AGRICULTURE NEGOTIATIONS IN THE WTO

Six Ways to make a new Agreement on Agriculture Work for Development

Working Draft, August 2003

This paper is a response by a number of policy analysts[1] from leading international development organisations to the current negotiations on a new Agreement on Agriculture. It highlights the imbalance in the proposals put forward by some developed countries and those contained within the Harbinson Draft Modalities[2] in the current renegotiation of the Agreement. It puts forward a number of proposals for measures to remedy these imbalances.

The six ways are:

Offensive strategies for developing countries

#1. Domestic Support: Far more radical cuts in domestic support are needed. Support in OECD countries is not going down and the recent US Farm Bill and EU's CAP final Agreement will have little impact on high levels of production, trade distortion and dumping.
#2. Export competition: The AoA must get tough on all forms of export subsidies. The EU's Final Agreement on CAP will do little to reduce the levels of export subsidies. Other forms of export competition are inadequately covered.
#3. Peace Clause: Members should reject the extension of the Peace Clause, under which agriculture is exempted from WTO disciplines on subsidies. The expiry of the peace clause at the end of 2003 gives other WTO members – including developing countries – unprecedented leverage over the current negotiations.

Defensive strategies for developing countries

#4 The right to protect: Tariff liberalization through the WTO has had a detrimental impact, through import surges and dumping, on food security and rural livelihoods in developing countries. Developing countries cannot go through another round of tariff cuts unless proper defensive mechanisms are in place.
#5. Special Safeguard Mechanism: An SSM should be extended to all developing countries to allow them to protect themselves from import surges, and should be available for all products.
#6. Strategic Products: To put development at the heart of the AoA, developing countries should be permitted to name Strategic Products that are exempt from WTO disciplines on tariffs.

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[1] They are, in alphabetical order, Aftab Alam Khan (ActionAid-Pakistan), Stuart Clarke (Canadian Food Grains Bank), Duncan Green (CAFOD) and Tim Rice (Action-Aid UK). This paper is a working draft, written in their personal capacity. They welcome all comments and suggestions, which will be taken into account when a final draft of the paper is written, following the Cancun ministerial meeting in September 2003. Comments should be sent to trice@actionaid.org.uk
[2] The paper does not discuss the joint EU-US proposal of August 2003, but notes that its development content was in almost all respects even weaker than the Harbinson Draft.

SECTION 1

DOMESTIC SUBSIDIES IN THE EU AND US

Issue #1: Economic modelling suggests that subsidy payments increase production, drive down prices and lead to dumping (see section 4 on dumping)

Policy proposal: Production and trade distorting subsidies should be phased out and supply management – which properly controls agricultural production – should be introduced. There should be a serious review of the current evidence on the impact of different kinds of support on output, prices and trade. Developed countries should overhaul and then implement the WTO's Marrakesh Decision to create a revolving compensatory fund.

There is no simple correlation between subsidies, levels of production and impacts on prices. Production in some heavily subsidised sectors – such as sugar and dairy in the EU – is also 'constrained' by quotas or other supply management policies. These same sectors are also protected behind high tariffs, thereby constraining the production and exports from elsewhere. However, several models have been run to determine the extent to which production and prices would change if the EU's or US's agricultural policy was eliminated or subsidies phased out.

One such attempt has been made by Borrell and Hubbard.[3] Up to the late 1990s, EU non-grains output (such as sugar) as a result of the Common Agricultural Policy was **eight** times higher than it would otherwise have been. Grains and milk production was 50% higher, livestock 30% higher and meat products some 18% higher. Production in the EU is therefore significantly higher than it would have been in the absence of subsidies (as well as border protection). Another major development, according to the two authors, is that the CAP has displaced production in other parts of the world. For example, the CAP displaced between 12-13% of non-grains and grains output in North America, between 5-15% of non-grain, meat and livestock output in Latin America and between 4-7% of non-grain, livestock and milk output in high-income East Asia.

More detailed studies have been conducted for different sectors. It is estimated that if all current forms of price support for the sugar sector across the OECD countries were removed, this would raise world sugar prices by between 30-38%.[4] A substantial proportion of global producer support to sugar falls within the EU and the US, some 41% and 17% respectively.

Others studies have measured the impact of domestic subsidies alone. If domestic support in developed countries was removed, this would increase world prices for wheat and other grains by 12% with major price increases also for oils and oil seeds and livestock (see table 1). There is a similar situation for cotton. The International Cotton Advisory Committee found that if cotton subsidies were withdrawn in the US, domestic production would fall by about 10% but world prices would increase by nearly 26%.[5]

Whatever the merits, or otherwise, of this type of modelling, they reveal a consistent trend. That in the absence of OECD country subsidies (and in some cases tariffs), particularly in the US and the EU, world production of many products would be lower and world prices higher. It is

[3] Borrell, B. and L. Hubbard, 2000. *Global Economic Effects of the EU Common Agricultural Policy.* Institute of Economic Affairs.
[4] Borrell and Hubbard, 2000. *Op cit.*
[5] Watkins, K., 2002. Cultivating poverty: The Impact of US Cotton Subsidies on Africa. Oxfam, Oxford. http://www.oxfam.org.uk/policy/papers/30cotton/30Cotton.pdf

therefore possible to conclude that the current subsidy regimes in both the EU and US have increased production and depressed prices and that the removal of production and trade distorting subsidies in the North would be beneficial to developing countries. To cushion the impact of higher prices and increased import bills for least developed and net food importing developing countries, it is essential that developed countries should overhaul and then implement the WTO's Marrakesh Decision with regards the creation of an ex-ante revolving compensatory fund.

Table 1: Increase in world prices resulting from policy distortions[6]

Commodity	Full policy Elimination[7]	Global tariff removal	OECD domestic subsidy removal	Global export subsidy removal
		% change from base		
Wheat	18.1	3.4	12.0	2.0
Rice	10.1	5.9	2.4	1.5
Other grains	15.2	1.4	12.2	0.6
Vegetables and fruit	8.2	4.9	-0.1	3.0
Oil and oilseeds	11.2	3.1	7.8	0.1
Sugar	16.4	10.9	1.6	3.3
Other crops	5.6	4.2	1.2	0.1
Livestock and products	22.3	12.2	5.5	3.1
Processed food	7.6	4.8	1.8	1.0

Issue #2: subsidy levels are going up

Policy proposal: Overall subsidy levels in the developed world need to be substantially reduced.

Between, 1999 and 2001, developed countries' support to their agricultural producers averaged $258 billion per annum. By the same period, the average annual support to producers in both the US and EU had increased in nominal terms by 21% and 5% respectively compared to the 1986-1988 period (see table 2).

Table 2: Estimated support to producers in the Levels of support to agriculture within the OECD, EU and US ($ billions)[8]

	1986-1988 (annual average)	1999	2000	2001	1999-2001 (annual average)
OECD	236	273	242	231	248
US	42	55	49	49	51
EU	94	115	90	93	99

[6] See ERS, 2002. The Costs of Agricultural Distortions – The Road Ahead. A Summary Report. Economic Research Service/USDA. Based on work by Diao, Somwaru and Roe (2001). http://www.ers.usda.gov/publications/aer797/aer797b.pdf

[7] Full policy elimination is not something that development NGOs would support. There is a need to support the delivery of public goods, if necessary through subsidies that are completely de-linked from production. These public goods include sustainable agriculture, support to small-scale farmers, the conservation of the environment and the promotion of rural development.

[8] OECD, 2002. *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2002.* Organisation for Economic Co-operation and Development, Paris. http://www.oecd.org/pdf/M00005000/M00005114.pdf

The 2002 US Farm Bill has increased domestic subsidies still further to the extent that they may exceed the final AMS bound commitment to keep spending in the amber box below $19.1 billion. This is because such assistance is tied to price levels and currently domestic prices are low. The Bill will increase commodity spending (conservation programmes will also go up) to about $17 billion per annum over a ten-year period although a large part of this is unpredictable because it is linked to market price movements and the weather.

Under the EU agricultural reform package of 2003, spending on commodity programmes is capped but will increase until 2013 when it will reach about 49 billion per annum.[9]

Issue #3: Recent reforms to the CAP and US support systems have merely involved juggling the way in which subsidies are classified, not cutting the total spend. Massive amounts of subsidies remain available to both EU and US producers.

Policy proposal: Because they distort production and trade, amber and blue box subsidies should be phased out. Developing countries should be provided with financial (or other) assistance – with their full consultation – due to the erosion of preferences.

Instead of cutting subsidies, both the EU and US reforms are merely shifting subsidies into categories of subsidies ('boxes') that are not subject to WTO reduction commitments, such as blue box subsidies which are only permitted under schemes which attempt to limit production (such as set-aside in the EU) and green box subsidies which are deemed not to distort trade or at most cause minimal distortion. The EU has progressively been shifting amber box (AMS) subsidies into the blue box. In the 1995/96 WTO reporting of domestic support, the EU's AMS stood at 47.5 billion euros, blue box payments at 20.8 billion euros and green box payments at 18.7 billion euros. Latest estimates put the EU figures at 28.6 billion euros for AMS and 29.4 billion euros for the blue box.[10]

After the CAP final agreement of 2003, the EU will further shift subsidies from the blue box to the green box (one estimate is that the EU will be able to shift about 75% of subsidies from the blue to green box as a result of this agreement[11]).

NGOs do not accept the EU's arguments that such reforms will reduce the CAP's negative impact on developing countries because post-reform payments will still be partially coupled to present or future production, and because payments which are partially decoupled in this way will lead to increased production, even according to the EC's own estimates (see issue 6).

Issue #4: EU proposals on the amber box are disingenuous.

Policy proposal: The EU should come forward with concrete proposals to phase out amber box subsidies

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[9] European Commission, 2003b. *CAP Reform – A long-Term Perspective for sustainable Agriculture.* http://europa.eu.int/comm/agriculture/mtr/index_en.htm. The legislative proposals can be found at: http://europa.eu.int/comm/agriculture/mtr/memo_en.pdf

[10] European Parliament, 2003. Report on the proposal for a Council Regulation on Establishing Common Rules for Direct Support Schemes under the CAP and Support Schemes for producers of certain Crops. May. Rapporteur, Arlindo Cunha.
http://www2.europarl.eu.int/omk/sipade2?L=EN&OBJID=15479&LEVEL=3&MODE=SIP&NAV=X&LSTDOC=N

[11] AgraEurope, 2003. A CAP reform agreement that – just about - delivers. 27th June.

One of the demands in the Harbinson text was for a 60% cut in the AMS over five years[12] from the Uruguay final bound commitment.

The EU's calculation of amber box (AMS) now has to include the ten new member states. According to the European Parliament, the latest estimate of EU-15 AMS is 28.6 billion euros (which would rise to 32.1 billion euros for EU-25). Following the 2003 reforms, this would fall to about 26 billion euros for EU-15 (and about 29 billion euros for EU-25).

The EU's final bound commitment from the Uruguay Round was 67.2 billion euros (and the EU-25 final bound commitment will be even higher). Even with the ten new members states, and before the 2003 reforms, 32.1 billion euros is 52% less that the EU-15 final bound level. After the reforms are implemented, the AMS will fall to 57% of the final bound commitment. Further reforms are planned for other sectors, such as sugar, which should bring the AMS reduction below 60%.

The current Harbinson draft would, in effect, commit the EU to do very little in a new round on AMS that it is not already doing. At a meeting of NGOs in Geneva,[13] the European Commission effectively admitted this was the case and wanted 'credit' for going beyond their Uruguay commitments. This is disingenuous for three reasons.

- it misleads other WTO member states into believing that the 60% reduction is a substantial commitment to further cuts in the AMS.
- the EU is moving domestic support out of the AMS into other forms of trade distorting domestic support (see below)
- during the Uruguay Round the EU negotiated favourable reference years and high final bound levels.

Issue #5: So-called decoupled (green box) payments in the US shows that they are still trade distorting, and in many cases have led to increased production. A similar situation is predicted in the EU.

Policy proposal: A review of disciplines in the green box in developed countries to assess their impact on production and trade. All green box subsidies must be fully decoupled from production and targeted only at the delivery of public goods. Production related subsidies should be eliminated. The amount of remaining green box subsidies should be capped.

Green box 'decoupled' direct payments have been a feature of the US subsidy regime since 1996 when the FAIR act introduced production flexibility contracts – PFCs – which ran from 1996 to 2002. The US Farm Bill replaced them with a similar programme in the 2002. Whilst estimates are difficult given the limited data available, evidence from the US on PFCs suggests that these subsidies have increased the total planted acreage.[14] In addition, many believe that they are not totally decoupled and distort production for the following reasons:[15,16]

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[12] The Harbinson draft proposal for Amber box reductions was similar to the EU proposal which called for a 55% reduction from its final Uruguay Round bound commitment. The EU subsequently made a revised proposal to increase the reduction commitment to 60%.

[13] World Council of Churches, 2003. NGO Conference on the Harbinson draft modalities. Held at the World Council of Churches, Geneva 19-21/2 2003.

[14] Gardner, B., 2002. *North American Agricultural Policies and Effects on Western Hemisphere Markets since 1995, with a Focus on Grains and Oilseeds*. Department of Agricultural and Resource Economics. University of Maryland, page 18. http://www.arec.umd.edu/Publications/papers/Working-Papers-PDF-files/02-12.pdf

[15] Gardner, 2002. Op cit.

[16] Andrews, N., R. Nelson, S Hagi Hirad and I. Shaw, 2002a *Grains Policies in a Global Market.* Abare Research Project, Report 02.8.

- Wealth effects; guaranteed payments are an annual flow of income that the farmer may invest in the farm operation, potentially increasing production.
- Any income that reduces income variability – and thus risk – will tend to increase output.
- The PFC programme ran from 1996 to 2002. The farmer may well have felt compelled to keep production and acreage high in case the base reference changed to more recent years. This is exactly what happened in 2002 when the programme changed under the US Farm Bill (the Farm Security and Rural Investment Act – FSRIA).
- The payments are not totally decoupled because a farmer is not allowed to grow certain other crops – such as fruit and vegetables – on the land. The farmer thus has an incentive to keep growing the crops that are eligible for the programme.

A recent paper by the World Bank and Cornell University goes further by concluding that the "*current PFC payments* [under the FSRIA] *… really belong in the amber box*". The authors' overall assessment is that "[t]*he outcome of* [decoupling] *programs has not been encouraging. The primary motivation for decoupling is to compensate farmers with transitional assistance to free markets while at the same time making it politically palatable and transparent.*"[17]

The EU proposals for decoupling are similar to these US payments but are more flexible in that the land does not have to be under production (but similar to the US programme in that fruit, vegetables and potatoes are not allowed to be grown on land that was previously under cereals). However, the reference years for the EU decoupled model are even more recent than in the US (2000-2002) effectively tying it to recent production. Assessments conducted for the European Commission show that, in most cases, production for cereals and other products will in fact go up when compared to current production putting further pressure on already depressed world prices (see Table 4).

Table 4: EU-15 cereal production 2002 and 2009 (after the introduction of the MTR reform proposals)[18,19,20]

	EU Production 2002 (mill tonnes)	Impact models – EU Production in 2009					Projected EU-15
		CAPSIM	FAPRI	CAPRI	CAPMAT	Average	consumption increase 2002-07
Soft Wheat	97.2	99.9	108.2	96.5	102.2	101.9 (+5%)	+4%
Maize	40.7	42.6	42.0	38.9		41.2 (+1%)	(+2%*
Barley	48.5	47.8	51.5	50.0		49.8 (+3%)	(
Durum wheat	9.2	8.8	9.6	7.0	9.8	8.8 (-4%)	
Rice	1.5		1.8	2.9	1.2	2.0 (+33%)	+0.5%
Rye	5.4		4.7	6.0	4.5	5.1 (-6%)	

* Coarse Grains (Maize, barley, oats etc)

17 Baffes, J. and H. de Gorter, 2003. *Decoupling Support to Agriculture: An Economic Analysis of Recent Experience*. World Bank and Cornell University, second draft, May 2003. http://wbln0018.worldbank.org/eurvp/web.nsf/Pages/Paper+by+De+Gorter/$File/DE+GORTER.PDF

18 Goodison, P. Some Critical Reflections on the Impact Assessment Studies of the CAP MTR Proposals. ERO, Brussels.

19 European Commission, 2003d. *CAP Reform: Impact Analyses of the Mid-term Review Proposals.* http://europa.eu.int/comm/agriculture/publi/reports/mtrimpact/index_en.htm

20 OECD, 2001. *OECD Agricultural Outlook 2001-2006*. Organisation for Economic Co-operation and Development. http://www1.oecd.org/publications/e-book/5101061E.PDF

SECTION 2

EXPORT COMPETITION

Policy proposal: All forms of export subsidies should be eliminated immediately. This should include clear targets or reduction timetables for all forms of export competition (not just export refunds), including export credits, export credit guarantees and insurance programmes.

Issue #6: The EU's Final Agreement on CAP will not significantly reduce export subsidies. There are currently no prospects that the EU can meet the demand within the Harbinson text to eliminate export subsidies within nine years.

There is no denying that the amount of export subsidies in the EU – the world's largest user – has been falling over the past five years as the effects of various CAP reforms have taken effect (most notably Agenda 2000). In 1996/7, the amount stood at 5.6 billion euros; by 2001, this had fallen to 3.5 billion euros.

However, the EU's Final Agreement on CAP in 2003 is predicted to have little impact on export subsidies. Whilst final details have still to be produced, and in the absence of any further reforms over the next ten years, the following amounts of export subsidies in some sectors are forecast as follows:[21]

Table 5: Estimated EU export refunds 2004 and 2013

Million euros	2004	2013+
Dairy	1,400	>620
Beef and veal	480	375
Sugar	1,200*	c1,200
Cereals (excl rye)	125	130
Rice	33	0

+ Assumes no further reform
* 2001 figures

The dairy forecast is believed to be an under-estimate because it assumes much larger cuts in the EU intervention price than was finally agreed. There was no agreement to reduce the intervention price on cereals so some export subsidies may still be required (>100 million euros per annum by 2013 assuming no further reform). Sugar was never part of the current reform process so export subsidies, in the absence of further reform, will still have to be used to dispose of surplus production (some 1.2 billion euros per annum although some of this is funded by the sugar industry itself).

Issue #7: Other forms of export competition were inadequately covered in the Harbinson text.

The draft modalities text establishes terms and conditions for export credits, export credit guarantees and insurance programmes but does not set targets or timetables for reducing these. All forms of export subsidies need to be eliminated.

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[21] European Commission, 2003b. *CAP Reform – A long-Term Perspective for sustainable Agriculture.* http://europa.eu.int/comm/agriculture/mtr/index_en.htm. The legislative proposals can be found at: http://europa.eu.int/comm/agriculture/mtr/memo_en.pdf Pages 151 to 153.

SECTION 3

THE PEACE CLAUSE

Policy Proposal: The peace clause should not be renewed or extended.

Issue #8: The expiry of the peace clause at the end of 2003 gives other WTO members – including developing countries – unprecedented leverage over the current negotiations

Dumping is not permitted within WTO rules – but the one sector that is exempt from anti-dumping measures is agriculture. The Subsidies and Countervailing Measures (SCM) Agreement of the WTO explicitly excludes agricultural subsidies allowed under the AoA from the list of subsidies that are actionable (i.e. can be brought before the WTO dispute process). The SCM also refers to Article 13 of the AoA. This calls on WTO members to use 'due restraint' by not challenging agricultural subsidies of other members that fully conform to WTO rules (the peace clause). For the EU and other developed countries this effectively means export subsidies, market price support and direct payments are free from challenge by other WTO members.

Some have questioned the tightness of Article 13 and believe countervailing measures could be used against agricultural goods. However, under the SCM and Anti-Dumping Agreements, proof of 'injury' caused by subsidised imports and dumping must be provided by the importing WTO member. Obtaining concrete evidence is a very lengthy process and absolute proof is often difficult to determine. Bringing a case against large exporters may be beyond the financial and legal means of many developing countries. In addition, decisions whether to proceed with a countervailing measure may depend on economic and diplomatic considerations, particularly the unbalanced trading relationship between rich and poor WTO members.

However, on expiry of the clause in December 2003, it is likely that subsidies could be challenged, particularly where they cause adverse effects to the interests of other members, for example displacing exports of another member from a third country market (this is consistent with Article 6 of the SCM agreement).[22] The following actions could be brought.

Subsidising Country	Commodity	Type of Subsidy	Some of the countries affected
EU	Cereals, dairy, sugar	Export subsidies	Canada, US, Argentina, Australia, New Zealand, Brazil
EU	Cereals, oil seeds, livestock	Area and headage (direct) payments	Canada, US, Argentina, Australia, New Zealand, Brazil
US	Wheat	Export credits	Canada, EU, Argentina, Australia
US	Cereals	Production flexibility contracts, loss assistance	Canada, EU, Argentina, Australia, Mexico, Brazil
US	Dairy	DEIP Payments	Australia, New Zealand
US	Cotton	Marketing loans, PFCs	Brazil, Burkina Faso, Mali, Benin, Chad

[22] Steinberg, R. and T. Josling, 2003. *When the Peace ends: the Vulnerability of EC and US Agricultural Subsidies to WTO Legal Challenge.* Journal of International Law 6(2).

US	Rice	Marketing loans	Thailand

SECTION 4

MARKET ACCESS ISSUES INTO THE SOUTH – IMPORT SURGES AND DUMPING

Policy Proposal: Developing countries have to be able to defend themselves from dumping and import surges. Tariff liberalization through the WTO has had a detrimental impact – through import surges and dumping - on food security and rural livelihoods in developing countries. Developing countries cannot go through another round of tariff cuts unless proper defensive mechanisms are in place (these are considered further in sections 5 and 6).

Given the continuing imbalances in the AoA between high levels of trade distorting subsidies in the North and low tariff levels in the South, some kind of balancing mechanism is urgently required (the Harbinson draft modalities still leaves large amounts of domestic subsidies in place and the phase out of export subsidies is far too slow). The aim of the mechanism would be to address the problem of the accumulated effects of high levels of production and trade distorting subsidies provided to agriculture in the North by allowing developing countries to adjust their tariff levels in accordance with the level of subsidies in the exporting country. No proof of injury would be required from the importing country. The existence of subsidies to a product would be sufficient to trigger the measure.

Since 1945, agricultural trade liberalisation policies have been an integral part of IMF and World Bank policies, of regional and bilateral trade agreements and of the World Trade Organisation. The rationale is based on the notion that liberalisation will lead to competition and the most efficient allocation of resources. Ultimately, countries will specialise in agricultural production in which they have a comparative advantage. Developing countries have liberalised their agricultural tariffs since the introduction of the AoA; their average most favoured nation tariff in the period 1997-1999 was just 17% and has fallen further since then.

Developing countries have experienced two important consequences of opening–up their markets as a result of the AoA; import surges and dumping. There is evidence that import surges and dumping have had detrimental impacts in Benin, Fiji, Chile, Burkino Faso, Senegal, Guyana, Jamaica, Senegal, Kenya, the Dominican Republic, India and Swaziland, among others.

Issue #9: Import surges and dumping will continue under the Harbinson proposals because large amounts of domestic subsidies will remain and developing countries are faced with large cuts in tariffs

The tariff reductions proposed in the Harbinson text represent a compromise between the more radical Swiss formula proposed by the Cairns group and the US, and the Uruguay Round formula proposed by the EU and others. The proposal would mean sharp cuts in tariffs for developing countries.

Table 6: Reduction formulae for ad valorem tariffs

Developing Countries	***Tariff Reduction***		**Time Period**
Current tariff	Simple Average Rate	Minimum cut per tariff line	

>120%	40%	30%	10 years
60-120%	35%	25%	
20-60%	30%	20%	
<20%	25%	15%	

Issue #10: Import surges as a result of WTO agricultural trade liberalisation in developing countries have had serious negative impacts

Costs to developing countries have often been considerable and many claims of benefits have been exaggerated. In the main, this is because agricultural trade liberalisation and reductions in tariffs have often resulted in surges in the volumes of imports, often at low prices (much of which is dumped - see issue 11). Whilst low priced imports can bring benefits to some sectors of the economy (ie urban areas), overall the costs have been considerable as imports have displaced local agricultural production and local producers, undermining food security and increasing poverty.

Table 7: Number of cases of import surges (selected countries and foods, 1984-2000). The number of production shortfalls in the same period is also given in brackets. Import surges have occurred more frequently in the post-1994 period.[23]

	Wheat	Rice	Maize	Vegetable oils	Bovine meat	Pigmeat	Poultry meat	Milk
Bangladesh	5 (2)	6 (0)	9 (4)	7 (0)	5 (0)	6 (-)	2 (0)	3 (0)
Benin	6 (-)	4 (0)	3 (1)	3 (7)	6 (0)	7 (3)	8 (1)	7 (0)
Botswana	6 (5)	4 (-)	0 (0)	6 (5)	4 (4)	9 (4)	7 (0)	7 (2)
Burkina Faso	6 (-)	9 (2)	4 (2)	3 (2)	8 (0)	8 (0)	6 (1)	4 (0)
Cape Verde	3 (-)	6 (-)	3 (9)	5 (-)	7 (3)	11 (3)	10 (1)	3 (1)
Comoros	4 (-)	5 (0)	4 (3)	6 (0)	5 (0)	3 (-)	11 (0)	4 (1)
Côte d'Ivoire	1 (-)	4 (2)	0 (0)	9 (0)	7 (3)	7 (3)	10 (0)	3 (0)
Dominican Republic	2 (-)	- (-)	0 (4)	3 (0)	8 (1)	6 (0)	6 (0)	3 (4)
Guinea	6 (-)	5 (5)	8 (3)	9 (1)	7 (2)	5 (4)	9 (0)	6 (0)
Guinea-Bissau	6 (-)	10 (3)	2 (3)	6 (1)	6 (0)	5 (0)	9 (0)	4 (0)
Haiti	1 (-)	2 (4)	4 (1)	7 (5)	4 (1)	9 (2)	8 (2)	5 (0)
Honduras	8 (0)	5 (-)	0 (0)	8 (0)	6 (5)	8 (3)	11 (0)	3 (0)
Jamaica	3 (-)	4 (8)	3 (4)	9 (7)	3 (0)	6 (2)	3 (1)	1 (4)
Kenya	11 (7)	3 (0)	5 (4)	7 (1)	4 (0)	6 (0)	5 (1)	4 (0)
Madagascar	8 (3)	5 (0)	7 (2)	5 (1)	3 (0)	8 (0)	5 (0)	5 (0)
Malawi	7 (4)	3 (3)	9 (3)	7 (5)	5 (3)	7 (0)	10 (0)	2 (4)
Mali	4 (5)	5 (1)	5 (2)	8 (1)	8 (0)	8 (0)	5 (0)	7 (2)
Mauritania	5 (3)	2 (3)	4 (10)	5 (4)	4 (4)	5 (4)	9 (0)	2 (0)
Mauritius	2 (-)	0 (-)	2 (-)	1 (7)	7 (2)	9 (4)	6 (0)	0 (-)
Morocco	6 (15)	4 (11)	10 (10)	0 (1)	5 (5)	- (-)	13 (0)	0 (0)
Niger	8 (5)	7 (4)	9 (3)	8 (7)	5 (5)	6 (0)	5 (0)	6 (3)
Peru	3 (1)	4 (-)	4 (3)	4 (3)	4 (0)	9 (0)	9 (1)	6 (0)
Philippines	7 (0)	9 (1)	7 (1)	9 (5)	12 (1)	9 (1)	14 (3)	5 (11)
Togo	6 (1)	8 (1)	7 (1)	7 (0)	3 (1)	3 (2)	8 (0)	5 (0)
Uganda	10 (3)	4 (0)	8 (1)	11 (0)	4 (3)	3 (0)	2 (0)	1 (0)
Tanzania	8 (3)	5 (4)	6 (2)	10 (0)	6 (0)	7 (0)	4 (0)	5 (0)
Zambia	4 (2)	2 (5)	4 (6)	4 (3)	8 (2)	8 (2)	5 (1)	6 (2)

Note: A dash indicates that the country is either not a producer or data was not available

As the FAO confirmed in its study of 16 countries following implementation of the Agreement of Agriculture: "*Food imports were reported to be rising rapidly in most case studies….While trade liberalisation had led to an almost instantaneous surge in food imports, these countries were not able to raise their exports. Significant supply side constraints prevented them from taking*

[23] FAO, 2003. *Some Trade Policy Issues Relating to Trends in Agricultural Imports in the Context of Food Security*, FAO Committee on Commodity Problems CCP 03/10, Rome 18-21 March 2003. ftp://ftp.fao.org/unfao/bodies/ccp/ccp64/Y8319e.doc

advantage of increased global market access."[24] These impacts are not confined to any group of developing countries, but appear to apply equally to high income, low income, net food importing, net food exporting developing countries or least developed nations. Moreover, the FAO also noted a further concern. There was a "*general trend towards the concentration of farms, in a wide cross section of countries. While this led to increased productivity and competitiveness with positive results, in the virtual absence of social safety-nets, the process also marginalised small producers and added to unemployment and poverty."*[25]

Follow-up work by the FAO during 2000-2002 – in which it extended the research to 23 countries – confirmed this rising trend of import surges.[26] For the purpose of the FAO's more extensive analysis, "*an import surge is defined as a 20 percent (positive) deviation from a 5-year moving average for each commodity/country.*" The FAO also conducted a wider analysis of the number of import surges, as shown in Table 7. Import surges and production shortfalls are evident in many countries but most noticeably in Botswana, Cape Verde, Guinea, Haiti, Jamaica, Kenya, Malawi, Mauritania, Mauritius, Morocco, Niger and Zambia.

Outlined below are some of the import surges experienced by the 23 countries studied by the FAO and their impacts on production.

In **Burkino Faso**, compared to the period between 1990-94 and the post liberalization period of 1995-2000, the production of tomato paste declined (50%) as imports increased (400%).[27]

In **Chile**, vegetable oil imports rose from just 58,000 tonnes in 1985-89 to 173,000 tonnes in 1995-2000 whilst over the same period, production fell by over 50%.[28]

In **Fiji**, tariffs are bound at 40 percent, but applied rates range from 10 to 35 percent for most commodities. Since trade was deregulated in the late 1980s, some food imports have risen less steeply suggesting a positive and competitive domestic supply response. However, the "*production of several commodities (rice, maize and sorghum) has declined in the face of stronger import competition."*[29]

In **Guyana**, imports of food and live animals almost doubled between 1994 and 1998 and concerns have been raised regarding the substitution of domestic production by imports. The two sectors that appear most vulnerable to import surges are poultry and dairy products. Trade liberalization and cheap imports – for example chicken parts from the US – have been partly responsible for the demise in local production. But other sectors have also been affected; "*fruit juices from as far as France and Thailand have displaced domestic production. Producers and traders of beans feel that increasing imports have led to a decline in the production of the minca peas, developed and spread throughout Guyana in the 1980s. The same applies to local cabbage and carrot."*[30]

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[24] FAO, 1999. Symposium on Agriculture, Trade and Food Security: Issues and Options in the Forthcoming WTO Negotiations from the Perspective of Developing Countries. Synthesis of country case studies. Food and Agriculture Organisation, Rome. http://www.fao.org/docrep/meeting/X3065E.htm
[25] FAO, 1999. *Op cit.*
[26] FAO, 2003. *Some Trade Policy Issues Relating to Trends in Agricultural Imports in the Context of Food Security*, FAO Committee on Commodity Problems CCP 03/10, Rome 18-21 March 2003. ftp://ftp.fao.org/unfao/bodies/ccp/ccp64/Y8319e.doc
[27] FAO, 2003. *Op cit.*
[28] FAO, 2003. *Op cit.*
[29] FAO, 1999. *Op cit.*
[30] FAO, 2000. Agriculture, Trade and Food Security Issues and Options in the WTO Negotiations from the Perspective of Developing Countries. Food and Agriculture Organisation, Rome. http://www.fao.org/DOCREP/003/X8731E/X8731E00.HTM

Jamaica's agricultural imports have increased sharply since the introduction of the AoA. Consequently, the average value of imports in 1995-98 was 50 percent higher than in 1990-94. Again, there have been import surges in the poultry sector but also dairy products, meat, sugar and vegetable oils often to the detriment of local production.[31] In the case of vegetable oils, "*The average annual import during 1995-2000, at 29,000 tonnes, was more than double the volume in 1990-94. Between the two periods, production fell by 68 percent to 5,000 tonnes.*"[32]

Liberalisation measures undertaken in **Senegal** – together with a 50 percent devaluation of the CFA franc in 1994 - have not improved the competitive position of the agricultural sector. Consequently, the agricultural sector has been facing difficulties due to competition from imports, for example dairy products, rice, onions and sugar.[33] In the tomato sector, where tomato paste imports increased 15-fold: "*The post-1994 liberalization of tomato paste imports is blamed for the dramatic rise in imports and the negative impact on production.*"[34]

In **Benin**, "*chicken meat imports increased 17-fold by 1995-2000 from the 1985-1989 annual average of about 1,000 tonnes. During this period, growth in domestic production remained stunted and rose only modestly from 25,000 tonnes to 27,000 tonnes.*"[35]

The FAO concludes that in some developing countries, a safeguard would be important in protecting sensitive commodities and local production. In Guyana, "*it is thus feared that without adequate market protection, accompanied by development programmes, many more domestically produced commodities will be displaced.*" Similarly for Senegal; "*Many national experts considered that it is essential for Senegal to maintain a minimum protection system (e.g. temporary special safeguards) on sensitive products, particularly in case of greater liberalisation process.*"[36] See section 5 on Special Safeguards for Developing countries.

Issue #11: Dumping is an integral part of EU and US Agriculture.

Policy proposal: Dumping should be prohibited. The OECD should calculate and publish the full production costs of all agricultural products in developed countries and other large exporters, in order to provide a 'point of reference' against which the dumping of goods can be measured.

Dumping is defined as the sale of products in third markets at less than the cost of production in the exporting country. Dumping from developed countries occurs in part because export subsidies and credits bridge the gap between high internal prices and lower world prices (as in EU dairy products); and direct payments bridge the gap between higher costs of production in the developed world and the lower world price (as in EU wheat).[37] Both export subsidies/credits and direct payments to farmers thus have similar effects.

It is generally accepted that currently "*practically everything exported from* [the USA and EU] *involves some level of dumping*".[38] In the US, it is calculated that over the past ten years, maize has been sold in third markets at some 5-35% less than its cost of production (COP), cotton 20-

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31 FAO, 2000. *Op cit.*
32 FAO, 2003. *Op cit.*
33 FAO, 2000. *Op cit.*
34 FAO, 2003. *Op cit.*
35 FAO, 2003. *Op cit.*
36 FAO, 2000. *Op cit.*
37 Under the June 2003 EU agreement on CAP reform, EU direct 'coupled' payments will, to a large extent, be replaced by direct 'decoupled' payments. However, NGOs believe that decoupled subsidies will increase production and lead to the dumping of EU cereal (and other) products. Furthermore, because the EU sugar and dairy sectors were largely untouched by the reform process, dumping of these products will continue.
38 Einarsson, P., 2000. *Agricultural Trade Policy as if Food Security and Ecological Sustainability Really Mattered.* ForumSyd, Church of Sweden Aid, SSNC and The programme for Global Studies. http://web.forumsyd.se/Arkiv/Globala/FS_Globalastudier_upload/Agrtrade.pdf

55% less than the COP, wheat 20-35%, rice 15-20% and soybeans 8-30%.[39] In the EU, it is a similar picture. Recently, wheat was sold at 30-35% less than the COP, sugar 60-75% and skimmed milk powder some 50%.[40]

Dumping has three main effects. It depresses world prices, displaces developing country exports in third markets, and undermines domestic production in developing countries as local producers are unable to compete with the cheap imports. Dumping can have a devastating impact on developing country farmers, depriving them of their livelihoods and forcing them to leave their lands. In the process it seriously undermines food sovereignty and food security.

Box 1: Example of dumping from the EU – skimmed milk powder (SMP)

Market price support keeps EU internal dairy prices high which can only be sold on world markets with the use of export subsidies (refunds). In March 2003, the world price for SMP was about 1,580 euro per tonne but the EU intervention price was 2,055 euro per tonne. Export subsidies in February 2003 for SMP were 510 euro bridging the gap between the two prices.

The dumping of skimmed milk powder from the EU has had a detrimental impact on dairy production and on small-scale producers in **Kenya**, **Jamaica** and **India**.[41] In the **Dominican Republic**, the livelihoods of thousands of small-scale producers have been undermined because of the dumping of EU dairy products. There are about 30,000, mainly small-scale producers in the country.

During the 1990s, demand for dairy products increased but, after the country liberalised its agricultural trade and joined the WTO in 1995, this demand was met primarily by imports. Largely as a result of export subsidies, the price of EU milk powder is 25% lower than the equivalent price for local fresh milk. By 2000, the Dominican Republic was the fifth largest recipient of EU milk powder and thousands of farmers have been forced out of business.[42]

The giant Scandinavian Company Arla Foods has been implicated in the dumping of dairy produce. According to AgraEurope, "*Arla Foods' milk powder exports to the Dominican Republic are worth 65.85m, and are currently subsidised by the EU to the tune of 17.55m.*"[43]

Box 2: Example of dumping from the EU – sugar

Swaziland produces sugar at less than half the cost of the EU, and yet it is unable to compete with EU confectionary imports. These are coming to dominate markets in Swaziland and its neighbours.

Sugar production plays an important role in the Swaziland economy. In 1995-6, sugarcane accounted for 53% of agricultural output and 34% of agricultural wage labour, while sugar milling constituted 37% of manufacturing output and 22% of manufacturing wage labour.

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[39] Ritchie, M. S. Murphy and M. Beth Lake, 2003. *United States Dumping on World Agricultural Markets.* Cancun Series Paper No 1. Institute for Agriculture and Trade Policy, Minneapolis.
[40] See ActionAid, 2002. *Farmgate: The Developmental Impacts of Agricultural Subsidies.* London, UK. See also Oxfam, 2002a. *Rigged Rules and Double Standards.* Oxford, UK.
[41] See Oxfam, 2002b. *Milking the CAP: How Europe's Dairy Regime is Devastating Livelihoods in the Developing World.* http://www.oxfam.org.uk/policy/papers/34milking/34milking.html. Also CAFOD, 2002. *Dumping on the Poor.* London.
[42] Oxfam, 2002b. *Op cit.*
[43] *Agra Europe*, 2003. Milk powder exports spark Swedish row. 28th February.

Swaziland has an annual import quota into the EU of approximately 117,000 tonnes, and relatively little EU sugar is exported to Swaziland. However, export subsidies given to EU confectionary manufacturers to encourage global sales have enabled them to undercut prices and reduce the export market for confectionary manufactured in Swaziland. As southern African outlets have switched to buying cheaper, dumped EU confectionary, Swaziland's Sugar Daddy factory has gone out of business. Already the dumping of EU sugar products has led to the loss of some 16,000 jobs in the Swazi sugar industry and 20,000 jobs indirectly linked to the industry, such as packaging and transport.[44]

[44] ACTSA, 2002. *Taste the Bitterness*, Briefing, Action for Southern Africa (Actsa), January. www.actsa.org/Trade/taste_the_bitterness.htm

SECTION 5

AGRICULTURAL SAFEGUARD AS A SPECIAL AND DIFFERENTIAL TREATMENT MEASURE

Policy proposal: Only developing countries should have the flexibility to deal with price volatility and import surges through the special safeguard mechanism. The mechanism should be available for all products.

Issue #12: Providing a simplified agricultural safeguard measure to developing countries alone is not sufficient to address their food security concerns

The single most serious agricultural trade food security issue facing developing countries is the ongoing damage caused by highly subsidized exports from some developed countries. This is a chronic problem whose solution lies in measures to stop highly subsidized exports. Safeguard measures, by their intent and design, are not well suited to dealing with this problem.

Agricultural safeguards are tools (*temporary* additional duties) used to respond to a very different kind of problem – that of sudden surges in import volumes or sudden drops in import prices. Such problems can originate from *any* exporter or group of exporters for virtually *any* product. A recent FAO study (see also section 4) showed that the frequency of such surges, particularly involving dairy and livestock products, sugar, fruit and vegetable products, have risen dramatically since the mid 1990s.[45] If such surges occur at the time of the domestic harvest of that product, the implications for the viability of developing country farmers, who are often food insecure, can be devastating.

A simplified and effective agricultural safeguard is therefore necessary to address food security, but only as one element of a larger set of special measures for food security (such as specific measures to enable developing countries to identify strategic/special products, see section 6).

Issue #13: A simplified safeguard mechanism is currently not available to most developing countries

Despite the negative impacts experienced by developing countries from import surges (see section 4), the absence of a simplified safeguard mechanism for many developing countries is just one example of the unbalanced nature of the AoA. A special safeguard mechanism (SSG) was introduced into the AoA to protect countries from sudden surges of large volumes or low priced imports. In such circumstances, countries would be able to impose additional duties. However, this simplified safeguard is only available to those countries that undertook tariffication (ie converting non-tariff barriers into simple tariffs) on the assumption that they are now more vulnerable to import surges after the removal of non-tariff barriers (ie, quantitative restrictions). In the main, it was developed countries that enjoyed non-tariff barriers at the time of implementation of the AoA.

[45] FAO Committee on Commodity Problems CCP 03/10, "*Some Trade Policy Issues Relating to Trends in Agricultural Imports in the Context of Food Security*", Rome 18-21 March 2003

Table 8. WTO members that can use SSG with corresponding number of products

Australia (10)	El Salvador (84)	Mexico (293)	Slovak Republic (114)
Barbados (37)	EC 15 (539)	Morocco (274)	South Africa (166)
Botswana (161)	Guatemala (107)	Namibia (166)	Swaziland (166)
Bulgaria (21)	Hungary (117)	New Zealand (4)	Switzerland (961)
Canada (150)	Iceland (462)	Nicaragua (21)	Thailand (52)
Colombia (56)	Indonesia (13)	Norway (581)	Tunisia (32)
Costa Rica (87)	Israel (41)	Panama (6)	United States (189)
Czech Republic (236)	Japan (121)	Philippines (118)	Uruguay (2)
Ecuador (7)	Korea (111)	Poland (144)	Venezuela (76)
	Malaysia (72)	Romania (175)	

Consequently, whilst a safeguard is now available to many developed and east European countries (16 in total), it is only available to 22 developing countries and for a limited number of products in each case (see Table 8). Of the total number of SSG products (6,072) that are available to all 38 countries, only 31.8% (1,930) are available to developing countries as against 68.2% (4,142) to developed countries. Of these, the EU can use SSG against 539 products, the US against 189 products, Canada against 150 products, Australia against 10 products and Switzerland against an astonishing 961 products.

Issue #14: A simplified safeguard would not be anti-development (for example by threatening agricultural trade between developing countries)

A safeguard is a normal tool of international trade policy used to respond to market volatility. It is recognized in the GATT, in particular in Article XIX (Agreement on Safeguards). Market volatility, as noted above, can seriously harm local producers *regardless of where the import surge originates*. Existing trade rules provide access to normal safeguards, at least in theory, *to all WTO members* as an accepted trade tool.

The use of the regular safeguards requires institutional capacities that are unavailable in many developing countries. In addition, to be useful a safeguard must sometimes be invoked quickly. Where sophisticated administrative capacities are not available, simplified procedures are necessary. Currently, a small group of countries (both developed and developing) has access to one type of simplified safeguard, the Special Safeguard (SSG) provided in Article 5 of the Uruguay Round Agreement on Agriculture. However, developing countries need a simplified safeguard which goes further than the SSG by:

a. Providing sufficient additional duty to ***fully*** compensate for any sudden price drop (the price triggered SSG provides only 30-40% compensation for the price drop, the volume triggered SSG is limited to 33% of the *applied* rate, which is itself sometimes low)
b. **Applying to all products** whose bound rates are less than some given level. (For those with high bound rates, the countries concerned usually have sufficient 'tariff water' to simply increase their applied rates.)
c. Being reinvokable for more than one year if the import surge persists.

Such a simplified safeguard is more likely to be used by developing countries, including in cases where the imports are coming from other developing countries. Concerns have been raised by the Cairns group and other over the impact on South-South trade, but in the authors' view, special safeguards should be seen as a legitimate means to protect local producers in developing countries from a high degree of market volatility, particularly where there are no other mechanisms such as social safety nets or government support to offset the threat posed by import surges or sudden price drops. The access to an effective safeguard tool is an essential element of a fair development-oriented trading system for all countries.

Issue #15: A simplified safeguard should be available to all products (not only for special/strategic food security crops or products)

The Harbinson draft modalities introduced the concept of special or strategic products[46] in developing countries, which are central to issues such as food security and rural development. Some countries in the WTO (generally opposed to the idea), have argued that the special safeguard mechanism should only apply to such products. The authors disagree. While these imports are of particular sensitivity in developing countries, other developing country agricultural products will also be sensitive to sudden import surges or price drops and many of these countries lack the financial capacity to assist their farmers in coping with this volatility. In these cases, there is also a strong argument for provided access to a simplified safeguard for all products.

[46] Special products were termed 'strategic products' in the Chairman's first draft. Although it is not clear why they were renamed in the revised draft, many developing countries prefer the original term. For the rest of this paper, the term 'strategic products' or SPs is used.

SECTION 6

'SP' PROVISION AND SENSITIVE AGRICULTURAL COMMODITIES OF DEVELOPING COUNTRIES

Issue #17: Exemption, not flexibility, for strategic products

Policy Proposal: Although NGOs welcome Strategic Products as an innovation in the AoA, we reject the continued insistence on tariff reductions, in favour of the original proposal to completely exempt such crops from WTO tariff reduction requirements.

It is a well-established fact that agricultural systems in the majority of the developing countries are strikingly different from that of developed countries on account of employment, share in national income, subsistence agriculture, market infrastructure, levels of poverty and illiteracy etc. Therefore, the member countries should realize that Special and Differential Treatment (S&DT) is a right of developing countries, a meaningful presence of which justifies their engagement in the multilateral trading system of WTO. The inadequacy of the Uruguay Round's S&DT forced developing countries to make new demands, during the current review of AoA, such as exemption of their sensitive crops from further reduction commitments on the basis of food security, livelihood security and rural development. The draft modalities responded to this demand by introducing the concept of Strategic Products (SP), while still proposing a tariff reduction (albeit at lower rates).

Developing countries called for total exemption from tariff reductions on SPs to secure the livelihoods of poor farmers involved in the production of food and staple crops and to safeguard development in rural areas. Since food security is closely linked with national security, the demand was in line with the article XXI of GATT, which provides a framework to exempt national security issues from WTO trade disciplines. Moreover, the tariff reduction of SPs would make such products vulnerable to further commitments in any future rounds. Therefore, in order to maintain the true spirit of the provision on a long-term basis it is essential to exempt SPs completely from further tariff reduction commitments.

Issue #18: SPs with substance

Policy Proposal: Developing countries should be responsible for designating their list of SPs. The maximum number of SP tariff lines should be set at a percentage of determined as a percentage of all domestically-produced agricultural products. This process should be open for peer review, assessment and independent arbitration to ensure transparency, applicability and flexibility.

The first Harbinson draft proposed specifying SP products at the 6-digit level of Harmonised Coding System (HS). The 6 digits is too narrow a subdivision of products, e.g. four SPs would be required to cover rice at the 6 digits level (Table 9). Wide criticism on this point paved the way for the option of a 4-digit proposal in the revised draft. The 4 digit HS level, though broader than 6 digits, still has sub-divisions of products that do not suit the genuine requirements of developing countries. In the AoA there are 191 products at 4 digits under HS chapters 1 to 24 less fish and fish products (chapter 3). Additionally there are 20 products at 4 digits in Annex 1 of the AoA. Hence the total number of 4 digit products in the AoA amounts to 211.

In the Harbinson text, SPs would be extended in "*respect to food security, rural development and/or livelihood security concerns*".

A key area of debate is how such SPs should be chosen. Members of the Cairns Group (which is hostile to the SP concept) want multilaterally agreed criteria for the designation of the SPs. The final list of SPs to be designated by each country should also be multilaterally agreed.

NGOs reject this proposal. Each developing country will have different criteria for products that they believe will be eligible. Such crucial development issues should not be subject to arbitrary numerical ceilings. The final decision should therefore rest with the country concerned. This process should, however, also be open for peer review, assessment and independent arbitration to ensure transparency, applicability and flexibility.[47]

Table 9. Rice products under 4 and 6 digit levels of Harmonised System of Coding

Code and product at 4 digit HS	Code and Products at 6 digit HS
10.06 -Rice	1006.10 - Rice in the husk (paddy or rough) 1006.20 - Husked (brown) rice 1006.30 - Semi-milled or wholly milled rice, whether or not polished or glazed 1006.40 – Broken

Table 10. Key Food Groups and their Products at 4 Digit HS

Group		Number of Products at 4 Digit
Cereal & Products		14
Vegetables & Products (including vegetable oil)		30
Fruits & Products		22
Livestock & Products		40
Milk & products	*06*	
Meat & products	*09*	
Live animals	*06*	
Eggs	*02*	
Poultry	*01*	
Other animal Products		*16*
Sugar & Products		05
Water		02
Spices		07
TOTAL		**120**

Issue #19: South-South Trade - SP provision need not adversely affect trade within developing countries

[47] In order to allay critics' fears, that the SP concept could be abused to provide blanket protection, irrespective of development needs, pro-SP developing countries have proposed that a ceiling be set on the number of SP tariff lines, as a percentage of all domestically-produced agricultural products.

There are certain mechanisms available, which can ensure adequate south-south fair trade even in the presence of an SP mechanism. The most important is the Global System of Trade Preferences (GSTP). This agreement among the developing countries provides a space to apply tariff preferences among themselves. The International Trade Division of the UNCTAD is examining this framework. The developing countries, in order to expand south-south trade, may reduce their tariffs in agricultural products within the GSTP framework. The special advantage is that the developing countries will not face competition from the developed countries to that extent, as the benefit will not be extended to the developed countries. Moreover, there are provisions for regional and bilateral agreements that may take care of this concern of south-south trade.

Issue #20: Market Access - The provision of SP need not block exports to developing countries

The SP idea is about giving increased flexibility to developing country governments to pursue their development goals. It is not about prescription. No country is completely self-reliant in agriculture. Every country needs to import certain products, some of which are not produced locally or in insufficient quantity to meet domestic consumption. Developing countries, in this regard, are no exception. Agricultural imports constitute a major share in the total merchandise imports of developing countries (Table 11). Hence they would continue imports of certain agricultural products. The difference would, therefore, emerge only for SPs of developing countries that opt to protect under the criteria of food security, rural development and livelihood security.

Table 11. Imports of agricultural products of selected developing countries with share in total imports, 2001

Country	Imports of Agricultural Products (US$ Millions)	Share in economy's total merchandise imports (percent)
Senegal	497	32.9
Egypt	3902	30.6
Jordan	954	19.7
Indonesia	5350	17.3
Pakistan	1682	15.8