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Analysis of the Potential Impact of the Current WTO Agricultural Negotiations on Government Strategies in the SADC Region

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Abstract

This study aims to help identify how the Agreement on Agriculture (AoA) could potentially constrain government action to achieve food security in the Southern African Development Community (SADC). The paper considers the proposed tariff and subsidy reduction modalities of the current round of WTO negotiations. The main focus is on the potential direct effects of the AoA, in terms of proposed reductions to domestic subsidies and tariffs, on food security policy in SADC countries. The study examines the argument that subsidy reductions and further liberalizing market access may pose constraints on the food security policy options of governments within the region.

Keywords: SADC, trade, WTO, Agreement on Agriculture, subsidies, market access

JEL classification: F13, O18, O13, F53

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Acronyms

AMS	aggregate measures of support
BLNS	Botswana, Lesotho, Namibia and Swaziland
AoA	Agreement on Agriculture
GMOs	genetically-modified organisms
G20	Group of 20 developing countries
LDCs	least developed countries
NTBs	non-tariff barriers
NFIDCs	net food importing developing countries
S&D	special and differential provisions
SACU	Southern African Customs Union (comprising South Africa, Botswana, Lesotho, Namibia and Swaziland)
SADC	Southern African Development Community
SPS	sanitary and phytosanitary measures
TRIPS	trade-related aspects of intellectual property rights
WTO	World Trade Organization

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1 Introduction

The significance of agriculture to African countries and to the central concern of food security were highlighted by the African Group joint proposal on the World Trade Organization (WTO) negotiations on agriculture (WTO 2001b). The proposal noted that while agriculture remained the single most important sector of African economies, it remains seriously underdeveloped which 'reinforces and perpetuates the low growth syndrome and pervasive poverty including high levels of food deprivation that characterize many African countries' (pg. 1, para 2). The proposal deals with issues of market access, export competition and domestic support, and it devotes an entire sub-section to the special concerns of least developed countries (LDCs) and net food importing developing countries (NFIDCs).

Agricultural trade has grown globally, with developing countries contributing an increasing share of exports in the period 1993-98 from 40.1 per cent to 42.4 per cent. However, LDCs have seen a reversal in their share of the market. Importantly, these LDCs have experienced deteriorating trade balances in food crops and food. In the decade 1990-2000, LDC food imports have increased by 5 per cent per annum, notably in the food groups of oilseeds and oils, meat and meat preparations, and sugar (FAO 2003).

The Agreement on Agriculture (AoA) emerging from the Uruguay Round brought agriculture under the WTO disciplines applied to goods and tropical agricultural products. It focused on the tariffication of agricultural protection measures, the limitations of domestic support programmes and of export subsidies. Its main achievement was not greater levels of liberalization, but rather the establishment of a framework for future agricultural liberalization.

There has been much concern over the possible negative impact of the AoA on agriculture and rural livelihoods in developing countries. Three main issues have arisen: Has the Agreement resulted in changes in domestic agriculture policies in development countries? How much flexibility do developing countries have under the current agreement? And what is the current and potential impact of the agreements on national food security? Researchers have concluded that at present the AoA has not had a significant impact in either constraining government policy options or curtailing agricultural development programmes for the poor (see Matthews 2000).

In the course of the WTO negotiations, different views on how to take into account nontrade concerns have been raised. The most contentious issues concern food security, livelihoods and poverty alleviation, rural development, environmental issues, food safety and animal welfare. LDCs and NFIDCs see a clear link between the case for concessionary modalities towards these non-trade issues and the overarching objective of levelling global disparities through liberalization of agricultural trade.

LDCs have acquired a degree of support for their concerns over the food security issue from a broad spectrum of stakeholders. There is general consensus that a mechanism is required to ensure that food aid does not disrupt domestic production in recipient countries. But what actually constitutes 'disruption' is not agreed, and there is disagreement on how the impact can or should be evaluated. In food crisis situations, such as the recent southern African famine, stakeholders accept that WTO agreements

should not hinder 'food aid' delivery. Furthermore, there were significant differences on the following important issues:

- The criteria for types of food aid;
- The provision of grants, thus facilitating regional procurement, verses direct food aid;
- The issue of genetically-modified organisms (GMOs) and environmental concerns; and
- The need for a commitment to not reduce food aid volumes when prices increase.

Within the debate there is acceptance that developed countries have a role in providing continued technical and financial cooperation to LDCs for enhancing agricultural productivity, diversifying crop production, marketing information dissemination, export development, and sanitary and phytosanitary (SPS) measures. It is not clear how far this developmental role should go or where its boundaries should end. Furthermore, the implications of financial and technical support in terms of the negotiations on trade have not been fully considered.

Many commentators agree that the provisions of the AoA do not, at the present juncture, constrain countries from implementing policies that can promote and protect national and household food security. One reason is that the agreed market access and subsidy targets have limited impact since the special and differential exemptions (S&D) and *de minimis* provisions are adequate. However, it has been argued that the AoA provides a framework for the global agreement of trade rules which could constrain country actions with respect to domestic subsidies, tariffs and export subsidies—the three main issues on the current agenda of negotiations.

This study aims to help identify how the AoA could potentially constrain government action to achieve food security in the Southern African Development Community (SADC) countries through the proposed tariff and subsidy reduction modalities. The research focuses squarely on the current agriculture negotiations. The main focus is on the direct effects of the agreement on food security policy in SADC—hence, the domestic subsidy and market access concerns. It is believed that these effects may pose constraints on the policy options of governments, the question that we seek to address in the SADC context. The study focuses on policy constraints and not what optimal food security policies (including tariffs and subsidies) should be.

The paper does not does not substantially consider trade-related aspects of intellectual property rights (TRIPS) agreements and the agreement on SPS measures. Nor does it consider the indirect effect on developing countries resulting from the reduction of export subsidies and preference erosion in developed countries stemming from the AoA. This topic has been extensively analysed. The study does, however, examine the feasibility of the Marrakech Decision in addressing LDC and NFIDC food security concerns.

1.1 The initial agriculture agreement

The purpose of the AoA in the Uruguay Round was first and foremost to bring agriculture under the disciplines of the WTO. The Uruguay Round saw considerable pressure to liberalize the agriculture sector. This is apparent from the commitments that countries made under agriculture, especially developing countries:

Subsidies

The initial agreement provided enormous scope for developing countries to provide domestic support for their agricultural sectors, despite registering low levels of actual aggregate measures of support (AMS). Not only was the *de minimis* level set at a high 10 per cent of the value of production, but Article 6.2 provided special and differential (S&D) provisions for investment and input subsidies for resource–poor farmers (a key element of food security at the household level). Developing countries could also take advantage of the Green Box provisions for nontrade-distorting agricultural support. At the time, all SADC countries with the exception of Mozambique were providing trade-distorting domestic support for producers beyond the support for resource-poor farmers only. Of particular importance were credit and input subsidization (e.g., general fertilizer price subsidies and low interest loans), and price support. However, only South Africa was forced by the agreement to reduce support as it had an AMS that fell outside the *de minimis* at the time (its AMS was 5.9 per cent of production).[1] For the other SADC countries, Malawi offered the greatest level of support at 2.9 per cent of production. As a result, many have failed to even notify support that fell within the Green Box as total support (Green Box, S&D and Blue/Amber Box) fell below the *de minimis*.

Market access

In terms of tariffs, developing countries were allowed a once-off opportunity to bind all tariffs at a high ceiling rate that far exceeded their applied tariffs. SADC members not part of the Southern African Customs Union (SACU) took full advantage of this provision and bound all tariff lines covered by the agreement at very high ceiling rates (with the exception of a few selected tariff lines). Zimbabwe bound at 150 per cent, Malawi and Zambia at 125 per cent, Mauritius at 122 per cent, Mozambique at 100 per cent and Angola and the DRC at 55 per cent. These bound rates far exceeded actual tariffs that have a mean between 18 per cent and 28 per cent for non-SACU members of SADC. This implies substantial 'water' in the tariffs, giving countries considerable scope for further reductions in future negotiations before actual tariff rates are affected. It also currently provides them with scope to increase actual tariffs in response to a perceived threat to their agricultural sector without breaking their WTO commitment. The fact that LDCs were not required to make any reductions in the Uruguay Round (which would apply to Angola, DRC, Malawi, Mozambique, Tanzania and Zambia) was therefore largely irrelevant given the high bound rates. SACU countries—South Africa, Botswana, Lesotho, Namibia and Swaziland—operate with a common external tariff and therefore their applied tariffs are identical. However, the SACU agreement permits individual countries some limited deviation for the purpose of industry development.

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[1] Note that South Africa is classified as a developed economy within the WTO and so faced the lower AMS level of 5 per cent.

SACU therefore bound around the lowest common denominator—South Africa—at far lower rates (a mean bound rate of 34 per cent). Whilst Lesotho bound at 200 per cent without any exceptions, they still implement the lower applied rates of SACU. However, despite the lower binding, there is still considerable 'water' in the SACU bound rates, as their mean tariff in 2003 was only 8.6 per cent (and a median of 0 per cent). Some of these bindings must have impacted on applied tariffs, as 27.4 per cent of SACU tariffs were bound at the applied rate in 2003 (though only 5.6 per cent were bound at non-zero rates).

1.2 The current round

Whilst the initial agreement did not affect food security policy in SADC, the current Doha Round has the potential to do so, given that it envisages far deeper agricultural liberalization. The Doha Round may fail to deliver on these promises given the widespread opposition to significant agricultural reform. This is apparent by the fact that there is still no agreed modality for agricultural liberalization in the Doha Round despite four years of negotiation. The Draft General Council Decision of 31 July 2004 (WTO 2004) is only a framework for establishing modalities, and lacks any clear details of formulae for both domestic support and market access liberalization. The only clarity it provides is that LDCs will not be required to make any reduction commitments. This is important to SADC as seven of the 14 members are classified as LDCs by the WTO (Angola, the DRC, Lesotho, Malawi, Mozambique, Tanzania and Zambia). The agriculture negotiations thus present no direct threat to these countries. However, they still have an interest in negotiations because they will be bound by the negotiated provisions should they be reclassified as developing countries at a later point. The clearest modalities are contained in the texts circulated around the time of the Cancun Ministerial in July 2003, specifically the joint US-EU text, the Group of 20 Developing Countries (G20) text and the Debraz text that sought to compromise between the two. Whilst none of these texts were agreed, they provide an insight into what key players are thinking and the shape of modalities that may emerge in the end. Given the lack of a clear modality, the focus of the paper is to identify which modalities might potentially threaten current SADC food security policies.

2 Subsidies: domestic support and export subsidies

2.1 Negotiating texts

The Draft General Council Decision of 31 July 2004 reaffirmed its support for special and differential treatment as laid out in Article 6.2 of the AoA. Furthermore, Paragraph 45 of the Annex on Agriculture states that LDCs will be exempt from all reductions. The draft calls for a tiered reduction in all measures of support to achieve some harmonization. In terms of specific categories of support:

- Aggregate measures of support (AMS): tiered approach to achieve greater cuts for those with higher AMSs;

- *De minimis*: developing countries that allocate most of their *de minimis* to subsistence and poor farmers will be exempt;[2]
- Blue Box: should not exceed 5 per cent of a member's total value of agricultural production;
- Green Box: criteria to be reviewed to ensure no trade-distorting effects;
- Export subsidies: to be phased out with a longer-time period for developing countries.

This text is a clear compromise between the joint US-EU text and the G20 text, and is not dissimilar to the Debraz text. It calls for a tiered approach (G20), offers scope for greater support by developing countries (G20), specifically no commitments from LDCs (G20), whilst setting overall limits (US-EU and G20) and a 5 per cent maximum on the Blue Box (US-EU). What needs to be negotiated is the specific tier formula for reductions in total support and AMSs.

2.2 Potential constraints to SADC countries

Whilst the original commitments under the AoA were not constraining, there has since been a dramatic shift away from general producer subsidies of one form or another in SADC. Additionally, there has been a growing focus on targeted support for smallholder farmers (the S&D provision) and more general support measures that would fall within the Green Box provisions. The primary reason for these shifts in agricultural strategy has been structural adjustment policies aimed at reducing state debt and improving the sustainability of the fiscus. This is particularly evident amongst the LDCs (especially Lesotho, Malawi, Mozambique, Tanzania and Zambia) that have effectively eliminated all support for commercial farmers.

The currently applied and notified support measures offered by SADC countries, including the value of that support where data are available, are shown in Table 1. It is ordered into the LDCs (no reduction obligations), developing countries and developed economies (South Africa only). The table provides some insights into how SADC food security policies might be threatened by any proposed reductions in agricultural subsidies.

It is only the wealthier SADC members (notably South Africa) that are able to sustain these support measures fiscally, but even these countries have cut back on such support. The reduction also does not appear to be WTO driven, because the reductions have been dramatic and the current level of support is well below the permissible bound levels. For instance, South Africa has a US$310 million limit on total AMS on top of the R750 million *de minimis* allocation but has reduced total support to US$70 million (or only 1.72 per cent of production). It has also eliminated export subsidies even though it is permitted an expenditure of US$100 million. Most SADC countries have reduced their Green Box expenditure, a measure not required under the AoA. For instance, Zambia reduced Green Box support from 12 per cent to 5.5 per cent of the value of production, and Namibia from 4.7 per cent to 1.8 per cent.

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[2] Essentially this is *in lieu* of a development box that has been a constant call from developing countries.

Table 1
SADC domestic support, current (WTO notified and applied)

	Least developed countries					Developing countries					Developed
Domestic support commitment	Lesotho	Malawi	Mozambique	Tanzania	Zambia	Botswana	Namibia	Mauritius	Swaziland	Zimbabwe	South Africa
S&D 'Box'											
Production (inputs & technology) for resource poor farmers	A	N		A	N	A	N		A	A	
Technology and animal subsidies					A	A	N			A	
Welfare transfers (assets & land)	A	A					N			A	
Investment subsidies			A			A	N				
Value (% of production)		0.73			0.88		0.48				(1.5)*
Green Box (Annex 2)											
General public agricultural services:											
Administration	A	A	A	A	N	A	A	A	A	A	N
Research		A		A	N	N	N	A	A	N	N
Pest and disease control	A	A	A	A	N	N	N		A	N	N
Training	A	A	A	A	N	A	A	A	A	N	N
Extension service	A	A	A	A	N	N	N	A	A	N	N
Inspection services	A	A	A	A	N	A	A	A	A	N	N
Marketing		A			N		A	A			
Resource conservation	A	A	A	A	A	A	A	A	A	A	N
Infrastructure				A	N	N	A		A	N	N
Food stockholding		A			A					A	
Domestic food aid	A	A	A		A		A		A	A	
Blue Box											
Direct payments to producers:											
Domestic support commitment											
Decoupled income support											
Income insurance										N	
Disaster relief						N	N				
Structural adjustment (producer and resource retirement)											
Environment/conservation											
Regional development											N
Value (% of production)					5.50		1.84			0.62	5.56 (4.06) **
Other (product and non-product AMS)											
Credit subsidization							A		A		N
Inputs subsidization							A		A	A	
Infrastructure (on-farm) development						A					
Resource allocation											N
Price support								A	A		N
Value (% of production)											1.72

Notes: N=WTO notified; A=applied support (authors' assessment); *Although notified under the Green Box, South Africa offers substantial development aid (R323 to producers in disadvantaged areas to encourage agriculture and rural development (predominately former homelands). This might be considered S&D.
** the figure in parenthesis excludes the value ascribed to S&D. Source: Authors' informed assessment, drawing on WTO notifications by SADC members.

We therefore conclude that in light of the substantial changes in food security and general agricultural policy within the region, shifting from a focus on national production to an increasing dependence on trade, reductions in the *de minimis* are still highly unlikely to dig into current domestic support. Furthermore, much of the support outside of the Green Box is targeted at resource-poor farmers and so would fall within the S&D provision (i.e., exempt from *de minimis*). However, even this is small in comparison to likely *de minimis* reductions. For example, in Malawi, policies under the S&D provision are valued at only 0.73 per cent of the value of production, while in Zambia the figure is 0.88 per cent of production. Namibia, the only other country where data are available through notifications, had a total S&D provision value of 0.48 per cent of production. South Africa, which has listed development aid under the Green Box, reaches 1.5 per cent of production. In contrast, Green Box support is 1.84 per cent of production for Namibia, 5.5 per cent for Zambia and 4.06 per cent for South Africa (excluding the development aid of 1.5 per cent).

Although current subsidy proposals pose no real constraint on SADC countries, it may still be strategically important for SADC countries to try retaining a high *de minimis* level for themselves in order to provide policy space for the future. It is apparent that whilst most countries offer typical Green Box support for their agricultural sector (of varying sizes), more extensive support is mostly offered by those that can afford to (i.e., the developing countries and South Africa). This is evident from the range and value of support under S&D provisions, Blue Box and trade-distorting support measures. As income in these countries grows, they may be more able to provide domestic support and may wish to do so in order to accelerate agricultural growth. We have argued elsewhere (Charman and Hodge 2005) that if the poorer countries in the region are to attain food security, then the levels of support to agriculture need to be increased substantially. This includes policies that may not fall into the S&D provision or Green Box; for instance support for emerging farmers and long-term welfare transfers (especially in light of the devastation caused by AIDS in rural areas).

A further reason for caution is that there is no clarity on whether extra-budgetary foreign aid (government and nongovernmental organization aid) may be included in the estimation of domestic support for countries in the region. This support is substantial and could raise measures of support considerably. SADC countries should recognize the advantage of keeping *de minimis* support bindings at levels that far exceed current and possibly future support. Policy space will allow developing countries to offer trade concessions without harming current strategies. In this regard, is also important for SADC countries to begin notifying their Green Box policies. The bulk of support in the region falls within the Green Box, and notification ensures that fiscal resources allocated to these support measures are not lumped in with general AMS or the S&D provision. This would provide them with even greater differences between actual support, and support permitted within the *de minimis* allocation. Such a strategy allows developing countries more scope to accept a reduction in their own *de minimis* in return for greater reductions from the developed countries in future negotiations. It also assists in the negotiation process as it demonstrates that current requirements are appropriate.

3 Market access

3.1 Negotiating texts

The Draft General Council Decision of 31 July 2004 provides few details on what modalities will be used to address tariff reductions in the Doha Round. It merely notes agreement to use a

tiered formula that will be applied to bound, not applied, rates and that each member may designate a number of tariff lines as sensitive products that will receive more flexible treatment. It also reaffirms that developing countries will receive special and differential treatment on all aspects of the modality and a special safeguard mechanism will be established for their use. Finally, LDCs will be exempt from any reductions.

The US-EU and G20 texts provide at least some insights into the thinking of key members of what tiered formulae might be used. The EU-US Joint Text provides for a blended formula for tariff reduction that would include lower requirements for developing countries. The blended formula is comprised of the following components:

i) [.] per cent of tariff lines subject to a [.] per cent average tariff cut and a minimum of [.] per cent;

ii) [.] per cent of tariff lines subject to a Swiss formula coefficient [.];

iii) [.] per cent of tariff lines shall be duty-free; and

iv) A maximum tariff of [.] per cent.

In contrast, the G20 proposed framework is harder on developed economies but softer on developing. For developed economies, the average cut for [] per cent of lines is replaced by a linear cut for [.] per cent of lines. It also looks to address tariff escalation in these countries. For developing countries, the G20 proposal calls for only an average cut of [.] per cent with a minimum cut of [.] per cent for all lines, except where tariff bindings are already low (no reduction) or for special products (SP) (minimum linear cut). No maximum tariffs, no Swiss formula and no duty-free tariffs.

The proposed modality included as an annex to the Cancun Ministerial (Debraz text), largely follows the EU-USA text for developed countries (but includes tariff escalation). For developing countries, it also follows the EU-US text but with some concessions. These include [.] per cent of tariffs bound between 0 and 5 per cent instead of being bound duty-free, and the two exceptions to the average cut proposed by the G20 (the SP designation and no reduction on low tariffs).

3.2 Constraints on SADC countries

SADC countries, going into negotiations, need to assess what sort of tariff structure would best suit their development objectives in agriculture. It is thought that many SADC countries would identify modest tariffs as necessary to provide incentives for production of both raw and processed food products. Regional food production needs to be encouraged because it is cheaper than food imports for many food staples in the region, and would limit the extent to which countries struggle to import their basic requirements. Production incentives are also negatively affected by occasional low and variable prices that result from high levels of subsidization in the developed countries[3] and surplus dumping in time of a global glut.[4] An important consideration is the high transport cost both in reaching the region and within the

3 For instance, SACU's tariff on wheat is purely to counteract the European subsidies.

4 Surplus dumping in times of global glut does not justify a high applied tariff but rather a high bound tariff that gives scope to raise a low applied tariff in these periods. A safeguard mechanism, alternatively, can achieve the same goal.

region. Transport costs offer some degree of protection (mainly to landlocked countries in the region), and this should be reflected in lower tariff levels. The exception is if the threat is from regional producers such as South Africa or Zimbabwe. Non-tariff barriers (NTBs) similarly afford protection to the domestic producers. However, NTBs are second-best tools because they work against the rapid and effective importation of food in times of crisis. In contrast, tariffs can be adjusted downwards in crisis years to facilitate imports and thus reduce the price of food to the consumer.

This paper does not attempt to determine an optimal tariff regime for each SADC country. It is however apparent—from an examination of agricultural tariffs at a detailed level for many SADC countries—that there has been little strategic thinking in this regard. The setting of tariffs has been motivated, for some SADC members, by the fiscus dependence on tariff revenue. Often blanket rates are applied to an entire range of products without regard of whether or not it is necessary to fulfil a policy objective. For instance, most of Malawi's tariffs are either 10 or 40 per cent, for Mozambique they are 2.5, 7.5 or 35 per cent, for Zambia 5, 15 or 25 per cent. Whilst there are definite benefits to the simplicity of the tariff regime, these tariff decisions are also evidence of the weak trade negotiation pressure on government policy. SADC countries have not carefully considered which tariffs are important and which are not and thus can be given up strategically in trade negotiations. Simplicity can still remain through binding at 0 per cent irrelevant tariffs. We now consider whether the negotiating modalities will make reduction of some tariffs unavoidable or not.

3.4 Tariff reductions

The exclusion of LDCs from making any reduction commitments in this round clearly implies that the negotiations, at this point, offer no threat to most of the SADC countries. For the non-LDCs the threat to existing policy differs according to the type of formula that may be used in negotiations. Tables 2 and 3 examine the implications on all current agricultural tariff (Table 2) and food security tariff lines separately (Table 3) from different formulae (based on existing proposals) and different coefficients applied to these formulae. Our analysis considers a range of products as 'food security products', not simply staple cereals, but other components necessary for a diversified nutritional diet (meats, dairy, starchy roots, vegetables, fruit/nuts). The analysis further includes the main regional cash crops, as these are inextricably linked to regional food security and are part of the smallholder cropping strategy.

Whilst the LDCs are included for completeness, the main focus is on the developing countries (Mauritius, Zimbabwe, Botswana, Lesotho, Namibia and Swaziland) and the one developed country (South Africa). It must be noted that the members of the SACU have a common external tariff and so will experience the same reductions. There is some scope within SACU to have special safeguards for development, and so the BLNS countries (Botswana, Lesotho, Namibia and Swaziland) may be able to bind at a higher level. Lesotho has already bound most of its agricultural tariffs at 200 per cent; other LDC may follow this trend in the current round. Our analysis, however, examines SACU tariffs as a single entity.

Most SADC countries used the opportunity in the Uruguay Round to bind at very high tariff levels, over 100 per cent. The main exception was SACU (mean bound rate of 34 per cent) as there was greater pressure on South Africa to bind lower. Across the region, applied tariffs are much lower than bound rates, with mean applied rates in the range of 15-20 per cent, with Zimbabwe the highest with 27 per cent and SACU the lowest with 8.6 per cent. This means that there is considerable 'air' in the tariffs, which can protect these countries from possible large

average cuts in future negotiations. For example, were SADC countries to undergo average cuts of 60 per cent, the effect on applied tariffs would be negligible or none. SACU is the exception where 5.6 per cent of tariff lines are bound at their applied rate and so a cut of any magnitude will enforce a reduction. But because the median tariff in SACU is 0 per cent, cuts of greater and greater magnitude do not have vastly different effects on the number of lines affected.

The EU-US joint text proposed a maximum tariff as a means to harmonize and bring some extreme bindings in developing countries to a level that is closer to applied rates. Yet it is the developing, rather than the developed, countries with SADC that make use of high maximum tariffs. This may in part be due to the imposition of structural adjustment programmes where tariff reduction and simplification are often components. Given that the developing countries are the ones that will face reduction commitments, the use of a maximum tariff in the formula is likely to significantly affect Mauritius and Zimbabwe, as well as even at levels of 40 per cent (this would affect 30 per cent of Mauritius tariff lines and 44 per cent of Zimbabwe's). SACU has few very high tariffs and would therefore be marginally affected by the use of a maximum in the formula, even at levels of 20 per cent (this would affect on 13 per cent of SACU tariff lines).

Table 2
Impact on SADC Agricultural tariff lines from different formula and coefficients

	Least developed countries						Developing		Developed
	Angola	DRC	Malawi	Mozambique	Tanzania	Zambia	Mauritius	Zimbabwe	SACU
Mean tariffs, %									
Mean bound tariff, %	53.0	54.0	124.0	100.0	120.0	125.0	120.0	150.0	34.0
Mean applied tariff, %	9.7	13.5	15.5	16.2	18.0	18.6	20.5	27.4	8.6
Median applied tariff, %	5.0	10.0	10.0	25.0	25.0	25.0	15.0	25.0	0.0
Maximum applied tariff, %	35.0	20.0	25.0	25.0	25.0	25.0	80.0	100.0	55.0
Average cut									
% of lines affected by average cut of									
20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	10.2
30%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	11.4
40%	4.9	0.3	0.0	0.0	0.0	0.0	7.1	4.7	15.3
50%	9.3	0.3	0.0	0.0	0.0	0.0	7.1	6.2	24.0
60%	10.5	1.3	1.1	0.0	0.0	0.7	14.8	7.0	29.0
70%	18.2	43.5	1.2	0.0	0.0	0.7	29.9	7.4	31.5
Maximum tariff, %									
% of lines with a tariff greater than									
20%	13.7	42.2	46.4	57.7	66.6	58.6	34.9	55.8	13.0
30%	9.3	0.0	0.0	0.0	0.0	0.0	33.1	45.6	3.8
40%	0.0	0.0	0.0	0.0	0.0	0.0	29.8	43.8	0.7
50%	0.0	0.0	0.0	0.0	0.0	0.0	13.9	6.4	0.1
Low tariffs									
% of lines									
tariff=0%	0.0	0.0	11.6	0.8	22.3	2.1	39.7	6.4	51.3
tariff<=5%	54.5	15.6	17.2	27.2	22.3	21.1	40.3	26.2	57.1
Swiss coefficients									
% of lines affected by a Swiss coefficient of									
10	45.3	84.1	82.8	57.7	77.7	78.9	59.7	73.7	42.0
15	13.7	43.7	46.4	57.7	72.1	78.9	52.6	71.9	34.4
20	13.7	42.6	46.4	57.7	66.6	59.1	35.1	56.4	33.3
25	13.7	42.5	46.4	57.7	66.6	58.6	33.2	55.2	31.9

Source: Authors' calculations. Tariff rates obtained from WTO, UNCTAD Trains, SA Customs & Excise databases.

Table 3
Impact on SADC food security-relevant tariff lines from different formula and coefficients

	Least developed countries						Developing		Developed
	Angola	DRC	Malawi	Mozambique	Tanzania	Zambia	Mauritius	Zimbabwe	SACU
Mean tariffs, %									
Mean bound tariff, %	55.0	52.0	125.0	100.0	120.0	125.0	115.0	149.0	43.1
Mean applied tariff, %	2.0	13.6	15.7	19.8	22.7	22.1	27.0	40.7	11.6
Median applied tariff, %	2.0	10.0	10.0	25.0	25.0	25.0	15.0	40.0	4.0
Maximum applied tariff, %	2.0	20.0	25.0	25.0	25.0	25.0	80.0	100.0	45.0
Average cut									
% of lines affected by average cut of									
20%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.6
30%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.0
40%	0.0	1.0	0.0	0.0	0.0	0.0	14.7	9.1	20.6
50%	0.0	1.0	0.0	0.0	0.0	0.0	14.7	13.2	26.2
60%	0.0	8.1	0.0	0.0	0.0	0.0	24.9	13.2	39.7
70%	0.0	49.2	0.0	0.0	0.0	0.0	44.7	13.2	42.6
Maximum tariff, %									
% of lines with a tariff greater than									
20%	0.0	41.1	43.1	75.6	88.8	77.2	44.2	85.3	21.3
30%	0.0	0.0	0.0	0.0	0.0	0.0	44.2	73.6	17.0
40%	0.0	0.0	0.0	0.0	0.0	0.0	44.2	73.6	3.5
50%	0.0	0.0	0.0	0.0	0.0	0.0	21.8	12.7	0.0
Low tariffs									
% of lines									
tariff=0%	0.0	0.0	7.1	1.0	7.1	1.5	38.6	0.0	44.7
tariff<=5%	100.0	9.6	7.6	18.8	7.1	5.6	40.6	5.6	54.6
Swiss coefficients									
% of lines affected by a Swiss coefficient of									
10	0.0	90.4	92.4	75.6	92.9	94.4	59.4	94.4	70.9
15	0.0	49.2	43.1	75.6	90.9	94.4	59.4	90.4	65.2
20	0.0	42.1	43.1	75.6	88.8	77.2	44.7	85.8	63.8
25	0.0	42.1	43.1	75.6	88.8	77.2	44.7	84.8	61.0

Source: Authors' calculations. Tariff rates obtained from WTO, UNCTAD Trains, SA Customs & Excise databases.

A further component of the EU-US proposal is to have a set percentage of tariff lines duty free. This would pose a greater threat to the LDCs in the group rather than the developing countries which generally (with the exception of Zimbabwe) have a significant percentage of duty free lines. Yet as we have argued, there is considerable scope for countries like Zimbabwe to be more strategic in their tariff setting. Zimbabwe has only 6.4 per cent of tariff lines duty-free, but almost 29 per cent of tariff lines see no trade activity. This may be due, in part, to prohibitive tariffs, though a significant part is due to a lack of domestic demand for some very narrowly defined product groups. Additionally Zimbabwe has almost 30 per cent of its tariff lines at a rate of 5 per cent or less, a portion of which could be moved to zero with minimal effect on tariff revenues or production internally.

The EU-US proposal also includes a Swiss formula that would be applied to a certain proportion of tariffs. The Swiss formula would be the most threatening component of any formula. Amongst the developing countries that need to make reduction commitments, a

modest Swiss formula coefficient of 25 would impact on a third of all tariff lines in the case of SACU and Mauritius, and up to 55 per cent of all tariff lines in the case of Zimbabwe.

3.5 Food security tariff lines

When we examine the tariff lines associated with food security products, then a similar picture emerges. Food security tariff rates are generally higher than those on other agricultural products, except in Angola where they are lower. In SACU, for example, the mean bound rate in food security products is 9 per cent higher than that of all agricultural products. Food security tariff lines may be the first to be affected by reduction commitments. The threat can be seen by comparing the effect of an average cut on food security products in comparison to all agricultural products for the countries that face reductions in this round. Whilst for Mauritius and Zimbabwe any low average cut will still not have an impact, the impact would double for food security products (in percentage terms) once cuts reach reasonable levels (40 per cent or above).

Similarly, the use of a maximum tariff in the formula would have a far greater effect on food security product lines, most notably for Zimbabwe which has a very high mean tariff of 40 per cent for food security products. The use of a percentage of products duty free would have no impact on food security lines if countries choose to allocate reductions to other agricultural products. Both Mauritius and SACU both have a large portion of food security products already subject to duty free access, reflecting a policy of cheaper essentials where no home production takes place (most obvious in the case of Mauritius) or it is internationally competitive (more obvious in the case of South Africa). Swiss coefficients would have an even more dramatic effect. However, the EU-US proposal stresses that the Swiss formula would be applied only to a proportion of tariffs, and not all. Given the broad impact of even modest coefficients of 25, it is likely that some food security tariff lines will be threatened if applied to 50 per cent of all tariff lines.

3.3 Marrakech Decision

The Marrakech Decision focused on the possible negative effects of the reform programme on LDCs and NFIDCs and identified potential actions by countries to alleviate these threats. In particular, the Marrakech Decision expressed the concern that liberalization might lead to negative effects in getting adequate supplies of basic foodstuffs externally on reasonable conditions. It further identified the difficulties countries may experience in financing food imports. The Decision provides recommendations on food aid, export credits and financing facilities. In terms of food aid, the ministers agreed to review levels of food aid, adopt guidelines to ensure food aid is fully in grant form, and give full consideration to requests for technical and financial assistance to improve agricultural productivity and infrastructure. In terms of export credits, the ministers agreed to ensure that the Agriculture Agreement covering export credits made appropriate provision for LDCs and NFIDCs. Finally, the ministers recognized that these countries may be eligible to draw on the resources of existing international financial institutions or such facilities as may be established.

Developing countries claim that this decision has never been implemented, but the careful wording of this decision imposes no obligations on the members (it is a ‘best endeavour’ agreement). LDCs are, nevertheless, anxious to have the Marrakech Decision implemented.

The Draft General Council Decision of 31 July 2004 included for negotiation aspects of the Marrakech Decision.

The concern in the decision that food aid levels would decrease was unfounded given the response to the recent SADC food security crisis (Charman and Hodge 2005). In this experience, a central issue became the delivery of food aid in the form of GM maize and not grants. The Draft General Council Decision of 31 July 2004 does not agree to provide food aid in fully grant form but leaves it open to further negotiation. It states, however, that the provision of food aid should not cause commercial displacement, which underlines the necessity of maintaining effective incentives for local farmers. The Marrakech Decision argued for the establishment of a financing facility to assist countries during crisis. The 2002-03 southern African food crises highlighted not only the need for such a facility, but most importantly for access to grant financing. The main weakness with the Marrakech Decision is that it imposes no binding commitments on members and therefore is unlikely to be implemented in full. Furthermore, it is questionable whether the WTO will make the Marrakech commitments mandatory, as they fall outside the mandate of the WTO itself, especially in respect to the financing facility issue.

4 Conclusion

Whilst many authors identified the initial AoA as not constraining food security in LDCs and NFIDCs, we conclude that the proposed modalities in the current round are also unlikely to restrict SADC policies to enhance and assure food availability, access and security. The low levels of domestic support and high bound tariffs ensure that agreed reductions would still leave members with sufficient policy space to pursue food security agriculture development. We concur with the argument that the failure to implement the Marrakech Decision may hinder the expedient resolution of future food crises.

The research finds that the AoA's primary threat for domestic support for SADC countries would come from a reduction in the *de minimis* allocation to a level that would start to cut into current or future planned subsidization, or the removal of Article 6.2 privileges that would result in these domestic support measures counting under the *de minimis* allocation. Whilst current support levels are low and decreasing due to budgetary constraints, it is acknowledged throughout the region that if household food security is to be addressed, then levels of support need to be increased substantially in the future. This includes policies that may not fall into the S&D provision or Green Box—for instance, support for emerging farmers and long-term welfare transfers.

The current proposed tariff reductions are unlikely to threaten food security in the region because of the high level of 'air' in the tariff lines. The most worrying scenario would be the setting of a low maximum tariff, which would remove protection from international dumping on fragile food crop markets. Whilst other agricultural tariff lines may come under pressure for reduction through Swiss formula and duty free components of the modality, SADC members have scope for reducing irrelevant tariffs and yet retain flexibility in key areas.

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