

## What is SP and SSM?

**A** Special Product (SP) is an agricultural product “out of the WTO” in that they are not subject to tariff reductions, i. e. Countries can keep the right to maintain protective tariffs on certain agricultural products that are essential for food security, rural development, and farmers’ livelihoods. The G33 proposal is for 10% of developing country products to be exempt from tariff reductions, with an additional 10% of product lines to have limited tariff reductions. This would be somewhere in the range of 300 products. The US counter-proposal is for a mere 5 products!

Special Safeguard Mechanism (SSM) means that if there is an import surge, countries have the right to increase protective tariffs.

## Why are SP and SSM important in the WTO negotiations?

The issue of Special Products and Special Safeguard Mechanism (SP/SSM) is a key issue in the current Doha Round of negotiations. The SP/SSM seems to be one of few issues that developing countries are quite strong on, and that the US is strongly opposed to, meaning that if the developing countries (G33) stay strong in defense of SP/SSM, it could keep the Round deadlocked. If the Round goes through, then SP and SSM are measures to protect farmers from further damage from WTO rules.

## Who are the proponents of SP and SSM?

The SP/SSM Alliance, known as the G33, champions the concepts and provisions of SP and SSM. The G33 was originally composed of 33 countries, but has since expanded to 42 WTO members from developing countries, namely: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Cote d’Ivoire, Congo, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Mongolia, Montserrat, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, The Philippines, Peru, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

## What are the major positions of G33 on SP and SSM?

The G33 is concerned about the effects of trade liberalization on small farmers and rural



development. The G-33 believes that SPs and SSM constitute a fundamental component of the needed flexibilities in the current negotiation to address developing members' food and livelihood security, and rural development concerns. In this regard, the Group holds that, to be an effective instrument, SPs provisions in the revised agreement on agriculture must have the following parameters:

- Developing countries must be able to decide themselves a percentage of tariff lines to be considered as SPs,
- SPs must be a stand-alone provision,
- There must be no tariff reduction commitment for all SPs,
- There must be no new tariff reduction quota commitment on all SPs,
- Products considered as SPs must also have access to SSM.

The G33 puts forward "general parameters" that should guide the negotiations of modalities on SSM. These are the following:

- The safeguard measure shall be automatically triggered
- The safeguard measures shall be available to all agricultural products
- The safeguard measure should be available to address situations of import surges and swings in international prices. Therefore, price and volume-triggered safeguards shall be contemplated.
- Both additional duties and quantitative restrictions shall be envisioned as measures to provide relief from import surges and declines in prices.
- The mechanism shall respond to the institutional capabilities and resources of developing countries; hence it should be simple, effective and easy to implement.

### **Who are opposing the G33 position?**

US and other developed countries have shown major disagreements with G33 position. Concretely, US has issued a paper on special products that infuriated the G33 members as it proposed that only 5 tariff lines and, is be allowed to be designated as special products. As many developing countries have close to or over a thousand agriculture tariff lines, this means that less than 1% and in many cases less than 0.5% of agriculture tariff lines can be selected as special products.

The US also wanted other restrictions on selection of SP (for example, that they be limited to products produced domestically, and that net exported products cannot be made SPs).

Moreover, the US proposal for treatment of SPs is also very restrictive, as all SPs will still have to undergo tariff reduction (though less than the general cut), and all SPs are subject to expanded access through tariff rate quotas, and there will be no in-quota duties for any tariff rate quotas. This means that market access at zero-tariff will have to be offered for a specified minimum quantity of the special products.

A few developing countries, led by Thailand and supported by Malaysia and Costa Rica, also spoke in favor of a highly limited and restrictive approach to the number and utilization of special products, according to diplomatic sources.

Thailand has circulated a paper advocating restrictive conditions to be attached to the use of SPs. Products exported by developing countries that constitute more than 50% of world exports of that product shall not be designated as SPs; products imported from developing countries that constitute more than 50% of the importing country's total import of such products shall not be designated as SPs; and the number of SP tariff lines shall be limited and specified.

In terms of treatment, the Thai paper says that SPs must not be exempted from tariff reduction and TRQ expansion and TRQ products designated as special products shall be subject to quota expansion. Also, SPs are only transitional, with their status ending at the end of the Doha implementation period.

The US and Thai papers are in serious conflict with the G33 position that developing countries can self-designate up to 20% of tariff lines as special products, and that products that meet the agreed criteria of being relevant to food security, livelihood security and rural development are eligible for the SP status. The G33 also has a paper providing indicators for these three principles.

### **What are the suggestions of G33 on the indicators guiding the designation of any agricultural product as SP?**

The following are suggested by G33:

1. Designation of any agriculture product as Special Product shall be guided by the indicators listed in the Annex which are based on the

criteria of food security, livelihood security and/or rural development needs of individual developing country members.

2. Any product accordingly designated and notified as Special Product, whether in its natural unprocessed form or in its processed forms, shall be presumed to meet at least one of the indicators given in the Annex, either at the national or regional level, in the developing country member concerned. A product in any of its processed forms shall be deemed to be eligible for designation as Special Product if the product in its natural unprocessed form is designated as Special Product.
3. The right of all developing country members to self-designate any product as Special Product shall be respected at any stage of the negotiating process, including, without limitation, the stage of verification of the schedules of developing country members.
4. These negotiating modalities on the designation of special products are issued on the understanding that they shall not be used as the basis of a claim in dispute settlement proceedings, nor for purposes of interpreting the provisions of the Agreement on Agriculture or members' schedules.
5. There shall be no a priori exclusion of any agricultural product from designation as Special Product.

## What are the specific illustrative indicators for designation of special products?

According to the July Framework Agreement, the definition of SPs should be based on criteria of food security, livelihood security and rural development. These very comprehensive concepts, agreed by the international community, provide a good base to further elaborate the key products that need to be protected according to the special circumstances of each country.

G33 proposes the following illustrative list of indicators:

1. The product is a staple food, or is a part of the basic food basket of the developing country member through, among others, laws and regulations, including administrative guidelines or national development plan or policy or historical usage, or the product contributes significantly to the nutritional or caloric intake of the population.
2. A significant proportion of the domestic consumption of the product in its natural, unprocessed or processed form, in a particular region or at a national level, is met through domestic production in the developing country member concerned.
3. Domestic consumption of the product in the developing country member is significant in relation to total world exports of that product; or a significant proportion of total world exports of the product are accounted for by the largest exporting country.
4. A significant proportion of the total domestic production of the product in a particular region or at the national level is produced on farms or operational land holdings of up to and including 10 hectares, or is produced on farm or operational land holdings which are of a size equal to or less than the average farm size of the developing country member concerned, or a significant proportion of the farms or operational land holdings producing the product are up to and including 10 hectares in size or of the average farm size or less of the developing country member concerned.
5. A significant proportion of the total agricultural population or rural labor force, in a particular region or at the national level, is employed in the production of the product.
6. A significant proportion of the producers of the product, in a particular region or at the national level, are low income, resource poor, or subsistence farmers, including disadvantaged or vulnerable communities and women or a significant proportion of the domestic production of the product is produced in disadvantaged regions and areas including, among others, drought-prone or hilly or mountainous regions.
7. A significant proportion of the total value of agricultural production or agricultural income of households, in a particular region or at the national level, is derived from the production of the product.

8. A relatively low proportion of the product is processed in the developing country member as compared to the world average; or the product contributes a relatively high proportion to value addition in the rural areas, in a particular region or at the national level, through its linkages to non-farm rural economic activities, including handicrafts and cottage industries or any other form of rural value addition.
9. A significant proportion of the agricultural customs tariff revenue is derived from the product in a developing country member.

### **What other considerations should be looked into in the process of identifying SPs?**

The process of identifying SPs will not be an easy task for developing countries. A lot of elements and considerations should play a role in defining:

- (a) the key socioeconomic groups to be protected;
- (b) the most important products for economic and trade growth;
- (c) the level of importance of these products for social and cultural development; and,
- (d) the level of protection and flexibility required for such products.

### **How can gender concern be integrated in identifying SPs?**

The integration of gender analysis should be understood as a cross-cutting indicator running through all the possible indicators to consider. It has been demonstrated that women have the lowest incomes at the global level and less access to economic and

productive resources. They are the most marginalized group, particularly within vulnerable geographical regions. At the same time, the need to integrate gender-differentiated analysis in the design of policies, including trade strategies and mechanisms, is increasingly recognized. The impacts of such policies (negative and positive) are not neutral on the sectors they affect. It is undeniable that consequences of trade liberalization on women will not only be detrimental to their development as a group, but also to their families and communities because of their historical reproductive and multiplier role in society.

### **What are the emerging suggestions on SSM?**

The Ministry of Agrarian Development of Brazil issued a Proposal on Special Safeguard Mechanism last June 15, 2005.

The Brazilian government proposed that all developing country members shall be eligible for SSM and it should cover all agricultural products.

It also proposed that developing country members shall not invoke the SSM for products in which they had, in the five preceding years (simple average), export surplus greater than 10% of the domestic consumption and a market share that represents more than 5% of the world market for that product.

#### **TRIGGERS:**

- The Special Safeguard Mechanism may be invoked if:

- 1 - The price of imports of the product concerned entering the custom territory of the Member invoking the measure is below the trigger price defined as the monthly average c.i.f. import price of

the product concerned over the five preceding years for which data are available.

2 - The volume of imports of the product concerned entering the custom territory of the Member invoking the measure during any year exceeds the average volume of imports of the five preceding years for which data are available.

### CONCURRENT APPLICATION OF SAFEGUARD MEASURES

- SSM provisions may be applied concurrently with any countervailing and or anti-dumping duties imposed in accordance with the relevant WTO Agreements.

### DURATION OF THE SSM

- Any additional duty or quantitative restriction imposed in pursuance of the provisions on the SSM shall be maintained for a period not exceeding one year from the date the measure was invoked.
- At the end of the above period, the SSM may again be invoked if the relevant triggers are met.
- If the price-triggered SSM is applied on a shipment basis, no specification of duration is necessary.

### NON-DISCRIMINATION

- The SSM shall be applied in a non-discriminatory manner irrespective of the source of the imported agricultural product.

### TRANSPARENCY REQUIREMENTS

- In the case of price restrictions (additional duties), the application of the measures shall be annually notified to WTO. Additionally, clear information shall be provided to any interested Member at any time.
- In the case of quantitative restrictions, the application of the measure shall be informed to the WTO Committee on Agriculture as far in advance as practicable and in any event within 30 days of its implementation. Members taking action under this mechanism shall provide interested members the chance to consult regarding the application conditions of the measure.

### What is the Civil Society Organizations (CSOs) position on SP and SSM?

On 2007 March 19-21, a group of Civil Society Organizations (CSO) called G33 CSOs, including AFA and AsiaDHRRA, convened for a strategy session parallel with the G33 Ministerial meeting In Jakarta, Indonesia. The group demanded that concerns for the protection of livelihood, food security and rural development should remain at the heart of the Doha Development Round. The Round should address the imbalances of the past agreement on agriculture. One of the ways of addressing these imbalances is to give developing countries the right to raise tariffs and impose quantitative restrictions on imports without any compensation.

CSOs urged G33 members to reject the proposals of the US, World Bank and other countries and institutions seeking

to undermine developing countries' right to use SPs and SSMs to respond to their food security, livelihood security and rural development objectives.

The G33 CSOs particularly called on G33 governments to:

a. on SPs and SSM

- Demand for 20 percent or more of all agricultural tariff lines as Special Products.
- Involve stakeholders, especially small women and men farmers, indigenous peoples and fisherfolk, in the identification of special products, and on all issues related to SPs and SSM.
- Include gender dimension in identifying SPs.
- Refuse tariff reduction or Tariff-Rate Quota commitments on SPs.
- Maintain that SPs have higher levels of protection such as increasing tariffs higher than the bound rates and imposing quantitative restrictions on importation.
- Give all agricultural products access to SSM because import surges and price volatility affect every product.
- Each country should have the right to define the level of import surge by itself.
- Expand the SSM duties beyond the current bound rates.
- Have an offensive approach on the flexibility to impose quantitative restrictions in case of import surge or price fluctuation.

b. on Free Trade Agreements (FTAs)

- Recast all FTAs in a manner consistent with the demand of developing countries' right to protect the livelihoods of small women and men farmers, indigenous people, and fisherfolk.

c. stop adopting unilateral import liberalization policies and domestic liberalization of the farming sector that are marginalizing small women and men farmers, indigenous people, fisherfolk and other agricultural stakeholders.

d. aggressively push for substantial reduction if not total elimination of trade distorting domestic support and subsidies.

e. create strong disciplines in all boxes and de-minimis to inhibit the developed countries from box shifting.

f. provide necessary support to meet our food security, livelihood and rural development needs.

## What should we do as farmers' groups?

1. Demand that G33 members stay strong in defense of SP and SSM, and not to give in to pressures of developed countries. We can write letters and petition papers signed by as many farmers as possible.
2. Negotiate with G33 governments on the specific agricultural product that should be classified as SPs, based on a careful study. We can link up with other advocacy groups to help us identify this list of possible SPs.
3. Further increase support for our advocacy on SP and SSM, fair and just global agricultural trade rules. We can inform our members as well as other farmers groups about our advocacy on these issues.

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