

Special Products and Special Safeguard Mechanism

Flexibility on tariff reduction commitments for developing countries should not be achieved through ambiguous and flawed instruments such as Special Products or the Special Safeguard Mechanism

The Global Dairy Alliance Position

The GDA supports the development of trade in dairy products with developing countries and in particular more South-South trade between developing countries

The GDA recognises that developing countries should not have to meet the same levels of tariff reduction as their developed country counterparts. However this flexibility should not be achieved through ambiguous and flawed instruments such as Special Products or the Special Safeguard Mechanism (SSM). The position of the GDA is:

- There are already means available in the Framework Agreement for providing special and differential treatment to developing countries in the form of significantly lower tariff cuts.
- Special Products is a flawed instrument which could limit and even reduce trade between developing countries through wide application of its criteria
- The Special Safeguard Mechanism could also be triggered at low thresholds that apply higher tariffs to relatively limited increases in trade

What's the Issue?

The Doha Development Round has as its title suggests a major emphasis on delivering benefits to developing countries. The GDA sees this development as being promoted by open markets that encourage increased trade between all WTO members. In particular such open markets will be of benefit in substantially increasing South-South trade.

The proposals for Special Products and the Special Safeguard Mechanism would put in place additional controls on trade that would significantly limit the ability of dairy exporters from developing countries to increase their exports.

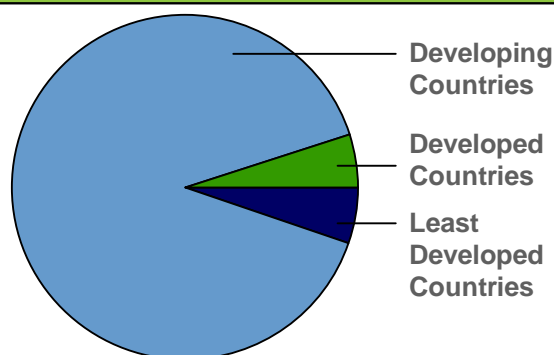
Indeed, exporter and competitive countries from developing countries can also use the SSM easily with the trigger suggested, reducing therefore the possibility of trade among developing countries.

Within the WTO and in the proposals for the Doha Development Round there are already specific concessions that apply to developing countries. The proposals for tariff reduction will include special and differential treatment for developing countries with much lower tariff cuts than those applying to developed countries. Developing countries will also be able to use the Sensitive Products provisions to reduce the impact of even these tariff cuts.

In addition current applied tariffs in many developing countries are well below WTO bound rates for dairy and other agriculture products. This allows existing applied tariffs to be increased significantly without requiring any change to existing WTO commitments

In dairy products a significant part of international trade involves developing countries. Around 90% of milk powder exports are directed to developing countries. This concentration on developing countries is expected to continue. The GDA is concerned that the introduction of protectionist provisions through SP and SSM will limit this trade.

2004 Global WMP and SMP Imports



Source: FAO 2004 Imports of skim and whole milk powders

What's the solution?

The GDA considers that Special Products is a flawed mechanism to promote development. Its preference is that this concept not be implemented.

However, if there is a Special Products element in the final agreement it should be shaped in a way that least impacts on existing and potential trade especially that between developing countries. Key parts of that approach should include:

- That Special Products treatment is applied only to a limited number of tariff items that are genuinely crucial to domestic food supply and not to a wide range of products.
- That Special Products provisions do not apply to products when country is a net exporter.
- That for Special Products there remains a requirement that there is some level of tariff cut and where applicable an increase in tariff quotas.
- That provisions on Special Products only apply until the end of the implementation period of the Doha Development Round.

The Special Safeguard Mechanism would provide additional security against surges in imports and falls in prices. In many cases there is already available adequate room to increase tariffs to bound levels. This is a preferable approach to establishing a cumbersome SSM procedure. In comparison some of the existing proposals from WTO members apply very low trigger points and heavily increased duties that would increase tariffs above those already bound in the Uruguay Round. The GDA view is:

- The coverage of the SSM should be limited to key products.
- Remedial duties shall only be applied to MFN imports.
- The triggers should be set at levels where only a substantial increase in imports require the SSM to be implemented.
- That the increase in tariffs be only at a limited level and should not exceed as a maximum of the difference between the bound rates in the Uruguay Round and the Doha Development Round.

WTO Bound Tariff Rates vs. MFN Applied Tariff Rates

