. Uganda: malt, not roasted (HS 110710)

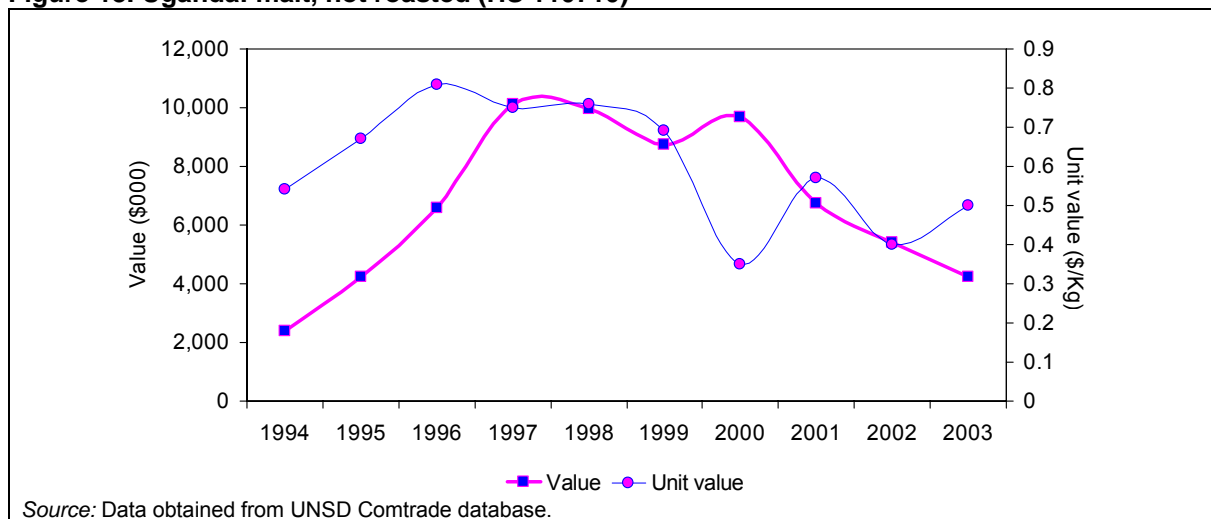


Figure 19. Uganda: malt, roasted (HS 110720)

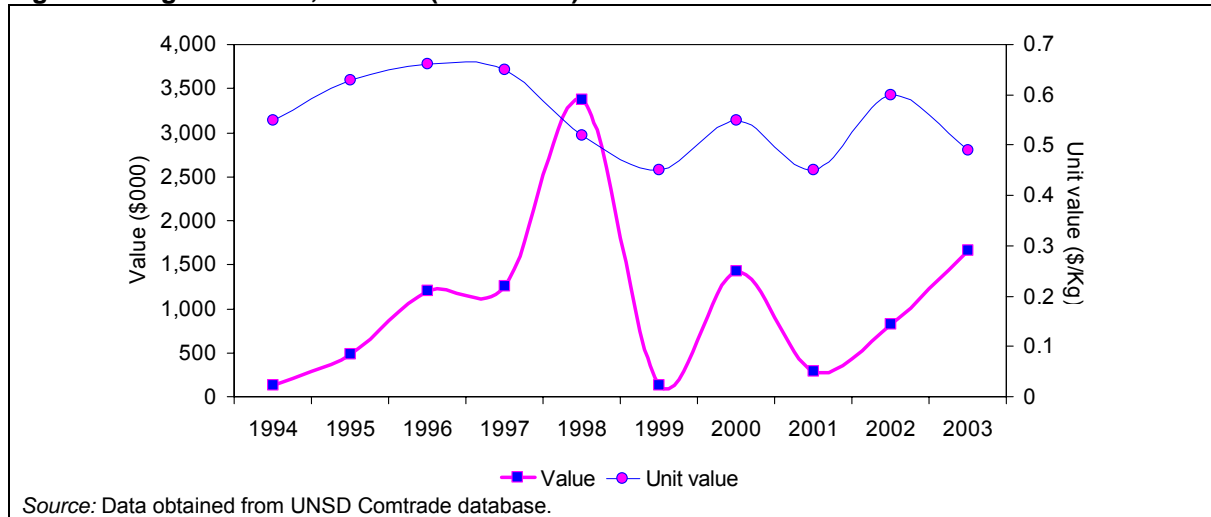


Figure 20. Uganda: margarine (HS 151720)

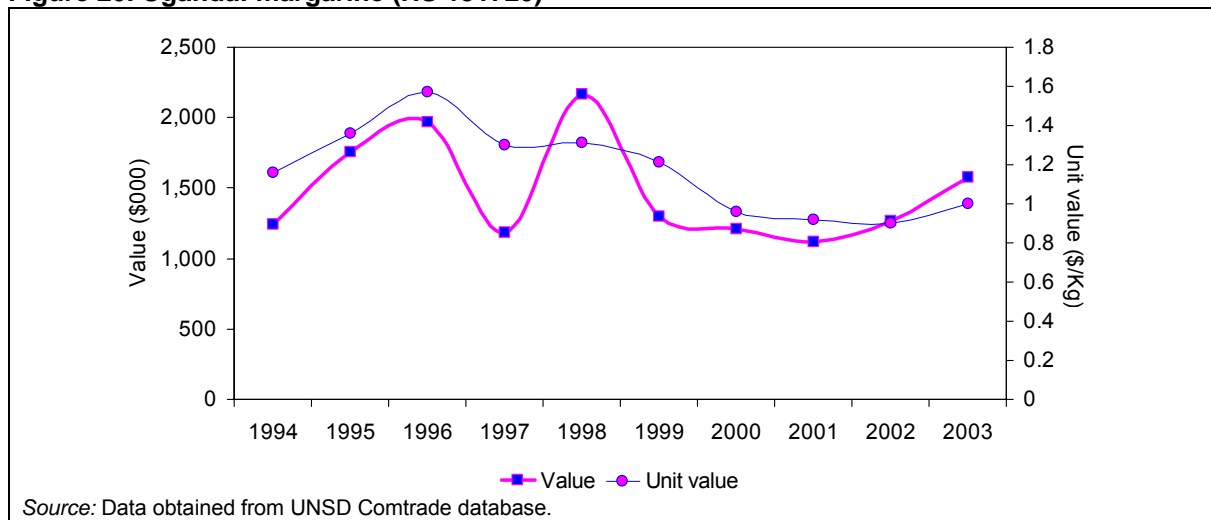


Figure 21. Uganda: raw sugar, cane (HS 170111)

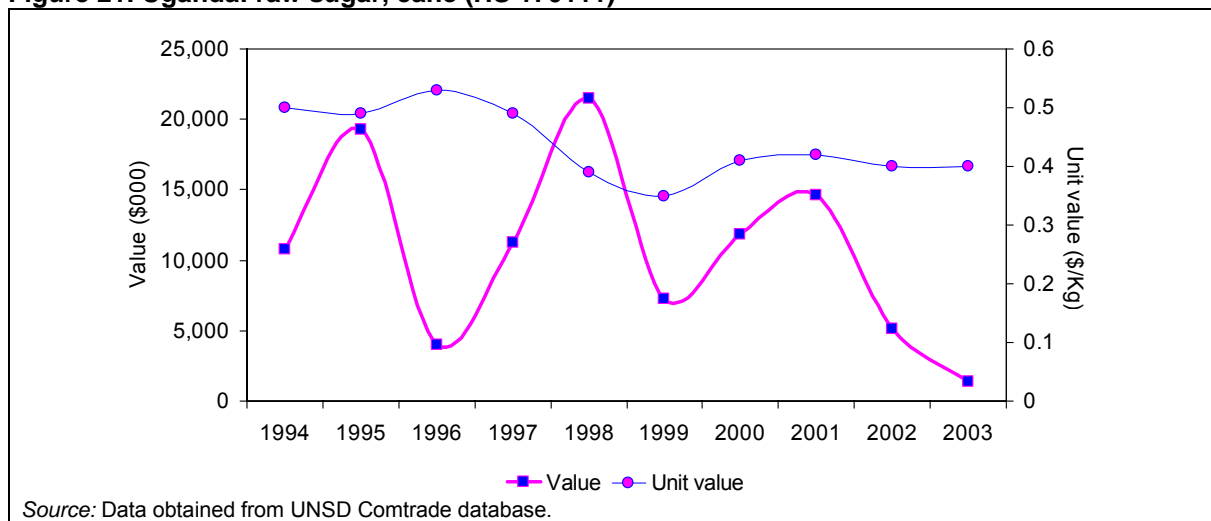


Figure 22. Uganda: refined sugar (HS 170199)

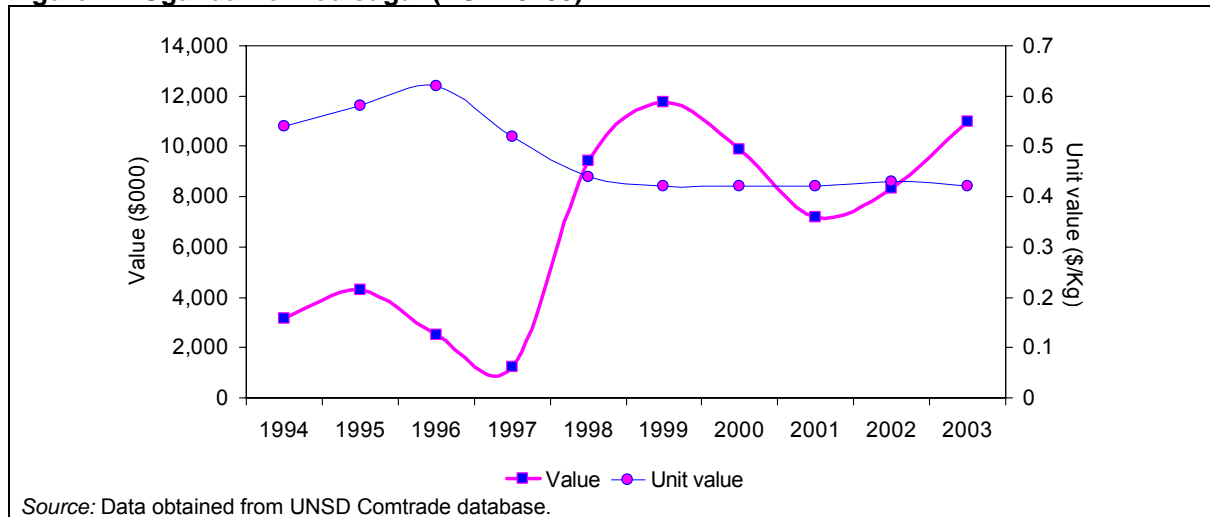


Figure 23. Uganda: homogenised composite food preparations (HS 210420)

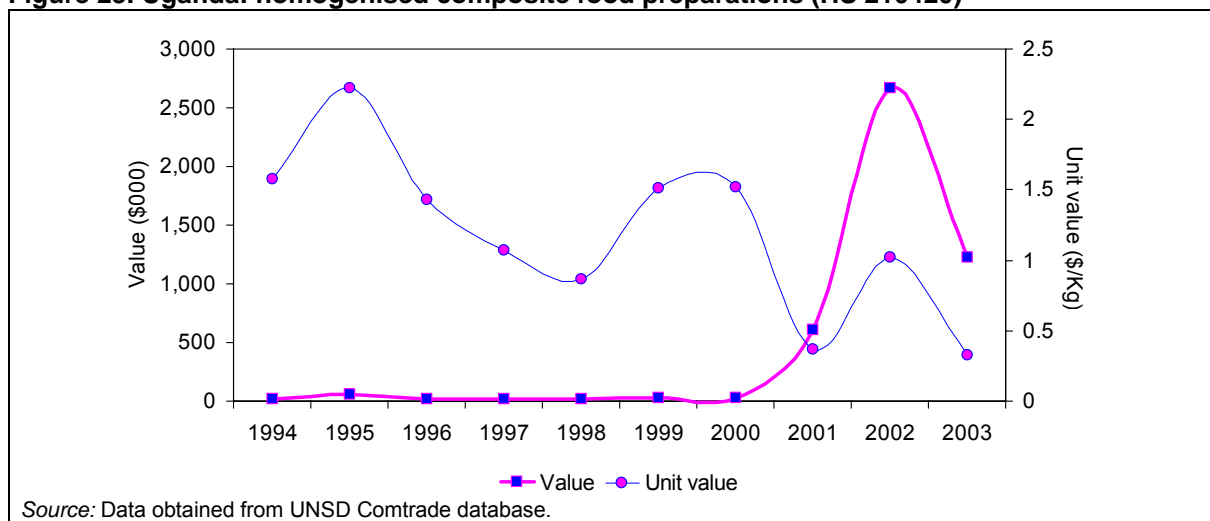


Figure 24. Zambia: durum wheat (HS 100110)

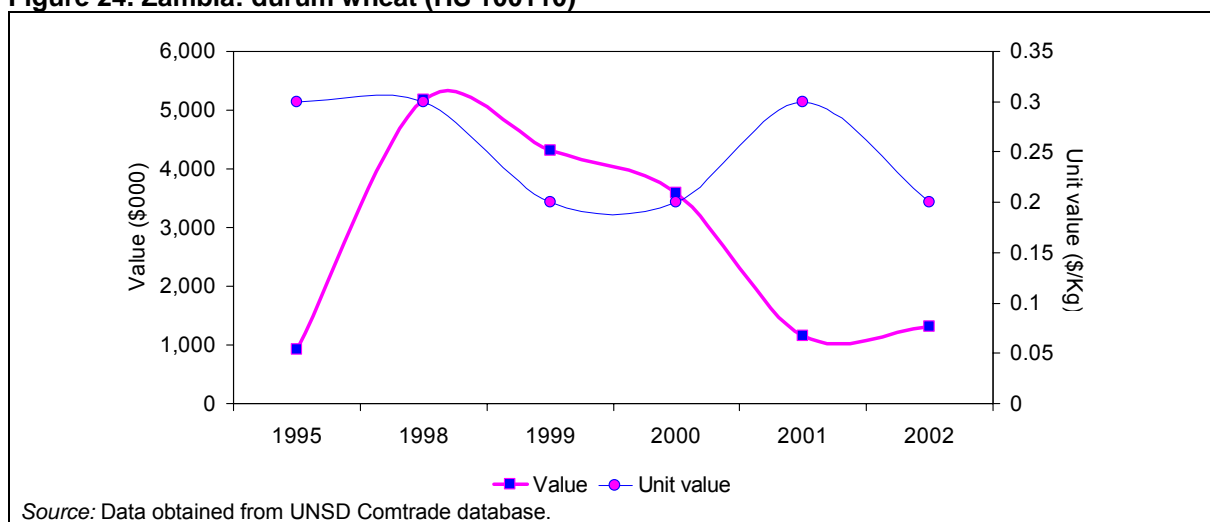


Figure 25. Zambia: maize (corn) groats or meal (HS 110313)

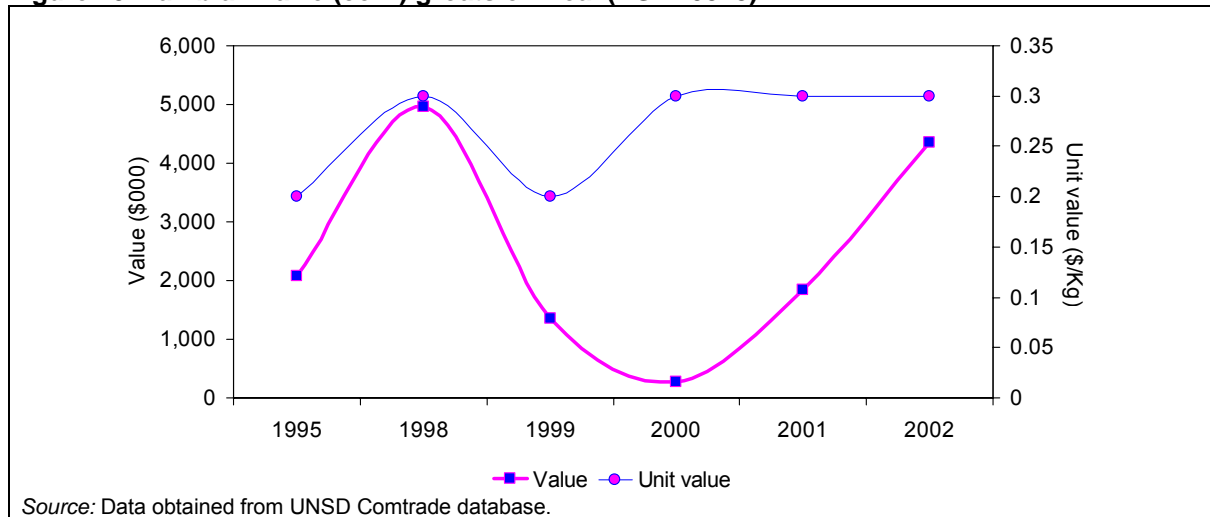


Figure 26. Zambia: lard stearin, oleostearin and oils (HS 150300)

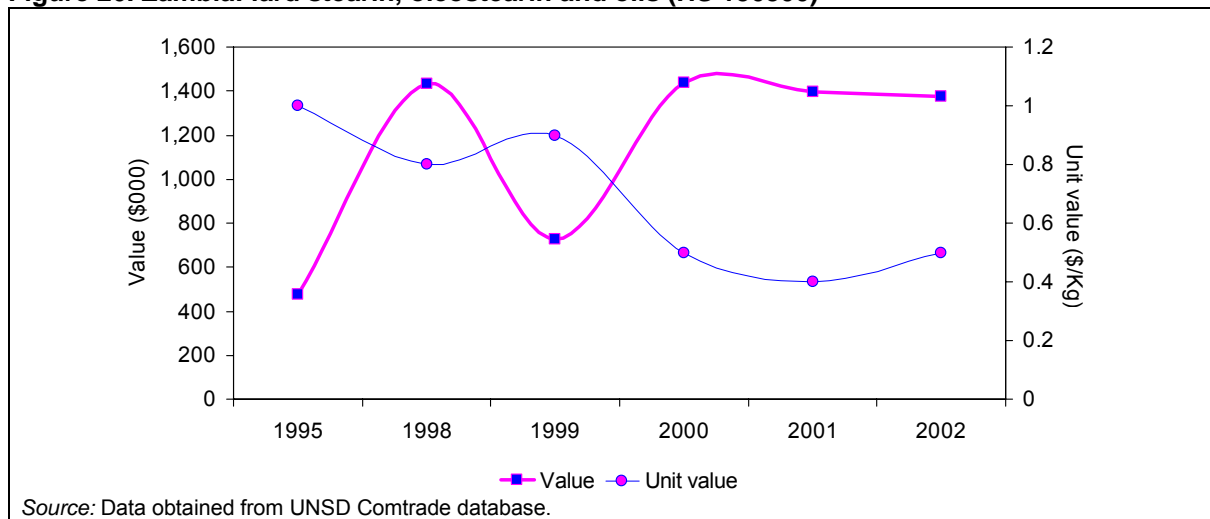


Figure 27. Zambia: soyabean oil, crude (HS 150710)

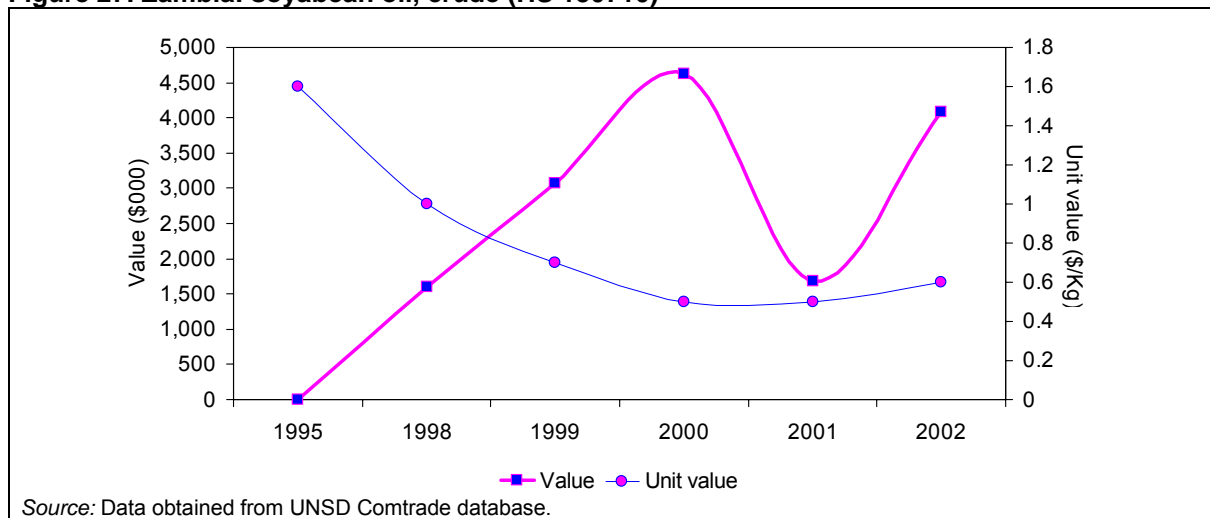


Figure 28. Zambia: sunflower or safflower oil, fractions (HS 151219)

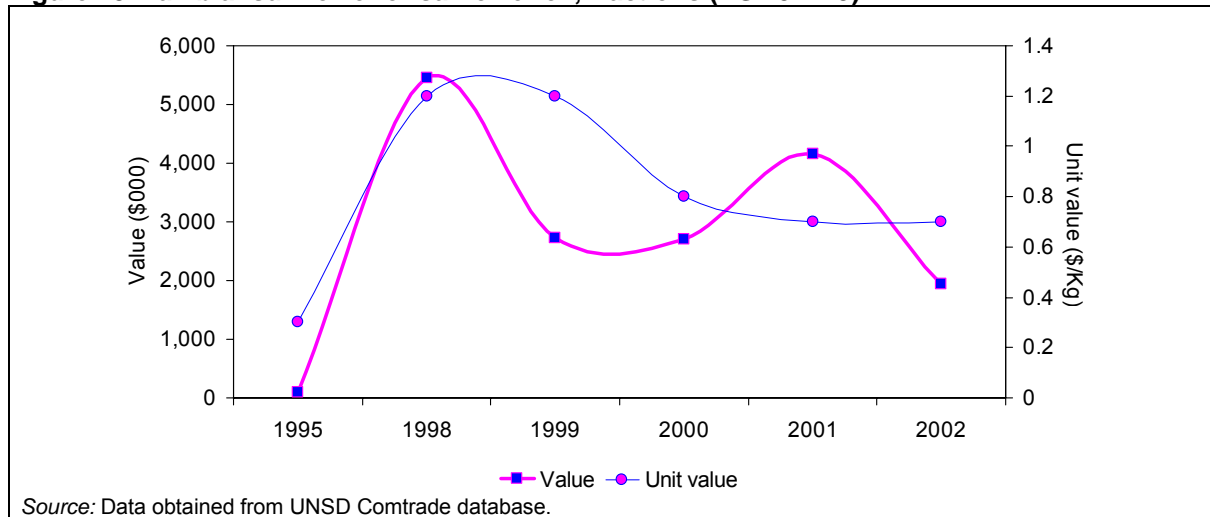
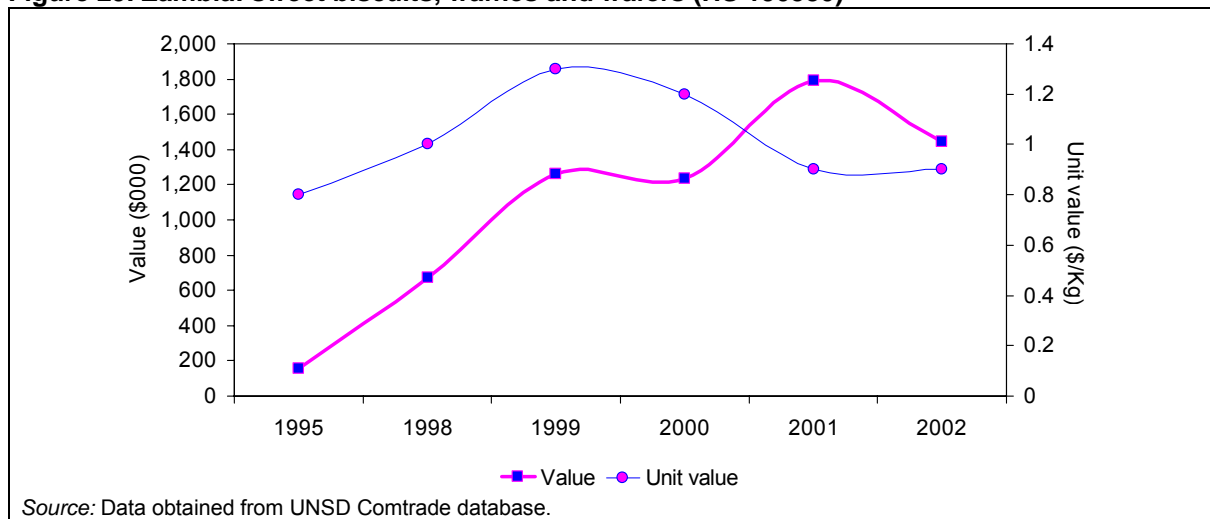


Figure 29. Zambia: sweet biscuits, waffles and wafers (HS 190530)





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