

## **EPAs in (times of) crisis**

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#### *Sources:*

*APRODEV (2008) Solutions for dealing with import surges and dumping. Technical discussion paper, AgroExport Project.*

*APRODEV (2009) Left in the Cold by WTO: Policy Brief on Special Safeguard Measures in the WTO*

*APRODEV (2010) Discussion paper on EU Common Agricultural Reform (forthcoming)*

## **EPAs: Can better safeguards help?**

### **1. Context and trends**

- Increase of NFIDC, increase in food dependency, increase in price volatility; decrease of tariff levels, structural adjustment, and preferential trade
- Import surges in ACP countries: rice, poultry, onion, vegetable oils, sugar, dairy, tomato pasta; all highly relevant to women smallholders and subsistence farmers
- EU is biggest agricultural importer with 88,2 billion Euro (raw material, protein feed); EU is biggest agricultural exporter with 67,7 billion Euro (highly processed food like meat, cereals and milk products for increasing middle class)
- Globally, in 2008, 50% of cereals are used as animal feed. Speculative investment in cereals amounts to 5 billion US\$ in 2000 up to 175 billion US\$ in 2007
- In Africa, 90% of staple food is grown and produced by women, of which 30-40% of all food sold at markets are grown and cultivated by women

### **2. Agricultural Safeguards in WTO trade negotiations and in Economic Partnership Agreements**

#### **Special Safeguard Measures (SSM)**

- There is not yet any consensus in WTO negotiations on limiting SSM to MFN trade.
- The December 2008 text is just one position that is not broadly accepted; G33 has clearly raised this in the ongoing negotiations
- What is needed is access for ACP countries to improved SSM including volume and price based triggers, sufficiently high remedies, easy application of remedies (no cross check), unlimited application, including for preferential trade
- Mandate of SSM is to look at Special and Differential Treatment for issue on food security, rural livelihoods
- Not conducive to development objective if EC is not differentiating between interest of catering for smallholders (mainly women and subsistence farmers) and those looking after the interests of exporting farmers (usually, better off and not qualifying for special and differential treatment).

- Commitments to MDGs and Policy Coherence for Development: differentiate needs of those living in poverty rather than to talking about balancing the positions of different interest groups.

### **Special Agricultural Safeguard (SSG)**

- Created in 1995, only accessible to those countries that converted their non-tariff barriers into tariff lines for agriculture in the Uruguay
- SSG is open to 5 ACP countries, among which are four African countries (Botswana, Namibia, South Africa, Swaziland) and one Caribbean (Barbados)
- Multi-lateral safeguards at the disposition to the EU
- EU is abstaining from its right to use SSG for 5 years in the EPAs
- EU has had ca 500 agricultural products under SSG protection for more than 10 years

### **Comparison of SSG and SSM**

- Product coverage (include *all* agricultural products in view of volatility of markets)
- Triggers to invoke and initiate safeguard measures (volume and price triggers)
- Remedy actions (commensurate, proportionate with depth of import surge/price)
- Duration (exceeding 12 months)

### **Bilateral safeguards in Economic Partnership Agreements**

- Food security clauses condition use of safeguards; EPA textual provision limits this to ensuring food availability and access to food.
- This clause seems to exclude cheap food, i.e. what is in direct competition with small scale farmers (EU argues: need of investigation)
- It is well known that most ACP are not able to substantiate claims on case-by-case basis, for each product and its related markets because this is administratively difficult
- ACP countries mostly lack import data at the time of disturbance
- Data often available only 6 to 12 months after import surge
- ACP unlikely to be able to use agricultural safeguards precisely because of lack of data, to substantiate claim, establish causal link between import surges and injury.
- SSG is devised to be activated once the import volume or price decline triggers are met, without having to justify the causal link of import surge and market disturbance.
- This leaves many ACP countries in a situation where they are faced with import surges that are happening over one or two decades without any remedies to it

## **3. Policy flexibility for trade in food and agricultural products**

### **Use of broader Trade Defence Measures by ACP countries in EPAs**

- Prohibition of quantitative restrictions i.e. tariff equivalent measures, taxes, levies, duties, value added taxes, etc
- Prohibition of introduction of new export taxes, and no increase of existing ones
- Standstill clause: prohibition to increase tariffs from applied to bound levels
- Standstill clause: applies to agricultural products exempted from liberalisation commitments
- UNCTAD report on ACP countries experience in using trade remedies (AD, CVD) for example in Burundi, Zimbabwe, Angola, Tanzania, Kenya, Mauritius: lack of

institutional capacity, weak custom administration, hesitation of private sector to pursue case, difficult to measure commercial transactions, complexity of rules, high financial costs, technical difficulties in pursuing effective investigation.

- Anti-Dumping case has at an average costs of 0.5 -1 million US\$
- Proposal to set up surveillance device for selected products to enable government to more easily collect information, once a potential problem has been identified (import licensing system completed by importer including information on quantities, import price, price at which sold in domestic market, etc.)

### **Use of broader Trade Defence Measures by EU**

- Range of policy tools and flexibility available under import regime.
- Non Trade Barriers (NTB) such as EU import licensing, quality and food safety standards, fixed ad valorem taxes, SPS, hygiene regulations, classification regulations, epidemic prevention
- Technical Barriers to Trade (TBT) such as private standards (EUROGAP, GLOBACAP, ISO-Norms)
- PSE – Product Support Equivalent- as calculated by OECD, 2008 totals 103 billion Euro, of which 36 billion is based on restrictions in the import regime alone (safeguards, import tariffs, quality and food safety standards, SPS, geographical indications and other TBT)
- OECD figures, for example, on poultry industry show that 46% of poultry industry profits come from acts of government (import tariffs of up to 50%, state intervention in the market activity, customs duties, fixed ad valorem duty between 30-50%, classification regulations, hygiene regulations, epidemic prevention).

### **Reform of the EU Common Agricultural Policy - 2013**

- Reform steps will only be “less trade distorting” but not fully neutral to trade
- Even few left export subsidies can be very destructive, if concentrated on a few poor countries (e.g. in the West and Central African dairy, poultry and pig meat sectors, small volumes of cheap exported commodities can wipe out a whole agricultural industry easily).
- CAP commodity specific support is not decoupled for beef, veal, milk, rice, sugar, pig meat, poultry, and tobacco. Obviously, those products should not be exported at all.
- EU use of import tariffs and special safeguards against import floods keep domestic prices at an unjustifiably high level, and in turn allows enterprises to invest in cross subsidisation for the export of (surplus) parts of their produce..
- Policy tools works towards granting the EU food industry prerogatives in international trade, which poor and less well organised producers have not access to
- The EU should take responsibility to avoid any kind of dumping or trade distortion, and this responsibility should be solely with the exporting country.
- The EU should refrain from shifting its responsibility to the importing countries, blaming them for not applying Trade Defence Measures against unfair trade flows, such as filing cumbersome anti dumping cases or countervailing measure under WTO trade rules.