RESPONSES TO IMPORT SURGES IN DEVELOPING COUNTRIES

9

9.1 Overview of the types of responses

When import surges led to losses of profit and market shares for some stakeholders, some measures were taken to compensate for, or at least stop these losses. In the case studies, responses and corrective measures came from within the affected sector itself and from the case study countries' governments. This chapter analyses some of these measures in the selected case study countries affected by import surges and evokes the difficulties related to the determination and implementation of these measures. Table 9.1 summarizes some of these government measures that the case studies revealed. Some of the reasons why inactions were seen in some cases are also discussed.

9.2 Sector responses

Boosting productivity and competitiveness is the most common response from within the sector facing the fallout of import surges. Reduction of production costs and adoption of technology are some of the responses from small-scale producers and large processors alike. Stakeholders' interviews revealed that the efforts or at least the willingness to increase productivity and competitiveness could be traced from the sectors' plans to cut production costs and adopt new technology to stay in business. In Kenya for instance, the increase in the local milk production despite the dairy import surge were the result of the extended use of artificial insemination and access to animal care (e.g. vaccines, sanitations and nutrition). Similarly, poultry sectors in many of the selected countries, from Cameroon to Jamaica, have also embraced technological change and increased animal care especially in intensive farming system and in peri-urban farming. In many cases these efforts had started long before the surges occurred but the occurrence of the surges reinforced the motivation to boost productivity and competitiveness. Sectors' responses, however, depended much on governments' accompanying programmes such as public investment in education, infrastructure and communication.

9.3 Government interventions

9.3.1 Import restriction and tariff hike

Most of the selected countries in the case studies were already WTO members and are therefore theoretically bound by WTO rules, including a commitment to freer agricultural markets and trade. But when production in key sectors such as food and feed grains were challenged by import surges, governments sometimes reneged on their commitments to open up the food and agricultural markets. Restricting the imports was one the most immediate reactions from governments to protect the import competing sector against any import surge. In Cameroon, Côte d'Ivoire and the United Republic of Tanzania, for example, the tariff was increased for poultry, rice and poultry import respectively. Also in Côte d'Ivoire, for instance, the Government decided to suspend all sugar imports between 2004 and 2006. A similar ban took place in Cameroon following the surge in poultry import. Another form of restriction is the setting of a minimum import price for poultry

TABLE 9.1
Policy responses to import surges

Country	Commodities	Trade policies (increase in tariff)	Import ban	Price control	Trade surveillance
Cameroon (1999-2004)	Poultry	Raising tariff	Partial ban	Set a minimum import price	Weak
	Rice	Procurement			Weak
	Vegetable oils				Weak
Côte d'Ivoire (1996-2004)	Rice	Raising import tax			Relatively advanced
	Poultry				Weak
	Sugar				Weak
Ghana (1998-2004)	Rice				Weak
	Poultry				Weak
	Tomato paste				Weak
Honduras (1991-2005)	Rice				Weak
Jamaica (1980-2005)	Dairy				Weak
	Poultry				Weak
	Onions				Weak
Kenya (1973-2003)	Dry milk powder				Weak
	Maize				Weak
	Sugar				Weak
Malawi (1980-2004)	Dairy				Very weak
	Maize				Very weak
	Sugar				Very weak
Mozambique (2001-2004)	Poultry meat		Complete ban on trans-shipped products (Certificate of origin needed)		Weak
Mozambique (2002-2004)	Vegetable oils				Weak
Philippines (1999-2004)	Onions				Comprehensive, relatively structured
	Tobacco				Comprehensive, relatively structured
Sri Lanka (1985-2005)	Dairy products				
The United Republic of Tanzania (1997-2004)	Dairy	Import tax 25% and later 20% (in addition to tariff on most favoured nations			Weak
	Maize				Weak
	Rice				Weak

Box 9.1
Safeguard mechanisms with regard to developing countries: agreement of Safeguard and SSG provisions on the AoA

The basic requirements for implementation of WTO-compatible trade remedy measures, whether under current SSG arrangements or under a possible future SSM provision include data, trade monitoring and surveillance arrangements, analytical capabilities and frameworks for appropriate consultations with stakeholders. The availability of reliable and timely data is essential for the accurate monitoring of trade developments and for the assessment of their impacts on domestic markets. Many developing countries experience severe difficulties in systematically collecting such information. There are indications that many developing countries need to enhance their analytical capabilities for dealing with import surges. Various analytical tools, such as those introduced in Part I of the this document, have been designed to assist in this effort and these should be made available to interested countries. The SSM should be designed in a manner that, aside from being simple and easily accessible, it is effective in safeguarding against disruptive import surges with minimum adverse effects on agricultural exports, including those from other developing countries.

The key distinguishing feature of an SSG from that of the general WTO trade remedy measures is that the latter requires proof of injury from imports while the former does not. In this sense, the SSGs are very attractive. The new SSM is expected to be similar to the SSG. However, the question asked is whether anything is known about injury in cases where countries faced surges (including depressed import prices) and resorted to the SSG, or not because a response was not deemed required. The answer is unfortunately no, because first the members are not required to provide any information to the WTO on the injury, and second, there are no studies that have looked into this matter. So, very little is known on what happened where SSGs were triggered or were not triggered.

Given the relevance of the SSG to the import surge case studies, what follows summarizes briefly the developing country experience with the use of the SSG:[1]

- the overall "utilization rate" of SSGs was very low (about 1 percent for 22 developing countries and 5 percent for the six users).[2] The question is why is this the case if import surges are such a big issue. The full range of the reasons is not known, but the following appear likely;
- there was no need for responding because either: i) no "external shocks" were felt (which is however unlikely); or ii) the shocks could be absorbed, i.e. no negative effects;
- bound tariffs were high enough and so SSGs were not needed;
- policy-makers chose not to respond to the shocks for a variety of reasons, domestic legislation or the Structural Adjustment Program (SAP) conditionality prevents raising applied tariffs or using SSGs, conscious policy decision that response was not needed;
- SSG users have found both volume and price SSGs useful, although there were more cases of the price SSG, does this mean that the main issue is price depression and not volume surge?
- hardly anything is known about the effectiveness of the SSG in alleviating the problems, i.e. curtailing imports and preventing transmission of low prices;
- similarly, little is known about effects (injury, or prevented injury, and who gained and who lost in the process), no formal reporting is required on the injury side in the case of the SSG.

The Safeguard Measures Act of the Philippines in 2000 enables the Government to implement safeguard provisions under the WTO AoA. As a result, SSG duties were implemented to respond to import surges of some agricultural products (e.g. onions and tobacco).

[1] This is based on FAO publication on SSM (FAO, 2005). See Kommerskollegium (2004) for discussion.
[2] Note that only 22 developing countries had reserved the right to use the SSG for a total of 2 125 tariff lines. Of these 22, only six have used SSGs since 1995.

Box 9.2
Jamaica's response to import surges

Poultry cuts: the import of poultry meat has often surged in the past decade, often to the detriment of the poultry sector. There have been several calls from the industry for AD or similar actions. In response, import reference prices were established for customs valuation purposes - in 1993/94, and the duties on leg quarters were levied on the basis of the average c.i.f. price of USD 0.52 per pound.

Sugar: as with poultry cuts, Jamaica also faced difficulties in regulating the import of sugar. In response, the Government set reference import prices on the basis of five-year moving averages of world market prices, at about USD 0.20 per pound initially in 1995 and slightly more in later years.

Sources: FAO, 2000 and FAO, 2003.

products in Cameroon. Box 9.1 summarizes some of the measures taken with regard to safeguards and within the WTO negotiation framework.

9.3.2 Reversing the domestic market reforms

The case studies revealed that while marketing boards were dismantled in some staple food like rice in Côte d'Ivoire, they were still operating for some other key staple commodities and especially for many high value commodities like sugar and tobacco in many other countries. For sugar for instance, countries in East and Central Africa had been keen to maintain their Marketing Boards to control prices out of the fear of the invasion of cheap sugar imports. These measures along with the increase in tariffs have been a setback to the liberalization process at both regional and global levels. This seems ironical especially because the policy reforms somehow had contributed to import surges and in return, the occurrence of import surges forced the Government to reverse the liberalization process. However, it should be pointed out that the reversal of market and trade reforms as a measure against the surge was found only in a few, not all cases. An illustration of the actions in Jamaica is reported in Box 9.2

9.3.3 Investment and addressing market failure

Investments in technology and infrastructure to improve productivity (rice in Asia, Africa) and competitiveness have always been part of developing countries' programmes but the implementation has remained at best patchy. The case studies also reported attempts to correct market failure, for instance by encouraging more competition among input providers or sometimes subsidizing input directly. There are also attempts to stabilize prices in order to quell the risks born out of price volatility as in the case of the United Republic of Tanzania's grain reserve project. The full impacts of these interventions on both producers and consumers are however unknown.

9.3.4 Monitoring and trade surveillance

It is common knowledge that a majority of the developing countries lacked the resources to monitor imports, let alone have the analytical capacity to predict and assess import surges. In the case study countries, there were only two exceptions. In the Philippines, a relatively advanced trade surveillance system allowed for timely reactions to import surges. Similarly, Côte d'Ivoire had developed a rice trade monitoring capacity whose effectiveness is however limited by the undocumented trade going through its porous borders. But even in these two countries the need for monitoring and analytical capacity remained far greater than what was available.

9.3.5 No direct interventions: should import surges be encouraged?

Governments chose not to intervene in many cases because they felt that following the import surge, the overall welfare did increase despite the losses that small producers incurred. In the cases of milk, sugar and maize in Malawi, maize in the United Republic of Tanzania and poultry in Jamaica, the majority of stakeholders even wanted more, not less, imports. In some cases, import was encouraged, even in the short run to ensure a stable food supply. The

Strategic Grain Reserve (SGR) project in the United Republic of Tanzania was an example of such an act of encouragement.

9.4 Concluding remarks

Despite some forcible arguments on how import surges are really hurting domestic production and how they should be stopped, the case studies showed that actual interventions to counter import surges or to correct the injury in developing countries were few and, in general, ineffective. The affected sectors acted to increase productivity and competitiveness but these actions depended on governments' wider programmes on correcting market failure and investing in agriculture. On the other hand, governments' concerns about price surge and instability have limited their ability to counter import surges, especially when domestic industries' productivity and competitiveness lagged far behind those of the importing sources. Muted reactions from developing countries' governments reflected a perception among the majority of interviewed stakeholders including large processors, traders and consumers who felt that more imports were beneficial. Also, lack of resources and capacity on the part of government to monitor and implement available instruments and formulate new measures hampered any actions to stop the surges. Additionally, the dilemma about priorities especially on whom to protect (e.g. consumers versus producers, or small versus large producers) further delayed the governments' reactions. Indeed, governments often tread the fine line between their commitment to trade agreements and their desire to protect their domestic agricultural sectors. Raising the import barriers immediately would have led to increased food price and socio-political problems. Nevertheless, both the governments and agricultural producers were aware all along that their main actions should have been aimed at increasing the levels of competitiveness and productivity.

References

FAO. 2000. *Synthesis of the country case studies, in agriculture, trade and food security: issues and options in the WTO negotiations from the perspective of developing countries. Volume II, Country Case Studies*. FAO, Rome, 2000.

FAO. 2003. *WTO Agreement on Agriculture. The implementation experience: developing country studies*. FAO, Rome.

FAO. 2005. *A Special Safeguard Mechanism for Developing Countries*. FAO Trade Policy Technical Note on Issues related to the WTO Negotiations on Agriculture No. 9, FAO Rome.

Kommerskollegium. 2004. The Agreement on Safeguards: use of the instrument, problem areas and proposals, National Board of Trade, Stockholm, Sweden. www.kommers.se