The Special Safeguard Mechanism and Zambia

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TRÓCAIRE

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Cover photo: Veronica Robert, African farmer with her two year old child, Awhinne. Noel Gavin/Allpix.
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Acronyms

AoA	WTO Agreement on Agriculture
CI	Caritas Internationalis
CIDSE	International Cooperation for Development and Solidarity
CSTNZ	Civil Society Trade Network of Zambia
CoA	WTO Committee on Agriculture
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
DSB	Dispute Settlement Body (WTO)
DMD	Doha Ministerial Declaration
EC	European Commission
EJN	Economic Justice Network
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FEWSnet	Famine Early Warning System network
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
HS	Harmonised System
IRIN	Integrated Regional Information Networks
LDCs	Least Developed Counties
LMG	Like-Minded Group (of countries in the WTO)
MACO	Ministry of Agriculture and Cooperatives
MDGs	Millennium Development Goals
NFIDC	Net Food Importing Developing Countries
SADC	Southern African Development Community
S&D	Special and Differential Treatment
SDCM	Special and Differential Countervailing Measure
SP	Special Products
SSG	Special Safeguard measures (existing AoA)
SSM	Special Safeguard Mechanism (proposed for the new AoA)
TNCs	Transnational corporations
TRQs	Tariff Rate Quotas
UNDP	United Nations Development Program
US (A)	United States (of America)
WTO	World Trade Organisation
ZNFU	Zambia National Farmers' Union
ZRA	Zambia Revenue Authority

Executive Summary

Agriculture is a cornerstone of economic growth in Zambia and has been designated as one of the priority sectors in national development policy. However, the country faces the serious problem of low productivity, especially in the small-scale farming sector. Steps to increase agricultural productivity are a major government priority.

Meanwhile, elements of the various WTO agreements generally and the Agreement on Agriculture (AoA), in particular, have had a negative impact on developing countries. The main negative impact has been in the form of agricultural goods being “dumped” on developing countries, whether by developed countries or other developing countries, as a result of trade liberalisation.

The protection offered by special products (SPs) designation and special safeguard mechanism (SSM), as proposed by developing countries within the AoA negotiations, are essential to safeguarding their food security and rural development interests.

Many developed and some developing countries members of the WTO who export food are opposed to the idea of special safeguard mechanism. These countries wish either that no such mechanism is introduced or to have it watered down to such an extent that it would lose its real value to developing countries.

Developing countries have so far managed to keep the concepts of special products and an SSM on the negotiating table. The challenge now is to provide detailed ideas on how these concepts should be operationalised.

Some developing countries, such as Zambia, face human and institutional capacity problems in contributing significantly to the debate, and will need support to capture and process the data needed to institute any SSM procedures.

The G33 proposals on special safeguard mechanism to date constitute a viable and implementable formula for implementing SSM in developing countries.

After detailed analysis of the Agreement on Agriculture and exploration of its particular implications for Zambian producers, this paper makes the following recommendations in relation to the negotiations on SPs and SSM:

Special Products

- Developing countries, including Zambia, should continue to fight for the inclusion of the special products concept in the AoA negotiations and final agreement.
- The SPs should be exempt from tariff reductions and they should not be subject to restricting conditions.
- Developing countries should have the flexibility to self-declare special products with respect to food security, livelihood security and rural development objectives.
- The criteria for selection of SPs should include: contribution to trade; contribution to agricultural production; link to livelihood, for example, the number of people employed in making the product/products predominantly produced by low-income, small-scale farmers; and the link to food security, for example, contribution to calorie intake.

Special Safeguard Mechanism

- Developing countries including Zambia should continue to fight for the inclusion of SSM in the AoA negotiations and final agreement.
- SSM should be available to all developing countries.
- All LDC agricultural products should be eligible for treatment under SSM.
- SSM should be a simple and effective mechanism, which developing countries should be able to use for all products affected by import surges or price declines.
- SSM should take the form of higher allowable tariffs or quantitative restrictions.
- SSM could be triggered by an increase in import volume *and/or* a decrease in import prices.

And finally

- Cooperating partners should, as a matter of priority, assist the Zambian government to increase agricultural productivity, especially in the small-scale farming sector.

1. Background and Rationale for the Study on SSM

The Special Safeguard Mechanism (SSM) for developing countries is a concept advanced by developing countries within agricultural negotiations being held under the auspices of the World Trade Organisation. The debate on access to a proposed SSM for developing countries is closely linked to the discussions on Special Products (SPs).

In the post-Doha negotiations on establishing negotiating modalities in agriculture, the SP/SSM concepts were reflected in the first draft modalities paper of Agricultural Committee chairperson Stuart Harbinson, produced in February 2003. Discussions of this draft led to revisions on SP and SSM provisions in a second Harbinson text. Between the second Harbinson text and the Cancun Ministerial in September 2003, various countries and country groupings continued to submit proposals.

Based on these proposals, WTO General Council chairman Carlos Perez de Castillo put forward, on his own responsibility, the first draft Cancun Ministerial Text, which was further revised during the Ministerial negotiations.

The second revised draft of the Cancun Ministerial Text, presented by conference chairman Mexican Trade Minister Luis Ernesto Derbez, stated that "a special agricultural safeguard (SSM) shall be established for use by developing countries subject to conditions and for products to be determined". The post-Cancun negotiations leading to the July 2004 Framework did not specify how the SSM would be applied.

The July 2004 Framework states that "a Special Safeguard Mechanism (SSM) will be established for use by developing country members". The absence of detail on how the concept of SSM is to be developed indicates a lack of consensus on how it and SP provisions are to be applied. In June and October 2005, the G33 came up with more detailed proposals on SPs and the SSM.

For Least Developed Country (LDC) members of the WTO, the July Framework (annex A) section on market access states that they "are not required to undertake reduction commitments". This implies that LDCs are not required to undertake any further tariff reduction commitments in this Round and, therefore, will not need the flexibility provided by SPs in the context of the continuing WTO negotiations.

The fact that LDCs will not have to undertake further tariff reduction commitments does not mean that they do not need a SSM, however. LDCs are vulnerable to import surges arising from subsidised competition and under normal conditions of competition. While some developing countries have access to existing special safeguard (SSG) measures, most do not, as they did not tarrify during the Uruguay Round. The availability of SSM is vital to developing countries' abilities to deal effectively with the threat that import surges pose to vulnerable small farmers, food security and rural economies.

This report aims at assessing the arguments for and against SSM, and uses Zambia-specific information and data to support the case for the introduction of SSM in the Agreement on Agriculture. It also outlines what an appropriate design for an effective SSM in Zambia would look like.

2. Trade Remedial Measures in the Multilateral Trading System

Provision is made in the Multilateral Trading System for trade remedial measures that allow a given country, in certain circumstances, to mitigate the effects of trade actions by others. The protection given by a trade remedial measure is not meant to be perpetual, but remedial in nature. A trade remedy is supposed to rectify the problem caused because of an unfair trade practice being followed by another country.

The use of trade remedial measures is usually accompanied by heated debates about the pros and cons of their use, because such measures are sometimes used for purposes other than combating unfair trade practices. Extending illegitimate protection to domestic industry is a case in point[1].

The General Agreement on Tariffs and Trade (GATT), precursor of the WTO, allows for three types of trade remedial measures: anti-dumping, countervailing duties, and safeguards. Special Safeguard Measures are part of the general provisions on safeguards. We examine these safeguard provisions in some detail.

2.1 Safeguard Measures

A WTO member is not generally permitted to restrict imports into its territory or exports from its territory, but the provision of safeguard measures is an important exception to the general prohibition of quantitative restraints on imports.

Safeguard measures are emergency trade measures taken temporarily by a WTO member to provide relief to its domestic industry where it is being damaged by an increase in imports. Under certain conditions, members can use trade measures to restrict imports of a product in order to "safeguard" its domestic industry. Safeguard measures have also been called an "escape clause", since they enable a member to "escape" its general obligations in specified situations.

The purpose of safeguard provisions in the international trading system is to lighten the burden on a country whose domestic industry is facing acute problems due to imports. The objective is to disperse the burden over all the members to enable the affected member to adjust smoothly to the new situation of international competition in that particular product line. By its nature, a safeguard measure has to be temporary and in support of the adjustment process. Since safety mechanisms are meant to provide temporary protection to the domestic industry to facilitate its adjustment, it is not expected that they will be used as an instrument of long-term protection[2].

The limits and disciplines on safeguard measures were initially contained in Article XIX of GATT 1994. These have been clarified, augmented and reinforced in the Agreement on Safeguards that forms part of the WTO agreements.

Like most favoured nation (MFN) treatment, safeguards are an important feature of multilateralism in international trade: MFN results in the sharing of its benefits; safeguards are about sharing the burdens.

[1] For details see Consumer Unity and Trust Society (CUTS), (2004): Protectionism and Trade Remedial Measures, Jaipur, India.

[2] For details see Das Lal B. (1999): The World Trade Organisation. Penang, Malaysia. Page 71.

2.1.1 Nature of Safeguard Measures

Taking safeguard measures means withdrawing or modifying the concessions that a member has given under the WTO agreements in respect of goods, or suspending, wholly or partly, other obligations undertaken in respect of goods.

It is important to note that if the tariff is not bound (or set) under WTO agreements, a member is fully within its rights to raise the tariff level without going through the safeguard measure process. Also, if the tariff on the particular product is bound and the applicable tariff is lower, a member can raise the tariff up to the binding level without following the safeguard procedure. It is only when the tariff is to be raised above the bound level that there is a need to adopt the prescribed procedure of the safeguard measure.

2.1.2 Preconditions for Taking Safeguard Measures

Safeguard measures are taken to provide temporary protection for the producers of a specific product. Certain preconditions must exist before any such measure can be taken. The main elements of the preconditions are that:

(a) Imports of the product should have increased. (there should have been either an absolute or an increase relative to domestic production.)

(b) Imports should be in such quantities and under such conditions as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products.

2.2 Special Safeguard Provisions

In imposing restraints on market access as a safeguard for domestic production against problems caused by imports, the general safeguard provisions, covered by Article XIX of GATT 1994 and the Agreement on Safeguards, are applicable to agricultural as well as industrial products. In addition, some special safeguard provisions (SSG) apply to agriculture under certain conditions (AoA Article 5).

The difference between these two alternative steps is that the general safeguard action can only be taken if there is the existence or threat of serious injury to domestic production. The special safeguard action can be taken without the demonstration of any adverse effect on domestic production. The latter type of action can be taken if the import price falls below a particular level, or if the import quantity rises above a particular level.

A member can make recourse to either the general safeguard provisions contained in Article XIX of GATT 1994 and the Agreement on Safeguards or the SSG, but not both.

2.2.1 Conditions for SSG

The initial conditions for a WTO member to be allowed take SSG measures against a product are:

i) Tariffication has been undertaken in respect of the product. In other words, non-tariff measures have been converted into equivalent tariffs.

ii) The member has marked a symbol "SSG" against the particular product in its schedule.

2.2.2 Triggers for SSG

There are two alternative triggers for the SSG: measures can be applied only if either of these two types of situations has arisen. These triggers are i) Price: the price of the import has fallen below a prescribed level; and ii) Quantity: the quantity of the import has reached a prescribed level.

2.2.3 Price Trigger

The trigger price is normally to be determined as the average cost, insurance and freight (or cif) import price of the product between 1986 and 1988. If the trigger price is high, the import price may fall below this level more often.

The AoA provides that the trigger price will be made public so that exporters are cautioned well in time. Though the obligation is to announce the trigger price only after its initial use, some members have announced it in their notifications to the Committee on Agriculture. The trigger price, once notified, has to be continued for the rest of the implementation period.

2.2.4 Quantity Trigger

The quantity trigger level (the import quantity level above which SSG action can be taken) is the sum of two components: the increase in the import quantity, and the change in domestic consumption.

The component relating to the increase in the import quantity (called base trigger level in AoA Article 5) is calculated on the basis of the formula explained below:

i) If the import volume is 10% of domestic consumption or less, 125% of the average quantity of imports in the three preceding years for which data are available;

ii) If the import volume is above 10%, but not more than 30%, of domestic consumption, 110% of the average quantity of imports in the three preceding years for which data are available;

iii) If the import is above 30% of domestic consumption, 105% of the average quantity of imports in the three preceding years for which data are available.

This means that higher import penetration enables a WTO member to take SSG action at a lower level of increase in imports.

The change in domestic consumption is measured as the difference between the consumption in the current year (most recent year for which data are available) and that in the preceding year. If consumption has fallen, this change will be negative.

The sum of the increase in import quantity and the change in domestic consumption is the actual trigger import quantity level. The condition mentioned in Article 5.4, however, is that the actual trigger level must not be less than 105 per cent of the average quantity of imports in the three preceding years for which data are available.

3. Proposals on Special Products and Special Safeguard Mechanism

3.1 Special Products

Since most developing countries did not tarrify in the Uruguay Round or notify products for treatment under SSG, the existing trade remedies are unavailable to them. A group of developing countries is now advocating for the adoption of a new safeguard called the special safeguard mechanism (SSM).

The G33[3], in their several 2005 proposals, articulated a number of food and livelihood security concerns and considerations in relation to special products. These include:

> *"The importance of particular products for the subsistence strategies of the rural poor and small and vulnerable farmers; the importance that a product may represent a source of livelihood for the population of a disadvantaged region; the significance of a crop or product for the consumption profile of a country; the potential structural effects of an import substitute in the consumption profile of the country; and the contribution of a product to the economy as a whole"*

Given the profound and complex nature of these considerations, the G33 argued, its member countries "are of the view that the application of a common set of indicators across the developing world for designating SPs would be very difficult."

To come up with a "multilaterally agreed threshold level for each plausible indicator, capable of capturing the size and diversity of the agriculture sector in all developing countries, would be even more difficult," the G33 stated. Therefore, the designation of special products would require maximum flexibility.

In its proposal, the G33 assured WTO members that this flexibility should not be equated with "arbitrariness" - but insisted that only with this flexibility will the fundamental importance of SPs be recognised, as stated in paragraph 41 of the July Framework.

The G33 also pointed out that there was scope for the list of special products to be revised by the developing country concerned to respond to changes in domestic circumstances. In this framework, the G33 spelt out in greater detail the elements that would constitute *"more flexible treatment for special products"*.

These elements include:

- In accordance with the July Framework, only developing countries would have the opportunity to designate an appropriate number of such products.
- No concessions should be required in return for having more flexible treatment for SPs.
- SPs should not be subjected to tariff reduction, and neither should these products be subject to commitments on TRQs.
- SPs should have access to the Special Safeguard Mechanism (SSM).
- Many developing countries, including the ACP group, fully supported the G33 proposal on special products.

3.2 Special Safeguard Mechanism (SSM)

The G33 put forward a set of *parameters* to guide agriculture negotiations on

[3] The G-33 countries include Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Cote d'Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

modalities on SSM. These parameters are as follows:

- The safeguard measure shall be automatically triggered.
- The safeguard measure shall be available to all agricultural products.
- The safeguard measures should be available to address situations of import surges or swings in international prices. Therefore, price- and volume- triggered safeguards shall be contemplated.
- Both additional duties and quantitative restrictions shall be envisaged as measures to provide relief from import surges and decline in prices.
- The mechanism shall respond to the institutional capabilities and resources of developing countries; hence it should be simple, effective and easy to implement.

In line with this framework, the G33 laid down in greater detail some more specific elements for the design of the SSM.

On the issue of *triggers*, the G33 said that the SSM may be invoked if:

- the volume of imports of the product concerned exceeds the average volume of imports of the three preceding years for which date are available, *or*
- the price of imports of the product concerned is below the trigger price defined as the monthly average cif import price of the product concerned over the three preceding years for which data is available.

In relation to the *remedies* available under a volume-triggered SSM, an additional duty can be applied to the extent necessary to address the import surge. According to the G33 proposal, quantitative restrictions (QR) could also be used, although the measure should not reduce the quantity of imports below the average volume of imports of the three preceding years for which data are available.

In relation to the price-triggered SSM, the G33 proposed that developing countries should be able to use both remedies of additional duty and quantitative restrictions. The additional duty should not exceed any positive difference between the cif import price of the shipment concerned and the trigger price as defined.

The G33 proposed that the QR remedy should be applied only when the measure is being implemented on a regular time interval, rather than on a shipment basis, but the results are ineffective in halting the continued fall in prices. As with the volume-triggered SSM, the QR measure should not reduce the quantity of imports below the average of imports of the three preceding years for which data is available.

According to the G33 proposal, these remedies should be maintained for a period not exceeding one year from the date the SSM is invoked. At the end of the first period, the measure could again be invoked if the relevant triggers exist. And if the price-triggered SSM is applied on a shipment basis, no specified duration should be necessary.

The G33 proposal also laid down some *transparency requirements*. It suggested that members considering use of the SSM should give notice in writing to the Committee on Agriculture as far in advance as practicable and, in any event, within 30 days of implementation of the measure. This notice should include an indication of the tariff lines affected by the SSM measure. Any member taking actions under this mechanism should also afford any interested member the opportunity to consult with it in respect of the conditions of application.

The G33 also made clear that all developing country members would have recourse to this SSM, and that the SSM should be applied in a non-discriminatory manner, regardless of the source of the imported agricultural product.

4. Critical Analysis of the SSM

The Cairns Group members of the WTO[4] consider that the SSM should work as an incentive for WTO members to undertake further tariff reductions. This, they say, can be done through making the measures available only for products in which 'deep' tariff cuts are undertaken. They oppose SPs having access to safeguard measures.

Linking access to the SSM to the level of tariffs is mistaken, however, because it confuses the role and intent of tariffs in developing countries.

Safeguard measures aim at responding to emergency situations due to import surges and are temporary by their very nature. The general level of tariffs, which constitute the only means of supporting farmers' income and protecting agriculture in many developing countries, cannot be traded off in return for safeguard measures.

In addition, the need for special safeguards in agriculture was recognised during the Uruguay Round. Access to such an instrument was granted to products in which the tariffication process resulted in high tariffs. It was felt then that the elimination of non-tariff barriers would render agricultural products vulnerable to external shocks and import surges, and that the high tariffs resulting from tariffication would not be enough to address this problem. The SSG provisions were established to cushion the transition process towards a tariff-only regime.

Developed countries took advantage of this flexibility by reserving the right to use the SSG for a large number of products. Canada, for example, reserved the right to use the SSG for 150 tariff lines, the EC for 539, Japan for 121, the US for 189 and Switzerland for 961 tariff lines.

However, only 22 developing countries can use the current SSG. The most vulnerable members of the WTO, whose trade in agricultural products takes place under a tariff-only regime much the same as that of the rest of WTO members, have been denied access to such an instrument so far.

The repeated instances of import surges during the implementation of the AoA have made access to the SSM a priority for most developing countries.

4.1 Debates on features of the SSM

Discussions on the actual mechanism to trigger the safeguard measures and the trade remedy to be provided are continuing. The Chair of the Agricultural Committee's draft texts for Hong Kong provide for both price and volume-triggered safeguards: safeguards could be triggered *either* because prices drop beyond a reference price to be established in the mechanism *or* because import volumes increased beyond a stated reference level.

The proposal by the G33 referred to above provides for *both* price and volume-triggered safeguards. However, some members of the Cairns Group, the EC and the US have indicated that price safeguards are not transparent and would be difficult to monitor, given the ease with which governments could manipulate prices in order to trigger the SSM.

[4] The Cairns Group is a coalition of 17 agricultural exporting countries. The Cairns Group seeks deep cuts to all tariffs using a formula approach which delivers reductions on higher level tariffs, including tariff peaks, and eliminates tariff escalation. The Cairns Group proposes special and differential treatment provisions for developing countries and greater access for agricultural goods produced in, and exported from, developing countries. The Cairns Group seeks major reductions in domestic support leading to the elimination of all forms of trade and production-distorting support. It argues that only non-distorting forms of support should be permitted within the context of declining levels of support. The Cairns Group is in favour of the elimination of all forms of export subsidies.

Regarding the remedy measures to be applied, it has been suggested that any measure to address import surges should be limited to additional tariffs being imposed on the applied rate (which are lower than bound rates in most developing countries). Proposals by developing countries to establish quantitative restrictions (such as quotas) as a safeguard measure have been strongly opposed by members of the Cairns Group as a step backwards in the market liberalisation process.

In addition, it has been suggested that the additional tariffs under safeguard measures should not exceed the final bound tariff level for a specific product agreed during the Uruguay Round. Proponents of the SSM have opposed this constraint, in particular those with already low bound tariffs.

The EC and other developed countries with similar positions have tried to make their support of the SSM conditional on their securing the continued right to use the current SSG for themselves. Developing countries of the Cairns Group would favour the establishment of the SSM as long as imports from developing countries (that is, their own exports) are spared from its application.

In general, all these countries would support a very targeted approach and strict criteria for granting access to the SSM to developing countries, mostly conditioned on improved market access.

However, the terms and conditions attached to such a mechanism may be quite demanding and its scope very limited, to the point of rendering the SSM ineffective as a defence mechanism against import surges.

A key concern for developing countries in the coming months is to guarantee that SPs have access to safeguard measures and that the SSM is not conditioned on deep tariff reductions. This would be particularly damaging to countries with already low bound rates, for which relinquishing the right to the SSM may be preferable to undertaking deep tariff cuts.

In such circumstances, these countries would, once more, be deprived of the instruments they need to address import surges.

Some members[5] of the WTO have voiced their concern that the bigger picture of liberalisation and broad market access will be watered down by special products, and want the number of them to be restricted. Chile said there should be a trade off between the number of special products and their treatment. Colombia argued that if a certain amount of a product is exported, then that product should not be designated as a special product. The US opposed the exemption of SP from tariff reductions. New Zealand wanted to limit the number of developing countries offered recourse to SSM.

On the issue of product coverage, New Zealand argued that SSM should be applicable only to those products that have undergone substantial tariff reduction. Argentina also opposed the idea that all products should be eligible for SSM, saying it should only be applicable to products receiving subsidies.

The US and New Zealand have questioned the need for having both price and volume triggers, and suggested that the latter alone is sufficient. The G33 have repeatedly rejected such propositions.

The World Bank recently made submissions to the WTO, arguing that SSM is likely to have only limited, short-term benefits to farmers, and is likely to be counterproductive to the objective of long-run structural food security. The Bank forwards the following arguments to support its case[6]:

- *"The benefit of the protection of food crops to the rural poor is less than it*

[5] US, the EU, New Zealand, Australia, Thailand, Malaysia, Chile, Argentina and Colombia

[6] For details see World Bank (2004): Contribution of the World Bank to the Annual Monitoring Exercise by the WTO Committee on Agriculture of the Marrakech Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net – Food Importing Developing Countries. Washington D.C.

might appear because the poorest are (in many countries) landless and are therefore harmed in their capacity as net consumers, and the next poorest class are generally self – sufficient (non-commercial) producers, who neither gain nor lose.

- *Raising prices via tariffs on food has a one-off impact on farm incomes, but to raise farmers' incomes on a sustainable basis, it is necessary either to raise the returns to labour in other sectors, or their productivity in agriculture itself. To reduce the gap between farm and non-farm incomes permanently requires measures that facilitate faster out-migration from agriculture, such as more effective investments in rural education and infrastructure.*
- *Raising domestic food prices imposes a regressive tax, undermining the food security of urban and rural consumers. The cost of protectionism to poor consumers is higher for food than for many other products, since the poor spend disproportionately on food.*
- *By discouraging export production, it reduces foreign exchange earning capacity of the country and undermines its structural capacity to import food and other products.*
- *When pursued by many developing countries, it results in high barriers to South – South trade. Developing countries have tariff structures in agriculture and food products that are, on average, higher and more escalated than those of developed countries, although for primary products the industrial countries provide much more protection through indirect subsidies and non-tariff measures (mainly tariff-rate quotas).*
- *It encourages farmers to continue to plant low-value food crops instead of diversifying into high-value non-traditional exports, which is a better road to escape from poverty.*
- *Protection via trade policy is often viewed by policy makers as a substitute for methods of support for agriculture that have been proven to be much more productive, such as increased spending on rural education, infrastructure, or research and extension, and from investments in domestic food distribution systems to improve their ability to quickly and efficiently respond to food needs in times of emergency.*
- *In the Doha negotiations, it diverts attention from the question of how provisions in the global trading system could be used to (1) make all consumers more food secure by disciplining the practice of export taxation or controls by food- exporting countries in periods of high world prices and (2) discipline abuse of food aid, which has, at times, made developing countries dumping grounds for surplus production of rich countries in periods of global gluts, thereby undermining food production and marketing channels."*

The World Bank concludes that it would be useful to focus more attention on opening up world agricultural trade, thus improving long-term food security in developing countries.

5. Responses to the Criticism of SSM

The World Bank voice is not new. These are the same arguments that the World Bank used to push developing countries into the structural adjustment paradigm. The fact that these are old voices does not necessarily make the arguments invalid, though; what makes the World Bank position weak is the "one size fits all" scenario.

Many developing countries, including Zambia, implemented the famous World Bank/ IMF Structural Adjustment Programmes. Zambia, like many other developing countries, is yet to recover from the economic and social problems, such as unemployment and poverty, they contributed to.

In more specific terms, Zambia has no serious problem with landlessness [7]. Food insecurity and low agricultural productivity in Zambia is a result of a) high dependence on rainfall, b) use of unproductive technology such as the hand-held hoe, c) market failure in terms of agricultural inputs supply, d) high production costs such as fuel, communications and e) inconsistencies in government policy on its role in agriculture[8].

The government sees the future of the agricultural industry as lying, at least partly, in the reintroduction of some protection for local producers and an expansion of its own role in agricultural marketing. The World Bank has opposed the reintroduction of protectionism and a stronger government hand in the industry.

> *"The World Bank is willing to assist in the development of the competitiveness of Zambian agriculture, we are not aware that the government plans to reintroduce protectionism or play a greater role in marketing, but the Bank would oppose both"*
>
> World Bank deputy representative Mehrnaz Teymourian[9]

Former Agriculture Minister Misheck Chiindi launched a study on Zambia's agricultural competitiveness with a call for *"legitimate defence measures"* to counter alleged unfair trade practices by some Common Market for Eastern and Southern Africa (COMESA) producers[10].

Increasing agricultural exports to generate foreign exchange to buy food, as the World Bank proposes, is not without problems for a number of reasons. Firstly, the food consumers are not the same as the agricultural exporters. There are a growing number of agricultural firms producing export crops such as cut flowers in Zambia. Workers in these mostly foreign owned firms are not adequately remunerated to ensure their food security. Secondly, many agricultural export crops, such as cotton, are suffering from long-term price declines - due in no small part to producer subsidies from the developed countries such as the USA. Thirdly, the urban poor are left out of this equation.

The World Bank also states that import surges do not affect small-scale farmers since they operate "outside" the cash economy. But even small-scale farmers have educational and health needs for which they need to pay – thanks, again, to World Bank-promoted reforms that encourage "cost sharing" in social

[7] For details on Zambia's land situation see Muyakwa S. L. and CCJDP (2003): Impacts of the Land Act 1995 on the Livelihoods of the poor and peasants in Zambia, Lusaka, Zambia.

[8] The newly adopted Agricultural Policy has made strides in addressing the problems of policy inconsistencies.

[9] For details see IRIN Africa English Service [africa-english@ocha.unon.org]. When the Government finally came up with the National Agricultural Policy in 2004, the handcraft of the World Bank was visible in the document as very little room was left for the government.

[10] Ibid

services. Small-scale farmers can only "cost- share" if they sell some of their agricultural produce. Low prices caused by import surges can thus limit small-scale farmers' access to social services.

The World Bank proposes that government should invest in roads and other infrastructure. This sounds good but has limitations. Good roads alone do not lead to increased agricultural production by small-scale farmers. There are a host of other prerequisites, such as availability of "affordable" loans, extension services and other incentives that can stimulate agricultural production[11].

[11] A case in point is the World Bank sponsored Zambia Social Investment Fund (ZAMSIF). The project rehabilitated schools and hospitals in many areas. Some schools and hospitals were not registering increased school enrolment or health attendance because the people had no money to "cost share".

6. The Geneva July Package and SSM

6.1 Market Access

Developed countries succeeded in having an "appropriate number" of their heavily protected farm goods categorised as "sensitive products"[12] that would enjoy special treatment in relation to the standard tariff-cutting formula. Thus, developed countries are given some significant protection for their high-tariff products.

There is concern that the "sensitive products" concept would continue to prevent or limit access of developing-country agricultural exports and potential exports to developed-country markets.

In contrast, developing countries have been pushing for a decision that farm products on which their food security, farmers' livelihoods or rural development depend should be exempt from further tariff reduction. The July 2004 Framework now states that developing countries 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, and that these products are eligible for "more flexible treatment." The criteria and treatment will be specified during the negotiations.

In discussions before the adoption of the decision, Indonesia (coordinator of the G33 group of developing countries) had a hard time insisting on removing the words "under conditions to be agreed in the negotiations" which had been placed after "flexibility to designate" (products as special products). This was opposed especially by the US, but Indonesia finally succeeded.

Although these "special products" have received slightly better recognition after the adoption of the 2004 Framework, the exemption from tariff reduction that the G33 demanded is still not provided. Moreover, in a major step backwards, the statement in the first Geneva draft of 16 July that "there will be no requirement to expand tariff rate quotas on SP products" has been removed, implying that SPs will also be subjected to tariff rate quota expansion.

The July 2004 Framework also states that a special safeguard mechanism will be established for use by developing countries. A good development is that the qualifying phrase "under conditions to be agreed" in the 16 July text has been removed.

6.2 Product Coverage

It has been mentioned earlier that the US, the EC and others have raised objections to the proposals contained in the G-33 paper and wish to limit the coverage of any special safeguard mechanism to a selected number of agricultural products, so that measures can apply only to staple food products or products necessary for food security. They also want the SSM to apply to products that already have low tariffs "in order to facilitate the overall liberalisation process".

But such a situation would not address the needs of many African countries. The rule of thumb should be that all products must be covered as long as they are likely to significantly affect the principles of food security, export revenues and development aspects.

The production of agricultural products in many African countries shows dependency among various segments of the population on one agricultural activity/product or another. Furthermore, most African countries, Zambia included, have already liberalised via structural adjustment programmes and the application of the AoA to the maximum extent possible.

[12] The "sensitive products" category can be used by all members and thus by developing countries as well. It is, however, understood that this category was devised for the developed countries, which are unable to make use of the "special products" category that falls under special and differential treatment for developing countries.

It should also be remembered that there is a fundamental difference in the roles that agriculture plays in developed and African countries. For most Africans, agriculture is a way of life, not a chosen occupation. Support to and protection of agricultural production is vital to ensuring food security and poverty alleviation. Key crops that people depend on should not be left to the vagaries of open markets.

6.3 Geographical Coverage of an SSM

Zambia has entered into many regional trading arrangements. It is important that the process of regional integration is addressed in terms of an agreed strategy on building competitive regional production capacities before considering opening up markets to increased competition from within as well as outside the region. Any crop that is crucial for livelihoods and food security should be eligible for treatment under SSM, regardless of its origin.

6.4 Design of the SSM

As noted in the G-33 paper, developing countries have problems in following rigorous safeguard procedures, particularly with regard to demonstrating a causal link between imports and injury where small farmers are involved. Externally imposed reforms have also inflicted considerable damage on the African agricultural sector.

Furthermore, because of the extreme dependency of many LDCs on a few agricultural products and the factors surrounding their production, no limitations should be placed on the application of the SSM, so that countries can address import surges and price fluctuations as the situation warrants.

The G33 proposal has particular merit for LDCs such as Zambia in calling for special safeguard measures that would:

- Be automatically triggered;
- Be available for all agricultural products;
- Be triggered by both price and volume factors;
- Allow both additional duties and quantitative restrictions to be applied;
- Be simple, effective and easy to implement.

Simplicity is vital to the design of the SSM, given the difference between the main objectives of current safeguard provisions and those of the proposed mechanism for developing countries (trade versus development and food security).

The automatic trigger for the proposed mechanism could be designed to allow a government impose measures immediately where an influx of a product appears likely to lead to a fall in prices; or where the total available quantity in the domestic market appears likely to surpass the normal (average) consumption, leading to a glut; or where an influx is offered at prices far below domestic prices, likely to affect domestic prices downwards; or both.

7. The Case for SSM in Zambia

Zambia is among countries that have supported the proposal to establish an SSM that would allow developing country members implement measures to counter any sudden influx of agricultural commodities or fall in agricultural market prices.

About 4.2 million, or 58%, of the 7.5 million hectares of Zambia is suitable for agriculture. Some 33% of the land, or 2.5 million hectares, is suitable for crop production. However, the current utilisation is between 1.1 to 1.5 million hectares, or between 15% and 20% of the land. This means that Zambia has just begun the task of developing its agriculture.

Table 1 shows that most of the farmers in Zambia are not business oriented. They are still affected by import surges that lower producer prices, because small-scale farmers have to sell some of their produce to meet health and education needs. Their production focus, though, is for meeting subsistence needs. An SSM model that ensures that their produce does not sell at too low a price would be a welcome development.

Agriculture has accounted for no more than 30% of Zambian GDP between 1991 and 2004. The rural economy is, however, home to 60% of the Zambian population of 9.9 million. To increase production and reduce poverty, a SSM is needed to stimulate the sector.

Crops of particular importance to Zambia include: maize, cassava, millet, groundnuts, sunflowers, sunflower seeds, rice paddy, sugar cane, cotton seed, wheat, soya beans, tobacco, sorghum, vegetables (including fresh tomatoes and onions). Although maize is by far the most widely grown crop, sugar cane accounted for a large proportion of production between 1990 and 2001 as shown in Table 2.

Two issues stand out in considering Table 2. Firstly, the volumes produced in Zambia are very low by international standards. This means that even small import volumes can disrupt the agricultural sector. Secondly, there are huge variations in the production volumes of most crops. This is mainly due to almost total reliance on rainfall, the patterns of which have become increasingly erratic. Imports are thus an essential element to smoothen the availability of food. This makes the need to control import surges very important.

Other crops grown in Zambia include horticultural and floricultural products, coffee, tea, and high-value crops such as paprika and marigold.

Zambia's trade regime was biased towards export of metals. However, the policy reorientation in the late 1980s and

Table 1: Characteristics of Zambian Agriculture

Characteristics	Small-scale	Emergent	Medium-scale	Large-scale
No. of farmers	459,000	119,200	25,230	Less than 40
Area per holding (hectares)	0.5-9.0	10-20	20-60	Over 60
Crops grown	Food crops	Food/ cash crops	Food/ cash crops	Cash crops
Production focus	Subsistence	Commercial/ subsistence	Commercial/ subsistence	Commercial

Source: The IDL Group, page 12

Table 2. Production of selected crops ('000) Metric tonnes

Year	Maize	Cassava	Millet	G/nuts	Sunflower	Rice	Sugar cane	Seed cotton	Wheat	Soybeans	Tobacco	Sorghum
1990	1093	640	32	25	20	9	1127	31	55	27	4	20
1991	1096	682	26	28	11	15	1150	49	65	28	5	21
1992	483	682	48	21	1	9	1300	26	58	7	2	13
1993	1598	744	37	42	21	14	1220	58	71	28	7	35
1994	1021	744	63	35	10	6	1311	26	43	24	4	35
1995	738	744	54	36	21	12	1310	50	50	21	2	26
1996	1409	744	55	35	27	13	1400	37	58	40	4	36
1997	960	702	61	46	8	12	1500	64	71	29	3	31
1998	638	817	62	57	6	6	1550	59	64	12	3	25
1999	856	971	70	51	7	15	1650	67	90	27	4	25
2000	885	815	43	55	7	9	1600	62	75	30	4	27
2001	900	950	55	55	7	10	1800	62	75	30	4	27

Source: IDL group December 2002

liberal policy measures adopted in the 1990s have had a positive impact on Zambia's export trade. The contribution of agriculture to overall exports has grown. The main export crops are maize, sugar, tobacco, cotton, floricultural and horticultural products, marigold and groundnuts.

In terms of the orientation of Zambia's external trade, the main export destination is the EU. Imports are mainly from the Southern African Development Community (SADC) region, especially Zimbabwe and South Africa. Table 3 highlights the main trading partners for Zambia. It is worth noting from the table how imports from Zambia's southern neighbours have overtaken the COMESA region over the years.

The implication for the SSM for Zambia is that the regional coverage should include all sources of imports. Tables 1A and 1B as well as graphs 2A and 2B in the appendices show that there can be very large fluctuations in imports in both value and weight terms. This can be due to

Table 3. Value Shares of Zambia's Trade with Key Partners

	Imports %				Exports %			
Destination	**1999**	**2000**	**2001**	**2002**	**1999**	**2000**	**2001**	**2002**
COMESA	12	11	10	11	9	12	9	9
SADC (excluding S.A)	13	13	11	11	12	11	8	16
South Africa	44	56	53	51	17	18	24	23
European Union	22	14	12	13	49	53	57	49
Other Markets	9	6	14	14	13	6	2	3
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: EU- Zambia Joint Annual Report (2003) - Annual Report on the implementation of the ACP-EU Conventions and other Cooperation Agreements, Lusaka.

drought as is the case for maize imports, or lack of competitive capacity as is the case in terms of oranges and wheat imports.

This situation means that Zambia needs a simple, flexible and robust SSM to prevent damaging import surges.

From 2002 to 2004, Zambia experienced bumper cereal harvests, especially of maize, as a result of exceptionally good rains. Zambia was thus not only able to feed herself but exported maize to Malawi, DRC and Angola[13].

7.1 Zambian Agriculture and Regional Competition

The 20-member COMESA was initially established in 1981 as the Preferential Trade Area (PTA) to boost trade among Eastern and Southern African countries, and to stimulate economic growth on the continent[14]. The organisation transformed into a common market in 1994. It established a free trade area, offering duty free market access among members, in 2000[15].

Zambia ratified the protocol establishing the COMESA free trade area in October 2000 but is already having second thoughts about its position. Local producers believe that "dishonesty" among some COMESA member states has created an uneven playing field in intra-regional trade. They now want to see the Zambian government introducing trade barriers to curb what they allege is produce dumping.

"It is a fact that we all went into COMESA blindly. Already, we have started seeing the adverse effects that have been experienced. We have seen a surge in cheaper imports of these products coming in duty-free, most of them with suspicious origins, certainly beyond COMESA"

Former ZNFU president Ajay Vashee

Economic observers see neighbouring Zimbabwe as the main culprit. They point out that 85 percent of Zambia's agricultural imports from the COMESA free trade area come from Zimbabwe, but that that country allows only limited agricultural imports from Zambia. In fact, Zambian farmers have unrestricted access to markets in only three COMESA member states: the Democratic Republic of Congo (DRC), Malawi and Mauritius.

"Millers continue to prefer cheaper wheat from abroad. The imported grain is cheaper because inputs are considerably cheaper"

Former ZNFU economist Alfred Mwila

Similarly, the soybean crop requirement to meet the country's edible oil needs is estimated at 150,000mt, but annual domestic production is under 50,000mt. At the same time, the country's fresh milk producers are under threat from "cheap and highly subsidised" powdered milk imports from New Zealand and from "unfair competition due to trade barriers" within COMESA, Mwila said.

While adverse weather has pushed down maize production in recent years, industry insiders blame the country's failure to feed itself largely on the effects of a donor-backed economic reform programme under which agricultural marketing was transferred from government to private hands. They claim that agricultural reforms have made credit and input delivery available to highly productive producers to the neglect of remote and often inaccessible rural areas which profit-minded marketing agents consider risky and unprofitable.

[13] There are fears of reduced rains and hence reduced production in the 2004 to 2005 season. This has prompted government to cancel all exports of maize. The government is still hopeful that the existing stocks will see the country through the season. One respondent to this study warned that Zambia may become a target of retaliatory trade sanctions as the country supports some small-scale maize farmers through the fertiliser support programme.

[14] COMESA member states are: Angola, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

[15] Most of the discussion and quotations in this section draw on the work of IRIN Africa English Service [africa-english@ocha.unon.org] on behalf of IRIN [IRIN-SA@irin.org.za] July 23, 2001 Zambia: IRIN Focus on agricultural reforms

At the same time, the country's macro-economic environment puts local producers at a disadvantage with other COMESA producers. Farmers consider that the country's commercial interest rates, at an average 25 to 40 percent, are higher than those of most of its neighbours, as are its electricity tariffs. This means that its produce prices are inevitably higher.

> *"Having moved quickly from a government controlled environment to a free marketing system during the last decade, Zambia needs now to reconsider its policy for the agricultural sector, the liberalised system of production and marketing has had an adverse impact on small-scale and subsistence farming, separating as it has, the previous linkage between the financial arrangements obtaining in the supply of inputs and the disposal of outputs"*
>
> Former ZNFU President Ajay Vashee

But while economic observers are concerned about the effects of produce dumping on Zambian agriculture, many consumers are smiling. "Zambian producers had a tendency of overcharging their customers in the past, but cheaper South African imports are forcing them to push their prices down, a Lusaka resident commented.

Liberalisation of the economy over the past decade saw a number of South African supermarket chains setting up networks in Lusaka and in the Copperbelt province, the country's industrial hub. Virtually all products in the shops, including fruits and vegetables, are imported from South Africa[16].

State regulation of agriculture in the 1980s proved ruinously expensive, with the government unable to afford the subsidies that kept food prices low for urban consumers. It also insisted on fixed prices for increasingly disenchanted growers. But some independent observers argue that Zambia's agricultural industry can only be turned around if the country drops some key aspects of the donor-backed adjustment programme.

> *"Structural adjustment has destroyed Zambian agriculture. It can only be rescued if we return to the pre-adjustment days when farmers were protected from unfair competition, the government deliberately included smaller, rural producers in the market and credit was extended to needy farmers"*[17]
>
> Institute of Policy Studies (IPS) Director, Gilbert Mudenda

In the course of research for this paper, some respondents urged caution in the introduction of SSM. They felt that it is very easy to protect inefficient farmers using such a mechanism and that special care must be taken to ensure: a) that any SSM is protecting a worthy cause and, b) that measures are simultaneously taken to ensure that farmers become more competitive.

Women in Agriculture stated that its concern was not how farmers could compete against imports, but how to increase its members' capacity to grow enough food to feed their families. "We cannot supply these big shops with produce. We are poor. Our hope is to grow enough food to feed ourselves and hopefully a small surplus to sell at the local market," the organisation's spokesperson, Ms Makota, stated.

7.2 Zambia's Experience with Import Surges

The overall import policy in Zambia is liberal. Import licensing requirements were abolished in 1992[18]. Since then, an importer is supposed to get an import licence automatically, although this system does not always function

[16] In response to this, some Zambian potato producers have organised themselves into groups, approached some South African stores and agreed on quality and quantity requirements. These producers are now reported to have penetrated this market outlet.

[17] In response to these concerns, the new Government elected in 2001 has reintroduced limited support to farmers through the Fertiliser Support Programme that targets about 150,000 small scale farmers with a 50% price subsidy on fertiliser.

[18] For details see Ndulo (no date) Trade policy reform and barriers to business expansion in Zambia, 1994-1998

smoothly[19]. There is a complete prohibition for imports of ivory and radioactive materials and a few imports are regulated for health and security reason, but otherwise there are very few quantitative restrictions on imports.

There is a general consensus in the government and private sector on the need to move from a regime of quantitative restrictions to tariffs. Therefore, the most important factor determining imports are tariffs. The general increase indicated in Appendix 1, (tables 5.1 to 5.9) and Appendix 2 (Table 1A and Graph 2A) and Appendix 3 (Table 1B and Graph 2B) bear witness to the ever-increasing levels of imports as a result of relaxation on import controls.

The government has been generally consistent in relaxing import controls, despite the enormous pressure that the private sector has sometimes exerted to control certain imports. The case of wheat flour is given below to highlight the problems of import surges and trade liberalisation in Zambia.

7.2.1 A Wheat Flour Import Surge in Zambia

The case of the importation of wheat flour demonstrates the political pressures that come with tariff reform. The reduction of tariffs in the 1996 budget brought about a surge in imported flour into the country, a lot of it smuggled. Most of the flour came from South Africa. There are several flour milling plants in Zambia. The largest is National Milling (NM). The private sector, led by NM, complained that South Africa was dumping imported wheat products on the Zambian market. It was argued that there was a deliberate policy in South Africa to subsidise wheat products. Consequently, the cost of wheat products in Zambia was lower than for the local products and lower than it was in South Africa.

The private sector lobbied the Zambian government for the imposition of a quota or countervailing duties on wheat products. During 1996 and early 1997 there was a lot of pressure on the government, especially from NM. The small milling companies did not consider the issue as serious. NM was asked to prove the case of dumping and failed. However, because of the intense lobbying, the government succumbed to the pressure in September 1997 and banned the importation of wheat products.

The milling companies failed to meet the demand for flour. Furthermore, companies started to ask for exemptions from the ban. Exemptions were given and were approved by the Minister of Commerce, Trade and Industry. This introduced arbitrariness and discretion in approving exemptions. Finally, the government decided to remove the ban on the importation of wheat products in 1998, bringing consistency to that part of the reform program[20].

[19] The Ministry of Agriculture and Cooperatives has a committee that issues import permits. The Ministry of Commerce Trade and Industry has declared this committee “illegal”. Those denied import permits by this committee have appealed to “higher authorities”. In some cases they have granted the import permits without referring the matter back to the committee.

[20] The Government is currently considering a case involving imported cooking oil from Kenya. The private sector feels the cooking oil imported into Kenya from the Far East and should not enjoy the COMESA FTA provisions. The research team for this study could not get enough data from the Ministry of Commerce Trade and Industry on this as it was considered “sensitive”. Oranges are another case in point. Government at some point is reported to have banned the importation of some fruits including oranges. The farmers failed to meet the quality and quantities demanded by consumers. The government eventually dropped the import ban.

8. Essential Elements of an SSM for Zambia

It is critical to bear in mind that the SSM is a special and differential treatment measure. The SSM must represent an improvement on the existing safeguard provisions in terms of establishing a mechanism that is responsive to the needs of LDCs. The special nature and the particular circumstances of their agricultural sectors have to be constantly kept in mind.

The SSM must, therefore, build on the flexibilities embedded in the existing safeguard provisions rather than extracting from them. This would be the adequate approach to follow in devising the modalities for the new special safeguard mechanism.

Arising from the above the following general parameters should guide the negotiation of modalities on SSM:

i) The safeguard measure should be automatically triggered;

ii) The safeguard measure should be available to all agricultural products as the production of all agricultural products in Zambia is still in its infancy;

iii) The safeguard measures should be available to address situations of import surges and swings in international prices. Therefore, price and volume-triggered safeguards should be contemplated. This is because the purpose of the SSM is to protect food security as well as incomes and foreign exchange earnings.

iv) Both additional duties and quantitative restrictions should be envisaged as measures to provide relief from import surges and decline in prices;

v) The mechanism should respond to the institutional capabilities and resources of developing countries. Therefore, it should be simple, effective and easy to implement.

The call for SSM to apply to all agricultural products in Zambia may cause a degree of controversy. The main reason for the proposal is that the agricultural sector in Zambia is very underdeveloped and changes may occur suddenly.

A case in point is the growing of sorghum. This crop has traditionally been grown in remote and drought-prone areas of the country. Recently, Zambia Breweries, Zambia's only lager beer producer, has decided to invest in the production of sorghum to replace maize in the beer production. Zambia Breweries has encouraged the formation of farmers' groups (cooperatives) and provided inputs and extension services. The result has been that a large number of farmers have taken to the production of sorghum in view of the assured market and the availability of inputs. Sorghum has now moved from being an obscure to a lucrative product.

If products based on selective SP criteria for an SSM had been designated a few years earlier, then sorghum would most probably not have been included on the list. The same applies to cassava (tubers and stems) being promoted by some NGOs to mitigate the impact of drought in areas that do not grow cassava. Similarly dramatic changes could also happen in fish farming if sufficient resources were invested in that sector.

Table 4 offers an outline of the SSM that would be suitable for the Zambian situation.

Table 4: Template of an SSM suitable for Zambia

Item/ parameter	Article XIX GATT 1994	Article 5 Agriculture Agreement	Proposed elements for Zambia
1. Product coverage	All products	Selected special products	All agricultural products
2. Trigger	Import surges	a) Import surges b) Drop in prices	a) Import surges b) Drop in prices
3. Conditions for applying safeguard measures	Prove through an investigation based on objective evidence, injury or threat thereof to domestic industry caused by increased imports	a) No need to prove injury or threat thereof to local production. b) Automatically triggered	a) No need to prove injury or threat thereof to local production. b) Automatically triggered
4. Geographic coverage	Non discriminatory	Non discriminatory	Non discriminatory
5. Remedy measures	a) Additional duties and b) Quantitative restrictions.	Additional duties for both, volume and price-triggered safeguard.	a) Additional duties and b) Quantitative restrictions.
6. Restrictions to the level of compensation	a) No specific restrictions as to the level of the additional duties to be imposed. b) If quantitative restrictions were imposed, such a measure shall not reduce the quantity of imports below the level of a recent period	a) Volume trigger: the additional duty shall not not exceed approximately 30% of the applied rate in effect the year the measure is triggered. b) Price trigger. The additional duty can only compensate for a fraction of the difference between the nominal price of the shipment concerned in domestic currency and the reference price fixed at the average value of the product over the period 1986-1988.	a) No specific restrictions as to the level of the additional duties to be imposed. b) If quantitative restrictions were imposed, such a measure shall not reduce the quantity of imports below the level of a recent period
7. Administration	Requires sophisticated research and monitoring capacity	Requires fairly sophisticated research and monitoring capacity	a) Needs to have very limited technical capacity requirements b) Need for notification.
8. Time scale	Temporary	Temporary	Temporary up to 36 months, permit repeated use after a reasonable break for longer time scales
9. Other rules	The rules are complicated for Zambia	The rules are complicated for Zambia	a) Requires simple rules. b) Zambia may need to establish a special research and monitoring unit in the MCTI composed of staff from CSO, ZRA and MACO. c) Government to be compelled to show measures being undertaken and timeframe to redress the situation.

9. Conclusions and Recommendations

9.1 Conclusions

The study findings lead to the following conclusions:

Zambia, like some other African countries, is a net food importer because the quantity of food produced is not sufficient to meet local consumption needs. The priority in government is to increase food production. This priority does not, however, preclude the need to protect the Zambian small-scale farmer from import surges.

Different developing countries have experienced negative impacts in the implementation of the various WTO agreements generally and the AoA, in particular. The main negative impact has been in the form of agricultural goods "dumped" on them by developed countries and other developing countries as a result of trade liberalisation.

The idea of special products and special safeguard measures, as proposed by developing countries within the AoA negotiations, are an essential step in the food security and rural development interests of developing countries, and especially LDCs.

Many developed and some developing countries members of the WTO, who export food, are opposed to the idea of introducing special products and SSM, or their broad implementation by developing countries.

Developing countries have so far managed to keep the concept of special products and SSM on the negotiating table. The G33 proposals on special safeguard measures constitute a viable and implementable formula for implementing such a mechanism in developing countries.

The need now is to outline how these concepts should be operationalised, and negotiate for that to happen in the AoA talks.

9.2 Recommendations

The conclusions outlined above lead to the following recommendations:

Zambia needs support from cooperating partners to enable her increase food production, especially in the small-scale farmer sector.

In relation to Special Products:

Developing countries, including Zambia, should continue to fight for the inclusion of the special products concept in the AoA negotiations and final agreement.

- Special products should be exempt from tariff reductions and they should not be subject to restricting conditions.
- Developing countries should have the flexibility to self-declare special products with respect to food security, livelihood concerns and rural development objectives.
- The criteria for selection of special products should include their
  - Contribution to trade;
  - Contribution to agricultural production;
  - Link to livelihood, in relation, for example, to the number of people employed in making the product/products predominantly produced by low-income, small-scale farmers;
  - Link to food security, for example, in their contribution to calorie intake.

In relation to the Special Safeguard Mechanism:

- Developing countries, including Zambia, should continue to fight for the inclusion of the SSM concept in the AoA negotiations and final agreement.

- The SSM for Zambia and other LDCs should not be subject to restricting conditions or limited to a number of predetermined products.
- SSM should be a simple and effective mechanism,
- Developed countries should provide capacity to put in place a monitoring system to capture import data and advise on the implementation of SSM.
- The SSM should allow developing countries adopt trade remedies in the form of higher tariffs or quantitative restrictions.
- The SSM should be triggered by an increase in import volume *and/or* a decrease in import prices.

Appendix 1

Tables 5.1 to 5.9: Import and Export Trends of Selected Products
(Compiled by MCTI Staff from the FAO Year Book, Trade and Commerce Vol 55, 2001)

Table 5.1: Total Merchandise Trade (US $ 100,000)

	1996	1997	1998	1999	2000	2001
Imports	11,945	8,200	6,500	6,500	6,500	6,500
Exports	12,527	9,410	7,800	9.290	9,780	12.530

Table 5.2: Agricultural Products (US $ 10,000)

	1996	1997	1998	1999	2000	2001
Imports	808	1,026	2,041	860	788	1,051
Exports	517	811	815	1,529	-	-

Table 5.3: Bovine Animals (US $ 1,000)

	1997	1998	1999	2000	2001	2002
Imports	8,200	7.500	6,700	7,500	9,600	10,900
Exports	9,410	7,800	9,290	9,790	12,530	13,000

Table 5.4: Cereal Imports for the period 2000 to 2002

Cereal Imports (100 metric tonnes)			Cereal Imports (US $ 10,000)		
2000	2001	2002	2000	2001	2002
694	1,059	3,675	1,579	2,660	8.429

Table 5.5: Wheat Flour Imports

Wheat Flour Imports (100 metric tonnes)			Wheat flour imports (US $ 10,000)		
2000	2001	2002	2000	2001	2002
572	816	740	1,158	1,934	1,748

Table 5.6: Rice Imports and Exports

	Rice (100 metric tonnes)			Rice (US $ 1,000)		
	2000	2001	2002	2000	2001	2002
Imports	656	1,363	2,071	2,226	4,410	6,571
Exports	5	13	18	20	47	60

Table 5.7: Maize Imports and Exports

	Maize (100 metric tonnes)			Maize (US $ 10,000)		
	2000	2001	2002	2000	2001	2002
Imports	55	103	2,691	186	265	5,942
Exports	142	117	49	338	204	223

Table 5.8: Potato Imports

Potatoes Imports (100 metric tonnes)			Potatoes Imports (US $ 10,000)		
2000	**2001**	**2002**	**2000**	**2001**	**2002**
1,175	4,829	5,634	283	1,273	2,784

Table 5.9: Onion Imports

Onions Imports (metric tonnes)			Onions Imports (US $ 1,000)		
2000	**2001**	**2002**	**2000**	**2001**	**2002**
395	1,236	1,354	112	209	339

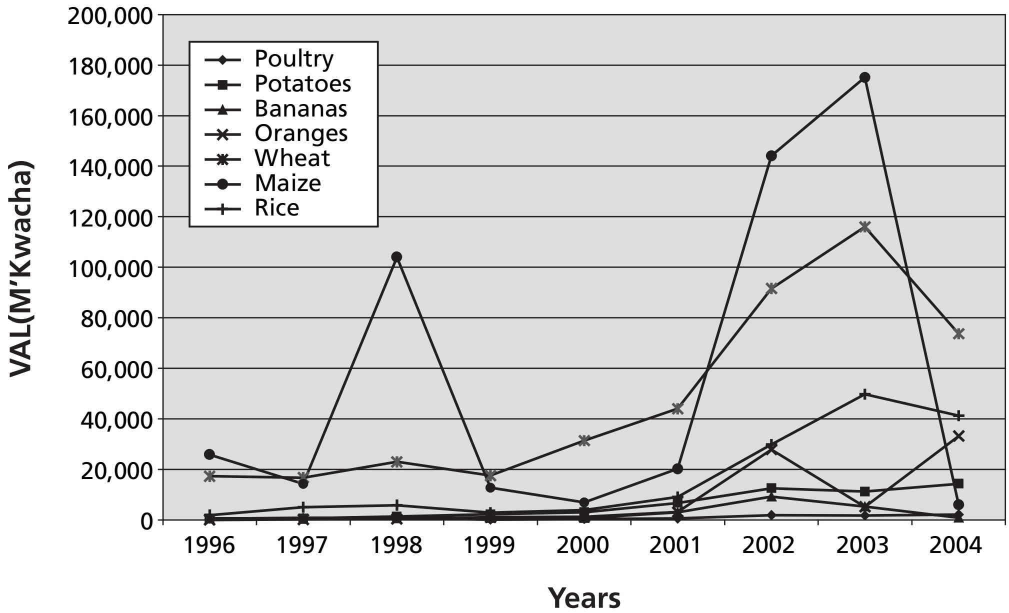
Appendix 2

Table 1A: Imports of selected agricultural products 1996 - 2004 (Zambian Kwacha - millions)

Product/ Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
Poultry	481	772	866	57	382	544	1,886	1,794	2,198
Potatoes	553	566	1,336	2,258	3,008	6,700	12,536	11,233	14,323
Bananas	594	326	619	813	705	2,985	9,188	5,274	861
Oranges	38	143	325	1,077	1,250	3,088	27,821	5,188	33,195
Wheat	17,299	16,728	22,981	17,517	31,335	44,004	91,586	115,973	73,699
Maize	25,820	14,239	104,021	12,757	3,922	20,229	144,114	175,082	5,965
Rice	1,959	5,048	5,862	2,878	3,922	9,002	29,850	26	41,294

Source: Own computations from Central Statistical Office data sets

Graph 2A: Imports by selected agricultural products for the period 1996-2004



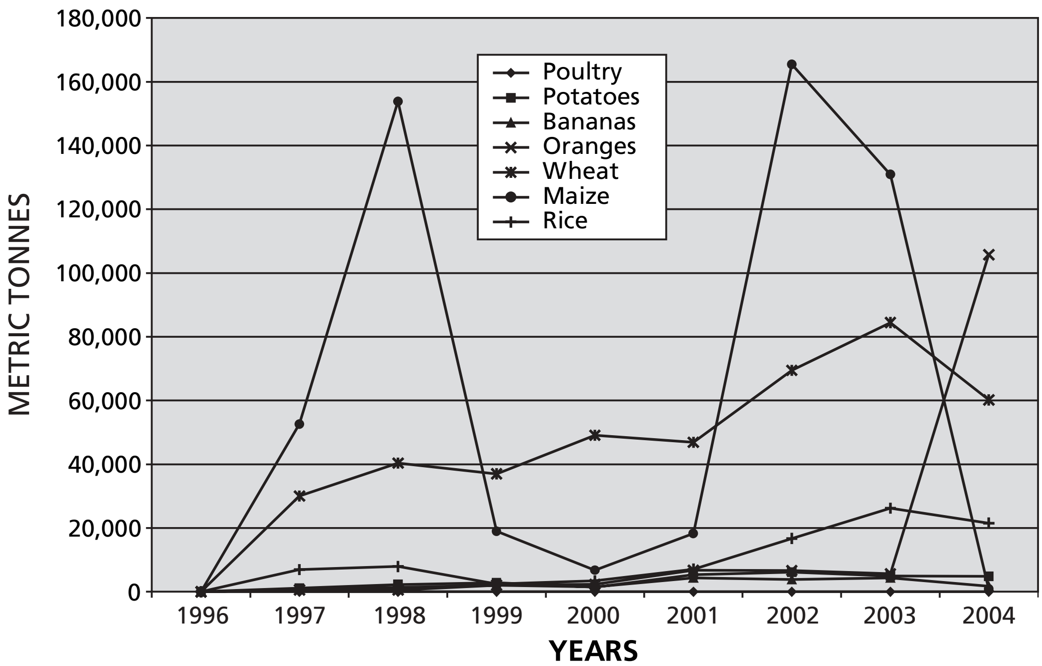
Appendix 3

Table 1B: Imports of selected Agricultural products 1997- 2004. (Kg '000)

Product/ Year	1997	1998	1999	2000	2001	2002	2003	2004
Poultry	28	9	2	12	26	29	9	7
Potatoes	1,128	2,300	2,839	1,474	5,337	6,157	5,006	4,803
Bananas	752	1,332	2,019	1,489	4,390	3,842	4,346	1,710
Oranges	581	576	2,088	2,372	6,686	6,664	5,663	105,713
Wheat	30,010	40,332	36,981	49,108	46,910	69,460	84,444	60,178
Maize	52,584	153,856	19,003	6,786	18,298	165,418	130,871	861,491
Rice	6,945	7,923	2,466	3,412	7,090	16,752	26,215	21,543

Source: Own computations from Central Statistical Office data sets

Graph 2B: Imports by selected agricultural products and weight in metric tonnes 1996-2004



Appendix 4

List of Interviewees

Name	Institution	Position
1. Ms Lillian Bwalya	Ministry of Commerce Trade and Industry	Senior Economist
2. Ambassador B Bowa	Independent	Trade Consultant
3. Ms Makota	Women in Agriculture	Chairperson
4. Mr David Mundia	Ministry of Agriculture and Cooperatives	Principal Planner (Agricultural Trade)
5. Ms Ellah A Chembe	Zambia National Farmers Union	Economist
6. Ms Chansa Mushinge	FEWSNet	Country Representative
7. Mr Alfred Mwila	FEWSNet	Deputy Country Representative
8. Mr Emmanuel Mali	Catholic Commission for Justice Development and Peace (CCJDP)	Programme Officer- Economic Justice Programme
9. Ms Namukolo Liywali	Catholic Commission for Justice Development and Peace (CCJDP)	Assistant Programme Officer- Economic Justice Programme
10. Ms Dorothy Tembo	Ministry of Commerce Trade and Industry	Director- Foreign Trade
11. Dr Anthony Mwanaumo	Agricultural Consultative Forum	Coordinator
12. Mr Mwale	Zambia Trade and Investment Enhancement (ZAMTIE)	

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