

Methodology for the Identification of Special Products (SP) and Products for Eligibility Under the Special Safeguard Mechanism (SSM) by Developing Countries

By Luisa E. Bernal

The author, Luisa E. Bernal, works at the South Centre in Geneva as Team Leader on Trade in Goods and Commodities. This paper is written in her personal capacity and does not represent the official position of either the South Centre Secretariat or its member States.



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International Centre for Trade and Sustainable Development (ICTSD)

International Environment House 2

7 chemin de Balexert, 1219 Geneva, Switzerland

Tel: +41 22 917 8492

Fax: +41 22 917 8093

E-mail: ictsd@ictsd.ch

Internet: www.ictsd.org

Executive Director: Ricardo Meléndez-Ortiz

Programme Manager: Christophe Bellmann

Programme Team: Constantine Bartel, Malena Sell, Mahesh Sugathan

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ICTSD welcomes feedback and comments on this document.

These can be forwarded to: smahesh@ictsd.ch

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FOREWORD

The world is producing more food than ever before. Yet, after decades of declining under-nourishment rates, the numbers of hungry people are on the increase again in several countries. In addition, environmental degradation associated with intensive agriculture production, such as soil erosion, water pollution and biodiversity loss remains at unacceptable levels. The major challenge today is therefore not so much to increase food production, but rather to ensure that agriculture production generates sufficient income for the poor, promotes equity, and contributes to the sustainable use of natural resources.

The reform of the global agriculture trading system currently being negotiated in the context of the Doha Round - with the objective of establishing a "fair and market-oriented trading system" - will play a major role in this process. Over the last 15 years, world agriculture trade has grown almost twice as fast as production. However, highly subsidised agricultural production and exports from OECD countries as well as the anti-competitive behaviour of trading firms are depressing world prices, thereby affecting development prospects in the South. Tariff peaks, tariff escalation and technical barriers to trade (such as sanitary and phyto-sanitary requirements) also limit market access and thus the potential gains from trade developing countries are expecting.

While it is widely recognised that developing countries as a whole would benefit from freer agricultural trade, some fear that most of the new opportunities the Doha Round is set to bring would be captured by a few middle-income countries and large food exporters. Lower income countries would gain only little and might even lose from further liberalisation. Many still have large rural populations composed of small and resource-poor farmers with limited access to infrastructure and few employment alternatives. Thus, these countries are concerned that domestic rural populations employed in import-competing sectors might be negatively affected by further trade liberalisation, becoming increasingly vulnerable to market instability and import surges as tariff barriers are removed.

A large number of countries still depend on the export of a few commodities, the prices of which show high volatility and long-term decline. Commodity dependence, the expected erosion of preferences that some countries depend on for their export earnings, as well as increased food import prices due to the elimination of export subsidies, will make it difficult for these countries to guarantee their growing populations the food they need. In this context, safeguarding domestic food production capacity has become an essential component of food security strategies in an increasing number of countries.

These concerns were first raised at the WTO in the context of the “Development Box” debate, in which developing countries tabled a set of proposals aimed at providing flexibility for countries to enhance domestic food production and adopt measures to protect the livelihoods of resource poor farmers. These proposals included concrete measures to address dumping and import surges. Some were eventually reflected in the so-called 2004 July package. The S&DT provisions under paragraphs 41 and 42 of this framework agreement are probably the most innovative from a sustainable development perspective. They specify 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 Framework Agreement further states that a “Special Safeguard Mechanism (SSM) will be established for use by developing country Members.”

However, key aspects of these instruments - such as the selection and treatment of SPs, or the specific modalities for a new SSM, including product coverage, possible trigger mechanisms and remedies - were left for future negotiations. As a contribution to this highly controversial debate, the ICTSD Project on Special Products and a Special Safeguard Mechanism aims to generate knowledge and options to better articulate and advance the concepts of SP and SSM from a sustainable development perspective.

The present Issue Paper (No. 4) on “Methodology for the Identification of Special Products and Products for the Eligibility under the Special Safeguard Mechanism by Developing Countries”, by Luisa Bernal, is intended as a contribution to the internal discussion on SP and SSM in developing countries. The paper, which builds on the experience of six country studies conducted by ICTSD in Barbados, Honduras, Kenya, Pakistan, Peru and Sri Lanka, proposes a methodology to help developing countries establish their national lists of Special Products to be negotiated at the WTO. It provides a comprehensive set of indicators at the national and sub-national level to identify the intended beneficiaries and assess the importance of specific products from a food/livelihood security and rural development perspective. It also highlights the need for policymakers to take into consideration issues such as substitute products, vulnerability to competition from imported products, or current levels of protection when finalising their lists and ranking the identified products.



Ricardo Meléndez-Ortiz
Executive Director, ICTSD

I. INTRODUCTION

WTO members agreed on August 2004 on a “Framework for Establishing Modalities in Agriculture”¹. This text (the July framework) constitutes at present the basis for the negotiations of full modalities which Members hope to adopt in the 6th Ministerial Conference of the WTO to be held in Hong Kong, China, on December 2005.

The July framework incorporated provisions on Special Products (SP) and the Special Safeguard Mechanism (SSM) as fundamental components of the special and differential treatment (SDT) to be accorded to developing members under the market access pillar of a new agreement on agriculture. Provisions on SP are intended to extend flexibilities on market access to developing countries with respect to products particularly relevant from the perspective of food security, livelihood security and rural development. The SSM would provide developing members with a mechanism to address instances of price depressions and import surges.

WTO Members are currently defining the contours of the SP and SSM flexibilities, both in terms of designation and treatment of such products. In this context, the main challenge for members is genuinely building on the concepts of food security, livelihood security and rural development recognised by the July framework as the basis for operationalising SDT provisions, instead of being driven by narrowly defined commercial considerations.

In this context, it is of utmost importance that each developing country undertakes a process of internal reflection and consultations in order to identify its SP and SSM products based on

criteria of food and livelihood security and rural development. Such a process would allow developing countries a better informed and more effective participation in the negotiations of modalities for these provisions in the WTO.

The present paper aims at assisting this process by suggesting a methodology for the identification of potential SP and SSM products by individual developing countries. This report builds on a previous paper prepared by the author on September 2004 on guidelines for approaching the designation of SP and SSM products. That paper discussed the rationale of proposals on SP and SSM linked to the experience of many developing countries with trade liberalisation in agriculture. It also provided a background to the discussions on both these instruments in the WTO agriculture negotiations. These aspects will not be discussed in this report but continue to be of course, very relevant.

The paper will thus address the methodology for the identification of SP and SSM products. The methodology will improve on the guidelines proposed in 2004 by incorporating the experience gained in the identification of SP and SSM products in six developing countries² using those guidelines. The country case studies as well the papers on the methodology for the identification of products were commissioned by ICTSD.

The present paper is organised as follows: Section II discusses the methodology for the identification of SPs. Section III suggests a number of issues for priority consideration in the selection of SSM products. Section IV concludes.

II. METHODOLOGY FOR THE IDENTIFICATION OF POTENTIAL SPECIAL PRODUCTS BY DEVELOPING COUNTRIES

The July framework states that developing country members will designate special products “on the basis of food security, livelihood security and rural development needs”. Members have now moved to discussions on possible indicators to identify those products. It is questionable whether it would be possible in the context of the WTO negotiations, to agree on a set of indicators that can capture the particularities of the agricultural sector in developing countries and the unique circumstances, including the policy context, that should inform and frame the selection of such products by every member.

Beyond that, each developing country has the opportunity to identify a set of products that will be eligible for special treatment in the negotiations, based on the stated criteria. This methodology is concerned with the internal process to be undertaken by individual developing countries rather than with the operationalisation of the criteria at the multilateral level.

The complexity behind the concepts of food security, livelihood security and rural development is significant and difficult to capture in abstract generalisations that make no reference to a specific context. The methodology proposed in this section provides only a set of guidelines for approaching the identification of agricultural products that may be most relevant from the perspective of food and livelihood security and rural development needs, by individual developing countries. The methodology provides in that sense, a basis for contextualising those criteria in the identification of the SP products, by each developing country.

Indeed, the concept of food security has significantly evolved over time going beyond considerations of national food self-sufficiency to concerns with household’s and individual’s access and guarantees to food. Securing adequate availability of food at the national level does not guarantee that all households and individuals may have access to food which

critically depends on the livelihood alternatives at their disposal. Poverty is one of the most prominent causes of food insecurity and poverty in developing countries is especially severe in the rural areas. Thus the underlying concerns behind the concepts of food security, livelihood security and rural development in a developing country context, are intertwined. This should be kept in mind when attempting to operationalise these concepts.

International trade can contribute to food security by facilitating the availability of food through imports. But the importance of trade in achieving food security is relative and varies depending on the particular circumstances of individual countries and their food security strategies. What is clear is that food security can not be achieved solely by relying on imports and countries -both developed and developing alike- use a combination of imports and local food production to secure the basic food needs of their population.

The general approach informing the methodology

In approaching the designation of SPs, in addition to the identification of products most relevant from the perspective of food security at the national level, there is thus a need to identify vulnerable groups -the rural poor and small farmers - and the products their livelihoods’ depend on. This would lead to a more focused approach assessing the economic and social importance of particular products for specific regions within a country where the poor is concentrated.

The methodology proposed entails a context-specific analysis through which a combination (addition) of both quantitative and qualitative indicators attempts to capture the various dimensions of the complex concepts behind the stated criteria.

It is thus proposed to frame the analysis for the identification of SPs within the broader strategy

for sustainable agriculture development and poverty alleviation within which the designation of SPs will be made. Thus it will incorporate into the analysis issues such as whether other measures to support and promote SPs will be available and if so, whether those would be sufficient (both in terms of resources available and the implementation capacity of the country concerned) to address the vulnerability of those sectors and the livelihood of the population depending on them, in the face of further trade liberalisation.

Very importantly, it is recommended that the selection of potential SPs in every individual developing country includes a process of consultations with stakeholders. This process should include in particular, the vulnerable groups -rural poor and small farmers- the provisions on SP are intended to benefit to, for better understanding their livelihood strategies and guarantee the selection of products respond to their needs.

Suggested Indicators for the Identification of SPs³

1. Identification of the Intended Beneficiaries

The intended beneficiaries of SP provisions are vulnerable groups whose livelihoods may be put at risk by the effects of liberalisation. These groups are primarily the rural poor, including women, and small farmers. Three categories of indicators are proposed to targeting those groups:

i) Indicators related to the income level for targeting the poor

The concrete approach used will depend on the data available: countries gather data on economic and social indicators with various regularity, including through households' surveys and census where data is organised according to pre-set criteria. Nationally established poverty indicators, including parameters regarding urban and rural poverty, can be used as these respond better to the realities of each country

and its particular circumstances. In this context a number of indicators can be used such as the number of households/persons below the national poverty line or those with incomes below the necessary to cover basic needs (i.e. food, shelter, health, clothes, education, etc). Measures of household expenditures are also an alternative. Another option would be to use international standards of poverty such as the World Bank's poverty line of US\$ 1 per person a day.

ii) Indicators related to the geographical distribution of poverty

The indicators under this category would aim at focusing the analysis on SPs in those areas where the poor is concentrated. Several studies suggest that poverty can be particularly severe in certain areas (pockets of poverty) which is often explained by the lack of an adequate resource base such as scarcity of fertile land and water resources, including irrigation systems, isolation (lack of infrastructure), etc. The livelihood alternatives of the population in poorly endowed regions will consequently be more limited. This needs to be taken into account when considering liberalising trade on sectors that constitute the mainstay of the population in those disadvantaged regions.

The analysis of the geographical distribution of poverty may be conducted on the basis the administrative/political organisation of the country (e.g. provinces and districts). It is likely that available data will be disaggregated on this basis. An assessment based on the agro-ecological conditions of various regions may be particularly useful though in the context of the identification of SPs, for the reasons mentioned above.

iii) Indicators regarding production capacity

The purpose of this category of indicators would be to target the subsistence and small farmers in the analysis of SP products. A combination of indicators related to the size of the production unit -for instance, number of hectares for

Table 1: Summary of possible indicators for the identification of potential SPs

Identification of beneficiaries		Identification of relevant products		
Indicators of income level	e.g. number of persons/households below the national poverty line, including distinctions between rural and urban poverty; number of persons/households with income below the necessary to cover basic needs (i.e. food, shelter, health, clothes, education, etc); measures of household expenditures; international standards of poverty such as the World Bank's poverty line of 1 US\$ per person per day.	Products for livelihood security and rural development	<p>Measuring the economic importance of a particular product</p> <p>e.g. the contribution of the product to the national agricultural GDP; the contribution of the product to a particular region's GDP; the extension of land dedicated to the production of a particular product at the national or regional levels; the number of heads of livestock in the country or region; the share of per capita income derived from a particular sector in a specific region or at the national level; potential for value addition and linkages generated by a particular product (i.e. indication of the extent to which the product is or can be locally processed; the share of domestic agricultural intermediate inputs used in non-agricultural sectors; the value of good and services used as inputs in the production of the sector, etc.).</p>	
		Products for livelihood security and rural development	<p>Measuring the contribution to employment of a particular product</p> <p>e.g. the total (absolute number of) labour engaged in a particular sector at the national level or in a region; the share of the agricultural national or regional population engaged in the production of a specific product; the labour requirement in a particular agricultural sector calculated as the number of workers per day or per year necessary to cultivate one ha. of land or to produce one tonne of livestock product, multiplied by the total land extension dedicated to the product concerned or the total tonnage production of the livestock product in question, etc.</p>	
Indicators related to the geographical distribution of poverty	e.g. consideration of regional-specific data, particularly of areas poorly endowed with infrastructure (e.g. irrigation facilities, transportation) and/or natural resources (e.g. fertile land, water, etc), and disadvantaged regions.	Products for food security	<p>e.g. national statutes or regulations identifying key staple products and/or a basket of basic foods reflecting local preferences and circumstances; the share of a particular product in total national or regional consumption as reflected by its contribution to the caloric intake of the population (this analysis can be complemented with references to the contribution of particular products to the protein and fat requirements of the population); the share of income spent on a particular product at the national or regional levels; ration of self-sufficiency on particular products; import penetration; import revenue derived from a particular product (indicates the capacity of a country to finance food security and development programmes), etc.</p>	
		Substitutes	i.e. imports that displace local production of substitutes.	
Indicators regarding production capacity	e.g. size of holdings; number of ha. dedicated to a particular crop or head of livestock available at the national or regional levels; kg/tonne of produce per ha. and head of livestock.	Additional considerations	Unfair competition	i.e. products highly subsidised though domestic as well as export subsidies.
		Additional considerations	Current level of protection	i.e. assessment of the level of tariffs and the existence of other measures currently available to a particular product, and how those may be affected in the negotiation of international commitments.
		Additional considerations	Vulnerability to import displacement	i.e. assessment of the extent to which the local production could stand competition of low-cost imports.

cultivation in the case of crops and number of heads for livestock; and its productivity -for instance, kg/tonnes of produce per ha and per head of livestock would be advisable.

The definition of subsistence and small farmers depends on the particular circumstances of every country and its agricultural sector. There are no international agreed parameters to refer to. It is suggested avoiding overly restricting the analysis to subsistence farmers only. It would be extremely important to include as part of the target group small commercial farmers that critically depend on the marketing of their agriculture produce for their livelihood. Improving the livelihood of these farmers is fundamental for improving the living standards in rural areas (rural development). SP provisions, in combination with other support policies, would aim at creating a breathing space for subsistence farmers to eventually getting involved in the marketing of surplus agricultural production. But very importantly, it should also protect the small commercial farmers from being pushed to subsistence production as a result of liberalisation, as has happened in the past in many developing countries.

2. Identification of Relevant Products from the Perspective of Livelihood Security and Rural Development

The concepts of livelihood security and rural development are closely intertwined. They relate to a large extent, to the resource base, economic activities and social networks on which the livelihood of the rural population depend on. In the large majority of developing countries agriculture continues to be the backbone of the economy, especially in the rural areas where the poor are concentrated. Agriculture production is thus a key component of the livelihood strategies of many of the rural poor. Any policy aimed at increasing the living standard of the population in the rural areas -rural development- and combating poverty in the country as a whole, need to take into account the role of the agriculture sector.

The category of indicators suggested below attempt to capture the relative contribution of specific products to the economy and employment generation as proxies for the broad concepts of rural development and livelihood security. As indicated above, the proposed analysis should go beyond national considerations to address regional disparities or concerns.

i) Measuring the relative economic importance of a particular agricultural product

A number of indicators can be proposed for capturing the relative economic importance of a particular agricultural sector. In the context of the identification of special products, the following are especially relevant. For instance, the contribution of the product to the national agricultural GDP; the contribution of the product to a particular region's GDP; the extension of land dedicated to the production of a particular product at the national or regional levels; the number of heads of livestock in the country or region; the share of per capita income derived from a particular sector in a specific region or at the national level; etc.

In the context of the designation of SPs, a qualitative analysis may also be necessary for considering variables such as the links between a particular sector and the rest of the economy or the potential for value addition. The enhancement of those linkages and realisation of the potential for value addition critically depend on the existence of a coherent set of policies in favour of the sector involving the private and public sectors in developing countries. In this context, the qualitative assessment requires a holistic approach incorporating the policy framework surrounding the sector and how it is organised. An indication of the potential for value addition and linkages of a product is the extent to which it is or can be locally processed; the share of domestic agricultural intermediate inputs used in non-agricultural sectors; the value of good and services used as inputs in the production of the sector, etc.

ii) Measuring the contribution of a particular agricultural product to employment

Indicators related to employment reflect the importance of a particular sector as a source of income and livelihood for the population of the country or a particular region within it, including vulnerable groups. The contribution to employment of a particular product can be assessed by indicators such as the total (absolute number of) labour engaged in the sector at the national level or in a region; the share of the agricultural national or regional population engaged in the production of a specific product; etc.

Data on agricultural employment disaggregated at the product or sector-level, is often times not readily available. One manner to proceed is calculating the labour requirement in a particular agricultural sector instead: for instance, the labour required, in terms of the number of workers per day or per year, to cultivate one ha of land or to produce one tonne of livestock product, multiplied by the total land extension dedicated to the product concerned or the total tonnage production of the livestock product in question. These ratios are crop/livestock and technology-specific. For this reason, the ratios computed in a particular context (different countries and even regions and units of production within a country) can not be transferred directly to another.

Nevertheless, and considering the importance of this indicator for livelihood security, developing countries may consider the possibility of using ratios developed for use in other contexts that may closest resemble the production conditions for the product in question, prevailing in the country or region concerned. This would provide a rough indicative estimate of the employment generated by a particular product which could be taken into account in the evaluation of the relative importance of various products for livelihood security.

In addition to these limitations, the approach of employment requirements explained above underestimates the labour employed in any

particular sector because it reflects the labour engaged in direct production only. A number of activities closely related to production (e.g. basic processing, selection of crops, conditioning for transport, etc) that require and generate employment are not factored in. Therefore, the employment figures calculated this manner should be considered minimum requirements only.

3. Identification of Relevant Products from the Perspective of Food Security

The indicators discussed in this section purport to capture the relative importance of various products for food security. As indicated before, food security can be assessed at various levels from the national to the household and individual levels. The indicators discussed above with respect to livelihood security and rural development are thus also related to food security.

This section adds to the analysis variables reflecting the relative importance of particular products with respect to the consumption profile of the population. In this context, national statutes or regulations may already identify a number of key staple products and/or a basket of basic foods reflecting local preferences and circumstances. The products so identified provide a starting point for the evaluation of the relevance of various products for SP designation. Other quantitative indicators to consider include the share of a particular product in total national or regional consumption as reflected by its contribution to the caloric intake of the population (this analysis can be complemented with references to the contribution of particular products to the protein and fat requirements of the population); the share of income spent on a particular product at the national or regional levels; etc.

In addition to the above, it is advisable to add to the analysis indicators of self-sufficiency and import penetration, especially on products prominent in the consumption profile of the population. Self-sufficiency would indicate the

extent to which local production is enough to meet consumption needs. Import penetration measures the extent to which total consumption of a particular product is met through imports. A low level of self-sufficiency may or may not represent a problem. It will depend of the context and the food security strategy of the country in question: for instance, a low level of self-sufficiency may reflect the low or inexistent production of a particular product in a country; in which case border protection may not be warranted and even counter productive. On the other hand, a decreasing level of self-sufficiency, even if remaining high, may justify protection because there is potentially a threat to local production and food security. This would be reflected in increasing levels of imports in the local markets as well.

In the context of the identification of potential SP products, an additional category of indicators is worth incorporating in the analysis of food security. It relates to the overall capacity of the country to finance food security programmes, including by importing food. The specific issue to look at is the import revenue derived from a particular product. It is especially relevant for small open economies and net food importing developing countries for which import revenue is an important source of overall government revenue: lower government revenue resulting from a reduction of import taxes (i.e. tariffs) would reduce the financial capacity of the government to finance food security programmes from storage to distribution of food to the population in need.

4. Supplementary Elements for the Analysis

The categories of indicators proposed above are considered directly relevant for purposes of identifying products for potential designation as SP based on the stated criteria of food security, livelihood security and rural development. There are however, additional considerations that developing countries may want to incorporate in their internal evaluations on the basis of their particular circumstances.

i) The problem of substitutes

The problem of substitutes denotes the situation in which local products -identified as potential SP- are displaced from the domestic market by imports of no locally produced substitutes. The flexibilities of this provision need to be used in this context, with respect to the substitute product not the SP. For instance, imports of wheat to Africa competing and displacing the consumption of cassava or millet in the region, or imports of powdered milk in the Caribbean displacing the local production of fresh milk as an input to the local dairy industry.

Addressing the problem of substitutes represents however a challenge primarily because the scope of potential SPs can be extended significantly. The difficulties of identifying the substitutes however, do not diminish the relevance of the problem.

It would be advisable that each developing country undertake a two step process by identifying the potential SPs first, considering the extent those products may be exposed to the problem of substitutes next, looking at import penetration of directly competing products and how it has changed over time vis-à-vis the local production. The penetration of substitutes in domestic markets may lead to permanent changes in the pattern of consumption of the population as well as the structure of the local processing industry which would increasingly rely on imports for its operations.

ii) The problem of unfair competition

The problem of unfair competition relates to the level of production and export-related subsidies provided by industrialised countries to agriculture. The list of products highly subsidised is large and certainly covers some of the staple foods in many developing countries such as rice and corn. This problem is compounded by the fact that the very structure of the WTO agreement on agriculture legitimises these subsidies. The Doha round is unlikely to seriously change the current situation: high levels of subsidies will continue to be allowed

by the rules and provided by the industrialised countries.

For purposes of the identification of SPs, it would be wise for developing countries to keep this in mind and consider whether a potential SP product or its substitute are particularly vulnerable to the effects of subsidies.

iii) Current level of protection

The current level of protection should be considered for countries not to decide on the potential special products. The indicators suggested in the previous sections are the most adequate for purposes of the identification of SPs based on the criteria of food and livelihood security and rural development. The current level of protection provided to a potential SP as reflected in the level of tariffs on the product, may be a valid consideration in the context of the multilateral discussions in the WTO. That is, the level of protection may be relevant in the negotiations to the extent that the freedom to designate SPs by developing countries is restrained.

Under such circumstances, decisions regarding the actual designation of SPs at the WTO should include an analysis of the likely effect of the commitments to be undertaken by developing countries on every product identified as potential SP in order to maximise the special and differential treatment provisions available to developing countries in achieving the objectives of food and livelihood security and rural development.

iv) Vulnerability to import displacement

The analysis under this heading would aim to determining the extent to which the local production could be displaced by imports. This would entail not only an analysis of the competitiveness of the sector but also the likelihood that imports may effectively create a threat to local production. For instance, consumers' preferences and transport-related considerations may reduce the threat of imports competing effectively in the local market. This has been highlighted with respect

to imports of potatoes in Peru arguing that the cost of transport and freight for the product vis-à-vis its value, in addition to the particular preference in terms of varieties produced and consumed locally, makes it unlikely that imports will increase significantly as a consequence of a reduction in border protection.

Again, what is proposed is a two-step process that would consider the degree of vulnerability to import displacement, after the product has been identified as SP on the basis of the stated criteria. This analysis may be necessary for purposes of deciding on the actual designation of products in the WTO context to the extent that the freedom of members to select such products is constrained.

5. Prioritisation of Potential SPs

The proposed guidelines for the identification of SPs would imply that all the products so identified merit special attention from a policy perspective. Nevertheless, the degree of sensitivity across the potential SPs may vary and developing countries may want to have an idea of those variations in order to maximise the use of the flexibilities that may be accorded to them, on products that are considered most critical.

Any prioritisation of potential SPs as well as deciding on the basis for carrying out a prioritisation exercise constitute a strictly internal process of individual developing countries where many variables need to be taken into account. The following suggestions illustrate possible practical approaches intended to be neither prescriptive nor exhaustive.

A simple approach would require assigning weights to the stated criteria and the various indicators within these. The products that score the highest would form the basis for drawing a priority list of SPs. The same weight can be assigned to every indicator and criteria or it may vary, depending on the relative importance of the various criteria to the profile of individual countries. For instance, a small island state widely open to trade may give

larger weight to the criteria of food security defined at the national level than to livelihood considerations. Large agrarian economies with significant numbers of subsistence farmers may decide to provide higher weights to indicators linked to livelihood security. Nevertheless, assigning different weights to various criteria and indicators would be rather arbitrary.

Another way of proceeding would be to rank the various products with respect to the specific indicators. The priority list of SPs would be drawn from the products that score the highest under the various indicators.

As discussed above, issues such as the current level of protection available to a particular product, its vulnerability to import displacement and the existence of subsidies affecting potential SPs can also provide useful parameters for deciding how to allocate the available flexibilities granted to SPs in the context of international negotiations.

As these guidelines have suggested, the identification of potential SPs will benefit enormously from broad consultations with stakeholders at the national level. It would be important and useful that those consultations result in an understanding and endorsement not only of a list of potential SPs but also of the products that require protection on a priority basis building on the approaches suggested above or others that may be designed by the developing country concerned. Stakeholders' consultations may be the best way to understand the especial relevance of particular products,

including taken into account qualitative indicators that approaches as those outlined above fail to capture.

6. Problems Related to Lack of Data Availability

The proposed methodology would require going beyond nation-wide indicators to assess the relative importance of particular products for vulnerable groups through a more location-specific analysis. This possesses significant problems in terms of finding readily available data disaggregated at the regional level for the analysis.

However, various governmental departments, university research institutes, international organisations working in the field such as FAO and IFAD, and donors and NGOs involved in rural development in various countries gather statistics for the design, implementation and monitoring of their programmes. Thus the necessary data could be available but dispersed. Pulling the resources of these organisations and increasing coordination among various governmental entities will be required to collect and process the necessary data for a comprehensive analysis geared to the identification of SPs. Further, direct assistance could be provided to developing countries for carrying out this task. International organisations like FAO and IFAD could be of great assistance considering their expertise in this area and their presence in many countries.

III. PRIORITY ISSUES FOR IDENTIFICATION OF PRODUCTS FOR SPECIAL SAFEGUARD MECHANISM (SSM) ELEGIBILITY⁴

The Special Safeguard Mechanism (SSM) is intended to provide protection to developing countries against import surges and price depressions. Discussing the rational and justification for the establishment of the SSM is beyond the scope of this paper. Suffice is to say that to the extent the mechanism respond to the intrinsic characteristics of agricultural markets which are highly volatile, there is no reason for excluding any agricultural product from eligibility to the SSM. Still, the issues discussed below can be useful is undertaken an assessment of what are the priority sectors in terms of eligibility for the SSM.

The first priority should be given to products identified as SP on the basis of food security, livelihood security and rural development needs. The livelihoods of the rural poor and small farmers are indeed very fragile; their resilience capacity is minimal. Further, most developing countries do not have in place safety net mechanisms or other support measures to smooth the effect of temporary

shocks in prices and import surges on specific sectors. Under such circumstances, the livelihoods of the population whose livelihood depend on the affected sectors can be put under considerable pressure. The effects can be permanent.

An additional consideration, relates to the sectors in which import penetration has been increasing over time, indicating the local sector is under pressure already. Sudden increases of imports may irremediably damage the viability of those industries. In this context, the comments made above with respect to the self-sufficiency and import penetration is relevant: each country needs to contextualise the analysis and consider whether protection is warranted.

The level of subsidies for production and export granted by trading partners to specific sectors constitute an additional element to factor in for consideration. Analyses by FAO suggest that import surges are more frequent

Table 2: Summary of issues to take into account for the designation of SSM products

Relevant products from the perspective of food security, livelihood security and rural development needs	i.e. products identified as potential SPs.
Level of import penetration and change over time	i.e. share of imports out of total consumption and change of ratio over time
Level of subsidies affecting particular products	e.g. budgetary outlays and quantity of exports of a particular product supported by export subsidies according to members' notifications to the WTO; budgetary outlays and quantity of exports of a particular product supported by export credits and similar programmes according to OECD data and each country's submissions as may be requested; notifications of WTO members on domestic support measures and OECD relevant indicators such as the Producer Support Estimate (PSE).
Commitments to be undertaken on tariff reductions	e.g. percentage cut of tariffs on specific products.

in sectors benefiting from high levels of subsidies in the exporting countries. Some of the products identified include: dairy/livestock (milk powder, poultry parts), certain fruit and vegetable preparations and sugar⁵. Notifications on subsidies by members to the WTO as well as the more comprehensive information on subsidies published by the OECD can be used for identifying the products most heavily subsidised and where protection through the SSM can be especially valuable.

In addition to the above, it is relevant to consider the commitments to be undertaken by developing countries as a result of the Doha round. Those commitments will entail the reduction of border protection in various degrees for different products. Under such circumstances, developing countries may want to consider for eligibility for the SSM those products in which significant cuts are envisaged, leaving the sector especially exposed to import surges.

IV. CONCLUSION

The present paper discussed a methodology for the identification of SPs and products for SSM eligibility. The methodology proposes an approach to operationalise the criteria of food security, livelihood security and rural development.

The paper is not directly concerned with the negotiation of indicators for the identification of SP and SSM products in the WTO context. Nevertheless, it is hoped that by undertaken an internal process of analysis for the identification of relevant products using the proposed methodology, developing countries will be able to participate more effectively in the negotiation of modalities in the WTO on SP and SSM provisions.

The methodology for the identification of SP suggested in this paper requires a context-specific approach that goes beyond nation-wide indicators to consider the relevance of particular products in areas where the poor

and vulnerable groups are concentrated. It also proposes to undertake a quantitative and qualitative assessment of the relative importance of various products. Consideration of the policy framework surrounding the SPs is considered of especial importance. It is also proposed that the identification of SPs includes consultations with all stakeholders including in particular the intended beneficiaries of these provisions: the rural poor and small farmers.

Regarding the SSM, the paper identified a number of aspects for consideration, were the prioritisation of products for eligibility for the SSM be necessary. It is suggested that given the importance of SP for the rural poor and vulnerable groups, these should be protected under the SSM. Others elements considered relevant include: level of subsidisation affecting a particular product; incidence of imports in the local market; and the commitments in market access to be undertaken as a result of the Doha round.

ENDNOTES

- 1 Annex A to the General Council Decision on the Doha Work Programme. WTO document WT/L/579.
- 2 The six country case studies correspond to Barbados, Honduras, Kenya, Pakistan, Peru and Sri Lanka.
- 3 Table 1 includes a summary of the indicators discussed in this section.
- 4 Table 2 includes a summary of the main issues for consideration for identifying the products for eligibility under the SSM.
- 5 FAO (2003). "Some trade Policy Issues relating to trends in Agricultural imports in the context of Food Security", Committee on Commodity Problems, Sixty-fourth session, Rome. The study covered 28 developing countries in different regions.