



South Centre's Analysis and News of the WTO's Mini-Ministerial

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Analysis of Lamy's Special Safeguard Mechanism Numbers (of 25 July 2008)

The Lamy text of 25 July with numbers proposed by the Secretariat will not give comfort to developing countries in terms of the Special Safeguard Mechanism (SSM). Overall, the text weighs in favour of the interests of the developed countries and in the area of the SSM, disadvantages developing countries in the following ways:

Constraint 1: 40% import surge before an SSM above the UR bound rate can be invoked

A major battle the G33 has had in fighting for the SSM was that the safeguard would allow them to have an additional tariff that goes beyond the Uruguay Round bound rate. There are cases where even a country with a high bound rate requires an SSM to go beyond the Uruguay Round bound level.

For instance, for sugar in Kenya, the applied rate in order to shield their sugar sector from import surges had to be in the range of 120% to offer sufficient protection to curb the import surge in sugar which took from the late 1990s through to 2004. Kenya's bound rate in sugar is 100%. The country invoked a COMESA safeguard. This additional tariff was needed to allow the country to rehabilitate the sugar sector that was wiped out in some localities as a result of imports.

In other cases, when a country has low bound rates, with applied rates that are close to or even on the bound rates, the inability to move beyond the Uruguay Round would render the SSM ineffective.

The text has acknowledged the principle of going beyond the Uruguay Round bound rate. However, it has provided a trigger that is so high, countries' domestic production will already have been wiped out before an SSM can be invoked. The trigger has been set at an import surge of 40% above the trade volumes of the preceding three years.

RECOMMENDATION: The trigger should be set at 105% (i.e. 5% above normal import values) if the SSM is to be effective as an instrument to shield the domestic industry from injury, not an instrument to kick in after the industry has collapsed or is close to collapse.

Constraint 2: The only way to use a remedy that goes beyond the Uruguay Round is to have imports increase beyond 140% and price declines.

Yet another constraint in the Lamy text states, “That remedy is not normally applicable if prices are not actually declining”.

It is not always the case that import prices fall before there is a surge. There are cases where import surges do take place even though import prices remain stable. For example, the currency in third countries may suddenly be devalued, leading to products that these countries would have imported being redirected to other countries. This happened between 1998 and 2001, where the Russian Rubble fell drastically against the dollar. US poultry that normally would have been exported to Russia got redirected into Cameroon.

RECOMMENDATION: This clause must be eliminated. This is the position of the G33 as well as India.

Constraint 3: Maximum Percentage of tariff lines that can Avail of SSM with Remedies Above UR Bound Rate: 2.5%

The text says that only 2.5% of countries’ agricultural tariff lines can avail of an SSM with remedies above Uruguay Round bound rates. Developing countries have an average of 700 agricultural tariff lines; thus, the 2.5% proposed would amount to 17 agricultural tariff lines. This could cover only 3 or fewer products.

The Falconer text provides for 2-6 products (with 4-8 tariff lines per product), i.e. up to 48 tariff lines or about 7% of total tariff lines.

In contrast to this small number of lines, the developed countries have used a large number of tariff lines under the Special Safeguard Provision (SSG) of the Uruguay Round. **EU had 31% of its tariff lines covered under the SSG, and there were no restrictions limiting countries using the SSG to go beyond the Uruguay Round bound rate. In the SSG, the additional tariff could always be added on to the bound rate.**

Even though the SSG is to be phased out, developed countries had thirteen years of SSG protection and, arguably, even better protection should be conferred to developing countries in the Doha Round.

Country / Current total agriculture tariff lines	No. of tariff lines under the UR allowed to use SSG	% of agricultural tariff lines covered by SSG	No. of tariff lines equivalent to 1% that avail of SSG in Doha implementation (developed countries)	2.5% of tariff lines that can avail of beyond the Uruguay Round bound in SSM

EC-12 EC -27 : 2,205 tariff lines	539	31	22	
US : 1,777 tariff lines	189	9	17	
Japan: 1,344 tariff lines	121	12	13	
Switzerland: 2,179 tariff lines	961	59	22	
Norway: 1060 tariff lines	581	49	11	
India: 697 tariff lines				17

Source: Information in columns 2 and 3 are from the WTO Secretariat paper TN/AG/S/12, 2004. Countries' tariff lines in column 1 are taken from more recent WTO data. (India has fewer total agriculture tariff lines because their tariff schedule is at a 6 digit level, whilst that of the EU /US is at the 8 digit level.)

RECOMMENDATION: *Since the EU had 31% of tariff lines covered under the SSG which could go beyond the Uruguay Round bound rate, Norway had 49% and Switzerland 59% of tariff lines, it would in fact be very reasonable that developing countries have 50% of tariff lines that can breach the Uruguay Round bound rate in the Doha Round.*

There were also no limits put on the number of tariff lines that could avail of the SSG within a year. The EU invoked the SSG for 61 tariff lines in 1996, and the US for 80 tariff lines in 1998 as illustrated below.

Actual Application of SSG by EU and No. of Tariff Items, 1995 - 2001

EC-15-Total no. of lines covered by SSG: 539	1995	1996	1997	1998	1999	2000	2001
Vol. based SSG action	-	47	46	27	27	27	27
Price based SSG action	12	14	14	12	13	13	17

Total no. of tariff lines for which SSG was invoked	12	61	60	39	40	40	44
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Source: WTO Secretariat paper TN/AG/S/12, 2004.

Actual Application of SSG by US and No. of Tariff Items, 1995 - 2002

US-Total no. of lines covered by SSG: 189	1995	1996	1997	1998	1999	2000	2001	2002
Vol. based SSG action	-	-	-	6	-	-	-	2
Price based SSG action	24	49	74	74	35	37	44	51
Total no. of tariff lines for which SSG was invoked	24	49	74	80	35	37	44	53

Source: WTO Secretariat paper TN/AG/S/12, 2004.

Ways in Which the SSG Remedies are more Favourable than the SSM:

- Countries using the SSG can always go beyond the Uruguay Round bound rate
- For products that can avail of the SSG, the SSG does not put a cap on the number of tariff lines for which the SSG can be invoked in a given year
- The SSM as defined in the 10 July text will not tackle import surges that have resulted from free trade agreements or regional trade. This is not the case for the SSG which does not differentiate between MFN trade and regional trade.
- Information required to implement the SSG is for the most recent 3 year period for which data is available, whilst it is for the preceding three years for the SSM.

No Consensus in G7 or WTO Membership on Lamy Numbers

As opposed to the news coming out of the WTO, there is no consensus within the G7 on the Lamy text of 25 July. This will be further discussed today in the G7. The Green Room (of 30-plus ministers) will then be convened at about 6pm.

India expressed great unhappiness about the Lamy text when it emerged on Friday 25th. In fact, Indian Minister, Nath wanted to walk out of the G7. He said it was not in protest, but that he did not want to be part of a conversation that centred around numbers that

he did not agree with. He was told not to do so, however, since it would be seen as a break down of talks.

However, India is not alone with deep reservations concerning the imbalanced Lamy numbers – Argentina is unlikely to accept the NAMA package. South Africa voiced major concerns, and so has Venezuela. Indonesia is not happy with the SP/SSM numbers. The LDCs, ACP group and cotton countries are also concerned that many of their issues have not yet been taken up in the talks.

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