

## Identification of special products: possible selection criteria and treatment

### SUMMARY

- ▶ *WTO members have agreed that developing countries will have the flexibility to designate an appropriate number of products as Special Products.*
- ▶ *In the context of the agreed criteria, indicators have been proposed by some WTO members as a basis for identifying Special Products.*
- ▶ *The range of indicators for selection of Special Products, the number of Special Products and their treatment remains under discussion in the ongoing negotiations.*
- ▶ *Assistance on indicator use and analysis is underway to better inform the choices of Special Products.*

In Paragraph 41 of the Doha Work Programme decision adopted by the General Council on 1 August 2004, WTO members agreed that:

*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 agreement to designate Special Products recognizes the diversity of agricultural systems and the need to pursue agricultural policies that support food security and development goals.

Some members suggest there be a non-exhaustive and illustrative list of criteria based indicators. Others prefer a list of indicators to act as a filter for the selection of Special Products. Recently, it has been suggested that at least 20 percent of tariff lines be allowed, in addition products that have been exported and notified for Aggregate Measurement of Support.

Country case studies suggest that core indicators can be identified linking the three agreed criteria to Special Products, that the criteria and indicators are overlapping, and that it is difficult to differentiate between the three agreed criteria. Further, it is recognized that a comprehensive process for **identifying Special Products** would include analysis at the national and sub-national level, using indicators such as **a)** Share of a food product in household expenditure (food security) **b)** Share of a product in total employment (livelihood security) **c)** Share of a product in the total economic output of the rural area (rural development).

FAO has developed a menu of possible indicators. Five of these are presented below with the results shown in Table 1.

1. Product share in total calorie consumption.
2. Product imported as a share of domestic consumption.
3. Product share in area harvested.
4. Product share in total agricultural production.
5. Product production growth rate.

The first two indicators are linked to food security through availability, nutrition, and dependency. The second three indicators are relatively more associated with livelihood systems and rural development.

The debate on **treatment (policy space) for Special Products** in the negotiations is critical and complex. One fundamental dimension in this regard is the issue of tariff reduction commitments on Special Products. Another is how are Special Products treated in terms of the Special Safeguard Mechanism (SSM), tariff rate quotas and tariff caps?

The strongest proponents of Special Products suggest that Special Products should be neither subject to any new tariff rate quota commitment nor tariff capping, and all Special Products should have recourse to the SSM.

There is also the issue linked to the tariff level at which products are assessed and to the degree of substitutability. Given the substitutability of products, including across HS Chapters, the indicator analysis suggests that there should be consideration for "Special Products" to be product categories, allowing a series or package of different HS codes and lines to define a particular Special Product for treatment. Substitution between some cereals and root crops is obvious in this regard as are products at different levels of processing.

Finally, there is recognition that given the current limitations in available data, especially at a disaggregated level, the process of effectively designating Special Products could be undermined. Hence there might be consideration for linking data development processes and the identification of "Special Products" in a framework that allows products to be exchanged and identified in the future. Rural development, food systems and associated livelihood systems are dynamic processes and different products can be identified in the future as needing more policy space.

**Table 1: Indicators of "Special Product"**

	Products	HS NUMBER	Share in total calorie consumption (%)	Volume imported/ Volume consumed (%)	Share in total area harvested (%)	Share in total production (volume) (%)	Production (volume) growth rate (%)
<b>NET FOOD EXPORTING DEVELOPING COUNTRY</b>	<b>Rice, milled paddy</b>	100630	39.68	0.00	56.54	19.63	-0.70
	<b>Sugar, refined</b>	170191, 99	12.45	0.00	5.12	1.54	-1.99
	<b>Coconuts</b>	080110	2.68	0.09	1.87	0.69	0.43
	<b>Maize</b>	1005	2.14	3.39	7.01	2.18	-1.91
	<b>Chicken meat</b>	0207	1.69	0.01	0.00	0.58	6.56
	<b>Bananas</b>	0803	1.45	0.00	0.77	0.87	0.94
	<b>Cassava</b>	070990	1.45	0.00	6.03	8.56	-4.00
	<b>Wheat</b>	1001	0.03	99.90	0.01	0.00	0.00
<b>NET FOOD IMPORTING DEVELOPING COUNTRY</b>	<b>Wheat</b>	1001	33.12	44.00	17.80	4.10	-1.34
	<b>Maize</b>	1005	4.83	41.45	14.91	4.17	1.41
	<b>Sugar, refined</b>	170191, 99	4.00	35.40	0.00	0.40	-2.20
	<b>Dates</b>	080410	1.70	0.03	0.55	0.64	5.10
	<b>Sorghum</b>	1007	1.30	0.01	2.78	0.57	-6.35
	<b>Tomatoes</b>	0702	1.23	0.10	3.24	4.08	-0.89
	<b>Oil of soybeans</b>	1507	1.03	79.71	0.00	0.03	19.81
	<b>Rice, paddy</b>	100610	0.25	0.78	10.70	3.55	-2.39
<b>SMALL ECONOMY DEVELOPING COUNTRY</b>	<b>Sugar, raw</b>	170.11, 12	18.00	0.00	8.52	48.30	-1.50
	<b>Rice, milled paddy</b>	100610	9.84	10.89	2.98	0.26	5.96
	<b>Maize</b>	1005	5.96	2.46	7.88	1.54	2.70
	<b>Chicken meat</b>	0207	4.05	1.94	n.a.	0.41	23.12
	<b>Beans, dry</b>	0713	3.64	5.56	4.07	0.20	-15.42
	<b>Plantains</b>	0803	1.82	0.00	0.56	0.86	-13.69
	<b>Oranges</b>	0805	1.15	0.00	7.20	8.30	-14.00
	<b>Beef and veal</b>	0201/0202	1.09	0.91	n.a.	0.06	27.60
	<b>Potatoes</b>	0701	0.93	73.09	0.05	0.04	-28.55

Source: FAOSTAT, FAO.

Note: Data is representative of the period 1998-2002.

### Key challenges

- ▶ To identify the Special Products for each developing country that best meet the criteria goals related to food security, livelihood systems and rural development;
- ▶ To design policies and policy space that enable the products identified as Special Products to contribute to the criteria goals as expected;
- ▶ To establish the data and information systems which enable the analysis of the implications of alternative choices of products and treatment.