Special Products and Sensitive Products

Identifying key products for protection

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Scheme of Presentation

- Sensitive Products and SSG in Uruguay Round
- Special and Differential Treatment for Developing Countries in Doha Round
- Sensitive Products in Doha Round
- Special Products in Doha Round
- Identifying Special Products

Sensitive Products and SSG in Uruguay Round

Agreement on Agriculture

- Market Access commitments in Uruguay Round as finally incorporated in AoA afforded two protections:
  - Sensitive Products with low tariff cuts
  - SSG for protection against import surges and 'dumping'
- Developing Countries hardly took advantage of these provisions
- India also did not take any advantage (high bound tariffs for us did not disadvantage us badly)

Special and Differential Treatment for Developing Countries in Doha Round

Doha Mandate

"--------We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development."

Section 13 of MINISTERIAL DECLARATION Adopted on 14 November 2001

Special and Differential Treatment for Developing Countries

- Fundamental to Developing Countries Interest
- Integral part of all elements of the negotiations
- Shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines
- Operationally effective
- Taking account of their development needs, including food security and rural development

July 2004 Framework Agreement

"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."

Para 41 of the Framework Agreement adopted by the General Council of WTO

Special and Differential Treatment further Defined

- Developing country Members will have the flexibility to designate (Self Designation)
- Appropriate number of products as Special Products
- Criteria of food security, livelihood security and rural development needs
- Eligible for more flexible treatment
- Criteria and treatment of these products will be further specified during the negotiation phase
- Will recognize the fundamental importance of Special Products to developing countries

Framework to Modalities 2008

- G-33
- Hongkong Ministerial
- Agriculture Modalities

  (to **TN/AG/W/4/Rev.4** of 6 December 2008)
- Sensitive Products, SSG, Special Products, SSM, Tropical Prodcucts, Preference Erosion
- Modalities recognize the fundamental importance of SPs for developing countries

Sensitive Products in Doha Round

Market Access Liberalisation Framework

- All final bound tariffs (out-of-quota tariffs specified in Section I-A of Members' Schedules of Concessions) to be reduced using the tiered formula
- Developed country Members to reduce their final bound tariffs in six equal annual instalments ranging from 50 to 70%
  - minimum overall average cut 54 per cent
- Developing country (small, SVEs have more liberal treatment) to reduce their final bound tariffs in eleven equal annual instalments
  - maximum overall average cut to be less than 36 per cent

Sensitive Products

- Sensitive Products available to all countries and take lesser cuts than as required by tiered formulae (para 73)
- Developed Countries
  - Right to designate 4%/ 6%/ appropriately higher if xix digit constraint (Japan/ Canada?)

    (for members with more than 30% of their tariff lines in the top tariff band (75+band), a higher entitlement of 6% is proposed.
  - 1/3, 1/2, 2/3 deviation from tiered reduction formula
  - tariff quotas expansion by 3-4% of domestic consumption to be provided

Sensitive Products (2)

- Developing Countries have right to designate Sensitive Products in addition to Special Products
- Developing Countries Provisions
  - Right to designate up to one-third more of tariff lines than developed countries
  - 1/3, 1/2, 2/3 deviation from tiered reduction formula (upto 1/2, 1/3rd and 1/3rd products)
  - tariff quota expansion shall be two thirds of the volume for developed country
  - Members tariff quotas expansion by 3-4% of domestic consumption (domestic consumption shall not include self-consumption of subsistence production)
  - Instead of offering tariff rate quota, developing countries Members can take the full formula cuts on all their Sensitive Products but over an implementation period three years longer than normal.
- Almost 35% of India's agriculture tariff lines are in the top band of 130+ and therefore the sensitive product entitlement would be 8%.
- India would have the flexibility to take lower cuts than would otherwise be required under the tariff reduction formula on 8% lines

Special Products in Doha Round

G-33 Proposals for SPs

- At least 20% agricultural tariff lines of Special Products on self-designation basis.

- Duty Cuts on SPs
  - 50% SPs zero cut
  - 25% - 5% cut
  - 25%- 10% cut

- 12 indicators to operationalise criteria of Food Security, Livelihood Security and Rural Development.

SPs in 2008 Modalities

- Developing Countries entitled to self-designate
- Guided by indicators in Annex F.
- Criteria of food security, livelihood security and rural development
- 12 per cent of tariff lines available for self-designation as Special Products
- Up to 5 per cent of lines may have no cut.
- Overall average cut to be 11 percent.

  (*A number of developing country Members have expressed reservations concerning the numbers specified in this paragraph, noting also that this may be affected by what is decided in other areas of the text*)
- *More favourable treatment for SVEs and RAMs*

Operationalising SPs

- Once the modalities are finalized, the developing country Member will need to decide upfront which of its products it wants to designate as SPs.

- The list would be notified to the WTO as part of the Member's schedule of commitments under the Doha Round.

- In India's case, the list of SPs is being prepared by the Ministry of Agriculture, Ministry of Food Processing Industries, the Department of Commerce and other agencies concerned in consultation with State Governments.

Current Tariff Profile of India

- Average bound rates:111%
- Average applied rates: 37%
- Bound Rate and No of lines

Bound Tariffs	No of Tariff Lines
0-85%	134
100%	323
150%	213
300%	25
TOTAL	695

Considerations

- Sufficient room to calibrate applied tariff rates within the bound rates to balance the interest of farmers and consumers after undertaking the tier-wise cuts in the Doha Round
- Guidance by indicators which operationalise the three fundamental criteria of food security, livelihood security and rural development
- Consultative mechanism: With other ministries and state Governments on numbers and treatment

Identifying Special Products

Annex G Indicators

1. The product is a **staple food**, or is a **part of the basic food basket** of the developing country Member through, *inter alia*, 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**.

Annex G Indicators

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 labour 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, *inter alia,* 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.

Annex G Indicators

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.
10. A **significant proportion of the total food expenditure**, or of the total income, of households in a particular region or at the national level in the developing country Member concerned, is spent **on the product**.
11. The product in respect of which **product specific AMS or blue box support** has been notified by any WTO Member **and which has been exported** by that notifying Member during **any year from 1995 to** the starting date of the implementation of Doha Round.
12. The **productivity per worker or per hectare of the product** in the developing country Member, in a particular region or at the national level, is **relatively low** as compared to the average productivity in the world.

Preliminary Exercise on Identifying SPs

- With a view to find out where products of our interest stand Agriculture Department
  - identified 145 tariff lines at 4/6 digit level based on FAO data (out of 315 tariff lines handled by Department)
  - Assumed certain levels as 'significant' for threshold levels as Annex G Indicators are stated in qualitative terms (significant proportion, significant, low proportion etc.)
- Identified tariff lines will cover approximately 70 agriculture and horticulture products, but one to one concordance with tariff lines not established
- Data from verifiable data sources taken as far as possible
- Data for certain indicators not available
- Percentages worked out and compared with threshold levels
- Very tentative exercise

Broad Conclusions

- At certain assumed threshold levels, most of our agriculture products will fall within definition of 'special products'
  - Indicator 6 at 50% level will cover 135 lines
  - Certain products not covered anywhere else will also get covered under Indicator 11
- In the absence of agreement on modalities and also clarity regarding indicator threshold values, it is not possible/ advisable to prepare any final list of special products
- With Flexibility on Sensitive Products (8% of agriculture tariff lines) and 12% of Special Products, India should be able to take no cut/ moderate tariff cuts on products of her concerns substantially.
- We also have SSM

Thank You

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