

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG5/W/194

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**BASIC FEATURES OF SPECIAL SAFEGUARD PROVISIONS
FOR AGRICULTURE**

Note by the Secretariat

1. The framework agreement on the agriculture reform programme which participants agreed to use as a means to intensify the agriculture negotiations (MTN.GNG/NG5/23 refers) provides for the conversion of all border measures into tariff equivalents, and the subsequent substantial and progressive reductions of all tariffs and tariff equivalents. In this context, paragraph 16 of NG5/W/170 recognizes that there may be a need for special safeguard provisions "which should enable recourse to tariff increases, subject to notification requirements but without compensation, and which will become operative in case of import surges or world price movements, expressed in terms of domestic currencies, which exceed limits to be agreed".

2. The special safeguard provisions would normally be linked to the implementation of commitments to reduce tariff equivalents as a part of the reform process, and would be without prejudice to Article XIX of the General Agreement or any agreement on general safeguards resulting from the Uruguay Round. The tariff increases which would be permitted under the special safeguard provisions would remain in force only as long as the conditions which led to their implementation continued to exist. This note examines the basic features and some possible mechanisms for such safeguards.

A. Volume-based safeguards

3. The principal parameters for a volume-based safeguard are:

- (a) the quantity of imports that would trigger the use of the safeguards; and
- (b) the resultant tariff increases.

4. Given that the special safeguard provisions are normally related to the commitments on the reduction of tariff equivalents, it would seem appropriate if the above-mentioned parameters were also related to other

aspects of the commitments on border protection, notably the maintenance of current access opportunities and the establishment of minimum access levels through, inter alia, tariff quotas (NG5/W/170, paragraph 12 (c) and (d) refers).

5. Taking the trigger level first, as imports within tariff quotas are intrinsically limited by their negotiated levels, it could be expected that excessive imports over the tariff rate quota would be the most damaging to domestic production and hence most appropriately subject to safeguard provisions. One could thus express the trigger level in terms of within-quota access levels. Such a provision could read along the following lines: Safeguard provisions may be operated when total imports exceed, during any calendar year, X per cent (where X is greater than 100) of that year's within-quota access level. In setting the value of X, it would seem appropriate to consider that the safeguard provisions be designed to allow progressive influence of the world market on the domestic market while preventing excessive negative effects on domestic production.

6. Different arguments can be made as to what should be the allowable tariff increase resulting from the surpassing of the trigger level and which would be charged on outside-tariff quota imports. Reversion to the initial tariff equivalent, that is, the one in force before reductions were undertaken, would be most effective in immediately stopping further imports from entering during that calendar year. On the other hand, the argument could also be made that if previous reduction steps have not resulted in an import surge, the safeguard action should only permit a restoration of the tariff rate applicable at the beginning of the year in which the import surge occurred (i.e. before the most recent reduction step had taken place).

7. Other issues that would require consideration in terms of a volume-based safeguard include:

- should the trigger level, i.e. X per cent, be the same for all commodities/countries?
- should there be a time limit on safeguard actions (i.e., only until the end of the calendar year in which the import surge occurred)? Should the time limit be defined in terms of volume?
- should there be a limitation on the number of times a safeguard action can be taken with respect to any specific product?
- should the X per cent of the tariff increase change over time?

B. Price-based safeguards

8. A price-based safeguard mechanism may also need to be considered for those instances in which decreasing world market prices, coupled with the expanded market access permitted by the scheduled tariff reduction, have disruptive effects on domestic production. The principal parameters for a price-based safeguard would be:

- (a) the difference between the world market price for a commodity at a given point in time compared with that existing for some previous representative period;
- (b) the length of time during which such difference has prevailed; and
- (c) the resultant tariff increases.

9. The choice of which world market price to use would, of course, be of paramount importance. One possible price indicator could be c.i.f. unit values in a particular period compared to recent reference period (i.e. previous 30 days). The c.i.f. values should be those which represent the actual state of the world market as it relates to the country in question. A significant decline, for a specified length of time, in the c.i.f. values could trigger tariff increases. C.i.f. values would generally be expressed in domestic currencies thereby removing the need for exchange rate adjustments.

10. An alternative could be to use a standard reference price in a representative market, for example, f.o.b. Rotterdam for standard wheat. However, this has a number of disadvantages in that it does not relate to the conditions in particular markets (i.e. heterogeneous products and markets), it would require exchange rate adjustments, the setting up of detailed data bases recording prices on a regular basis for many commodities and (potentially) many markets, and would be more susceptible to manipulation.

11. Tariff increases under a price-based mechanism could be the same as those considered in paragraph 7 above. Furthermore, some of the questions posed in paragraph 8 would also apply such as:

- should the trigger level, i.e. X per cent, be the same for all commodities/countries?
- should there be a time limit on safeguard actions (i.e., 60 or 90 days) given the rapidity with which world prices change? Should the time limit be defined in terms of prices?
- should there be a limitation on the number of times a safeguard action can be taken with respect to any specific product?
- should the X per cent of the tariff increase change over time?
- should specific provisions be designed to deal with perishable commodities?

C. Other Considerations

12. It remains to be determined whether there is a need also for special safeguard action with respect to increased imports at low tariff rates made possible through the enlargement of the tariff rate quota. In that case, it could be argued, the tariff increases should be applicable only to the

additional imports benefiting from the enlargement of the tariff rate quota, and be limited to the restoration of the previously existing tariff rate. (In practice, this would result in a delay of the scheduled expansion of the tariff rate quota).

13. Procedures are needed to ensure transparency and advance warning of the application of special safeguard measures, keeping in mind the need for rapid action if safeguards are to be effective.