

**Committee on Agriculture
Special Session**

**MODALITIES FOR THE SELECTION AND TREATMENT OF
SPECIAL PRODUCTS (SPs) BY DEVELOPING COUNTRIES**

Communication from the Delegation of Pakistan

The following communication, dated 5 April 2007, is being circulated at the request of Delegation of Pakistan.

I. INTRODUCTION

1. The debate on "Special Products" (SPs) is central to the current WTO negotiations on agricultural market access. It has roots in the Special and Differential Treatment (SDT) provisions of the Agreement on Agriculture, the Doha Ministerial Declaration, the July Framework and the Hong Kong Ministerial Declaration.

2. These broad principles were given shape in the decisions adopted by the General Council on 1 August 2004 (July Framework). Paragraph 41 of the July Framework states "*Developing country members will have the flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development needs. These products will be eligible for more flexible treatment. The criteria and treatment of these products will be further specified during the negotiation phase and will recognize the fundamental importance of Special Products to developing countries*".

3. The Hong Kong Ministerial Declaration (Paragraph 7) reiterated the importance of SPs by stating that the "*Special Products and the Special Safeguard Mechanism shall be an integral part of the modalities and the outcome of negotiations in agriculture*". The declaration then goes a step further and states that the "*Developing country Members will have the flexibility to self-designate an appropriate number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development*".

4. For self-designation of an appropriate number of number of tariff lines as Special Products guided by indicators based on the criteria of food security, livelihood security and rural development, in JOB(05)/304 dated 22 November 2005, the G-33 suggested that any developing country Member shall have the right to designate as Special Products ("SP") at least 20% of its agricultural tariff lines guided by the illustrative, non-exhaustive, non-prescriptive, and non-cumulative list of indicators given in the Annex to that document. Furthermore, it has been suggested that a developing country Member shall also have the right to designate as Special Product any product in respect of which product-specific AMS has been notified by any other Member and which has been exported by that notifying Member during any year of the implementation period of the Uruguay Round.

5. As per JOB(07)/35, submitted by the G-33, a revised illustrative list of 12 indicators for designation of Special Products has been proposed. In the G-33 Ministerial Communiqué, Jakarta 21 March 2007, it has been noted that the indicators represent the simplest and most rational approach to operationalizing the mandate for Special Products.

6. In JOB(06)/135, Thailand argued that the number of Special Products (SP) must not undermine the important principle of 'substantial improvement' in market access for all products. They also proposed that the indicators on those criteria should be developed to ensure transparency and should take account of the food security, livelihood security and rural development of all developing countries. The selection and treatment of SP should not undermine the development agenda of large numbers of poor and vulnerable farmers dependent on improved market access of a few exporting products.

7. In order to narrow the gaps between the negotiating positions and also to operationalize the indicators as suggested in the G-33 Ministerial Communiqué Jakarta 2007, Pakistan is making the following proposals.

II. INDICATORS FOR SELECTION OF SPECIAL PRODUCTS

8. It is proposed to limit the indicators to those which are essential for achieving the criteria of food security, livelihood security and rural development needs. A list of 10 indicators, which are considered to fully meet the objectives of the three criteria, is specified in the Annex to this document.

9. These indicators could be used as the basis for the selection of products which might be designated as SPs. Products could be ranked on the basis of the score accorded to these indicators. Products should be eligible for designation as SPs only if they achieve a minimum benchmark score. Indicator data used for ranking would have to be verifiable from national or internationally published statistics or the FAO database.

III. INDICATORS FOR EXCLUSIONS OF SPECIAL PRODUCTS

10. It is proposed all developing countries consider applying a second set of indicators before the final designation of SPs. The purpose of the second set of indicators is to avoid the risk of undermining food security, livelihood security and rural development either in the country designating the SPs or in another developing country. Any SP must satisfy both the minimum benchmark score as well as the exclusion indicators.

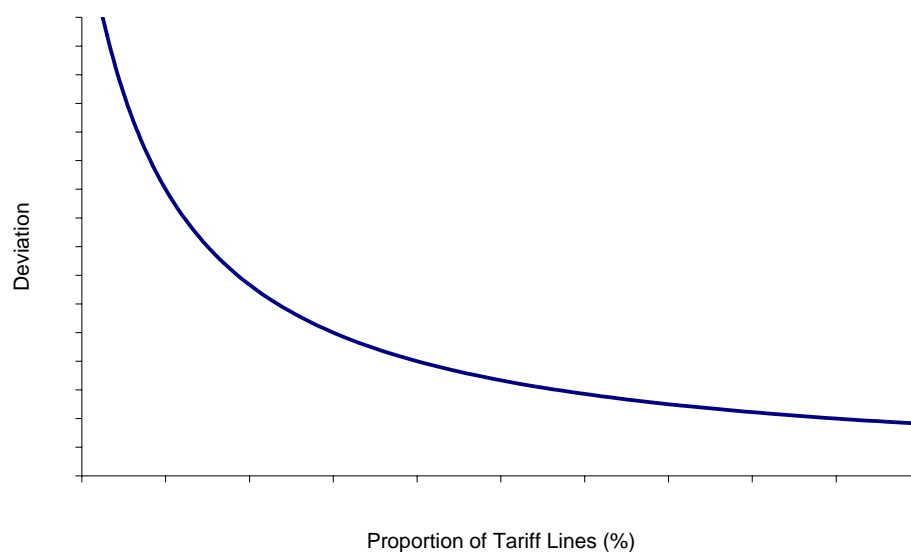
11. A product would not be eligible for designation as SPs if it was:

- A staple food product where imports represent more than [80%] of domestic food consumption of that product.
- A product exported by developing countries that cumulatively constitutes more than [80%] of world exports of that product.
- A product imported from developing countries that cumulatively constitutes more than [80 %] of the importing country's total import of such product.
- A product that is not declared as SP in any of the bilateral/regional trade agreements involving the country concerned.

IV INCENTIVES TO LIMIT SP SELECTION

12. It is anticipated that most developing countries would designate the maximum number of SPs allowed, even if the current benefits from such designations are minimal. WTO Members would be offered an incentive to limit their usage. It is proposed to allow countries a higher deviation from the tariff reduction formula for SPs if they choose to designate fewer SPs.

13. The graph below indicates a possible relationship between the size of the deviation from the formula reduction for SPs and the proportion of tariff lines to be designated as SPs. Members would be permitted to select any point on this graph.



V. TREATMENT OF SPs

14. All SPs would be subject to a reduction in their bound tariffs based on the tiered formula. The reduction for SPs would be [66.7 %] of the level required under the tiered formula reduction for developing countries.

15. All SPs would be subject to a cap on maximum allowable tariff level. SPs would be eligible for tariff cap that is [50 %] higher than that of normal products.

16. Tariff reduction commitments for SPs would have an implementation period that is [50%] longer than for normal products

17. For any products designated as a SP which also has a Tariff Rate Quota, it shall be subject to a [50%] lower expansion than the formula expansion required for normal products of the developing countries. However this expansion must be on MFN basis.

18. Any product designated as a SP would not be eligible for protection under the provisions of the Special Safeguard Mechanism except those products for which the final bound tariff is 15% or less.

An Approach to using indicators to rank Special Products

- The table below shows data of the indicators listed horizontally, most of this data is in percentage terms which are converted into absolute numbers in order to sum up as a total score.
- Products/commodities would be presented at HS-6 digit level.
- Countries can choose as many products as they wish, however for most of the indicators, the total score available is 100 (as the total percentage available is 100 for all products under that indicator i.e. share in food expenditure).
- Members would agree on a benchmark/threshold of total score and any product scoring more than benchmark would be eligible for designation as SP.

Table: Basic Data on Food Security, Livelihoods and Rural Development

Product	Indicators										
	Share in Food Expenditure %	Share in Caloric Intake %	Domestic production as % of consumption /2 ¹	Regional Importance (self designation out of 100%)	Share in crop income of poor %	Share of commodity in total agriculture production	Area under crop %	Share of imports from developed countries ²	Share of agriculture Value added %	Share of World Exports %	Total Score
Cotton	0	0	44.7	35	30.7	12.6	14.1	15	7.7	1	160.8
Wheat	25	32	49.1	20	33.7	2.7	36.4	80	13.3	0	292.2
Rice	6	5	49.4	20	10.8	7.3	9.6	10	5.0	9	132.1
Potato	3	1	49.5	0	2.0	1.2	0.5	0	0.8	0	58
Sugar	8	17	39.4	10	7.9	33.2	4.5	50	3.6	0	173.6
Edible oil	10	15	3.8	1	1	0.3	2.6	30	0.4	0	64.1
Tomato	1	0	44.3	0	1	0.2	0.1	0	0.4	0	47
Onion	2	0	50	0	2	1.0	0.5	0	0.5	3	59
Citrus fruit	0	0	50	2	2.9	1.3	0.9	0	2.1	0	59.2
Apple	0	0	46.8	2	1	0.3	0.2	0	0.5	0	50.8
Tea	4	0	1	5	1	0.2		5	0.0	0	16.2
Beef	3	1	49	0	5	3		20	2.2	0	83.2
Mutton	1	1	49	0	5	5		10	2.0	0	73
Poultry	1	0	49	0	2	5		30	1.4	0	88.4
Milk	15	9	50	5	10	10		0	23.8	0	122.8
Total											

¹ If the domestic production constitutes major part of total consumption it merits being considered as SP. On the contrary if major share in consumption is met through imports then it should not be eligible as SP.

² This indicator would give more points to products imported from developed countries and less to those imported from other developing countries so that south-south trade can be protected by discouraging designation of those products as SP which are imported mainly from other developing countries.