



Economic Commission for Africa



**Report of the Ad-Hoc Expert Group Meeting
on Sensitive and Special Products and their
Implications for Africa in the Doha Round**

Cotonou, Benin

3 – 4 May 2007

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Opening Statements

The meeting was opened by the representative of United Nations Development Programme (UNDP) who thanked the participants for attending the meeting and lauded the cooperation between Economic Commission for Africa (ECA) and UNDP. The Director of Trade, Finance and Economic Development (TFED), in his turn, thanked the Government of Benin for their hospitality and the participants for attending the meeting and hoped for a successful outcome of the meeting.

The official opening of the meeting was by the Minister of Trade who represented the Government of Benin. He started his remarks by pointing out that the international community has a lot to gain by strengthening African Countries capacities in trade. He added that African countries needed to believe in liberalization but to do so they need their capacities strengthened. The Minister commended the African Group for fostering unity in Geneva by forging common positions. The Minister added that the meeting organized by UN Economic Commission for Africa (ECA) is crucial as related to sensitive products (SePs), Special Products (SPs) and Special Safeguard Mechanism (SSMs) as these are a major preoccupation for African countries and thanked the ECA for organizing the meeting. The Minister concluded his opening statement by saying that Africa's development is vital and that the issue of value addition as well as protecting nascent industries is very important.

The representative of the AU started his presentation by reminding participants that AU was established to accelerate the economic and social development of Africa. He further reminded the participants that African countries at national, regional and continental levels have taken a number of initiatives and measures to meet the challenges of development which include economic policy reforms, greater adherence to the principles of rule of law, democracy, peace and security and good governance. As a result, the improvement in economic growth performance achieved by many African countries in recent years can be attributed largely to these efforts. For Africa, the task of achieving a just and equitable trading system through the ongoing World Trade Organization (WTO) and Economic Partnership Agreement (EPAs) negotiations has not been an easy one. This is understandable given the nature of powerful interests that African countries have to confront in the negotiations. While much still remains to be achieved in both negotiations, Africa can be proud of what she has accomplished so far. It's obvious that the outcome of the Doha Round for Africa will be qualitatively different from that of Uruguay Round. This can be attributed to two main factors in which African negotiators and especially the African Group in Geneva and the key partners of the AU notably the ECA and UNDP which have played a major role. The first has been the development of African common position through which the continent has been

able to send a strong message to the international community. As such, the high level of the negotiating capacity and the quality of African negotiators has tremendously improved. Furthermore, the importance for Africa of Special Products and Special Safeguard Mechanism in Trade Negotiations cannot be over emphasized.

Session I: Status of the Agricultural Negotiations

The WTO Secretariat made a presentation on the status of the agriculture negotiations. The WTO Representative started his presentation by mentioning that all members of the WTO have both offensive and defensive positions across the negotiations. He pointed out that WTO members are not homogeneous group and this includes the developing countries. For least developing countries (LDCs), he pointed out that all defensive interests have been met through special and differential treatment (SDT). His presentation focused mainly on market access and domestic support before moving on to discuss the Chairman's of Agriculture challenge paper which had just been released. He gave a background of why the Chairman called it a challenge paper and listed the main points of the paper, which are:

- OTDS
- Cotton
- Export Competition
- Tariffs
- Sensitive Products
- Special Products

He finished off his presentation with some final thoughts on potential Doha Development Agenda (DDA) outcomes, which include:

- A need for a successful conclusion
- The elimination of export subsidies
- A good advancement in the reduction of trade-distorting domestic support including an overall limit of trade-distorting domestic support
- Further market access openings
- Overall and an improved & more level trading environment for both developed & developing countries
- Lay to rest perceived credibility problem of the multilateral trading system resulting from the Uruguay Round.

Focal point Agriculture African Group

The focal point of agriculture of the African Group presented the position of the African Group. He thanked the ECA for giving the participants a chance in Cotonou to share insights at this critical juncture of the negotiations.

The starting point of his presentation was the Chairman's text on Agriculture. He mentioned that this was a first installment and that the Chair indicated that a second installment would come out. This was a welcome announcement according to the focal point as he was of the opinion that the present text does not cover all the issues and particularly issues of particular concern to the African countries.

The focal point pointed out that the Chairman's text helps in moving the negotiations forward and as such it is a move that is welcomed by the African Group. After the suspension of the negotiations, consultations have been bilateral or plurilateral between the G-4 and members of the WTO wanted the negotiations to be multilateralized. The challenge paper as such is a welcome point in this direction.

He added that there are two issues in the current status of negotiations and that is the market access issue and domestic support. However, there is no breakthrough yet despite the bilateral and plurilateral negotiations. This is because there are differences within the agriculture negotiations as well as the linkages with other negotiations. Therefore, the challenges faced by the WTO membership are disentangling the linkage and finding innovative way to solve the problems.

The focal point in addition pointed out that the gateway issues in the agricultural negotiations are those issues that are of importance to each country. This is because each country looks for its gateway issues, which adds to the complexities of the agriculture negotiations. He added that where WTO negotiations are at is technical issues versus political decisions. But although the decisions are political they have to be supported by technical basis.

Furthermore, the problem of agriculture negotiations are its linkages to political situations in countries such as the US, France, etc. Although the WTO member states have managed since the July package in 2004 to have general principles, the challenge is to translate them into technical terms. The focal point of the African Group concluded his presentation by saying that the Chair's paper is an attempt for members to take political decisions. The challenge is to find a balance between the level of ambition in market access and domestic support. He urged the members to reflect on the Chair's paper in order to react to it.

Open Discussions

It was mentioned that there are still a lot of contentious issues, which would require technical studies. It was pointed out that what still needs to be discussed are:

- Thresholds: numbers and treatment of sensitive products
- Methodology for the treatment of preference erosion
- Figures of the AMS, overall trade distorting support
- Review and clarification of Green box
- Schedule for the elimination of export subsidies, and
- Parallelism, etc.

Bearing in mind all the above issues and their complexities, Africa, it was noted required investing time to digest the above issues. Especially because it was also mentioned that the issues that are of concern to the African Group have not been taken into account in the Chairman's paper as pointed out by the focal point of agriculture.

Another participant pointed out that what was needed in order to have a breakthrough in the negotiations was political will but however, the results of the negotiations should be beneficial to all and especially to African countries. Therefore, African countries need to be focused on their interests. Furthermore, at this level of the negotiations, what are needed are political decisions as agriculture represents a vital sector in the economies of African countries and the participant felt that it was judicious to focus on the Agriculture Challenges Paper in the meeting.

It was mentioned that although the African Group welcomes the Chairman's text, they couldn't have a total appreciation of the text as the text is incomplete and a second installment needed to come out before they could have a sense of balance. An example given was that in terms of agriculture negotiations, the formula mainstreaming development in terms of 2/3 cuts for developing countries is disproportionate and some countries will be affected more than others. Therefore, other solutions are needed for these countries. It was pointed out that the current thinking is that the African countries should not bother a lot about the 2/3 approach as this will not cut into bound tariff. The participant was of the opinion that African countries by reducing their bound tariff is already a contribution to this Round. It was also mentioned that if the 2/3 formula cuts into the applied tariffs it would be problematic, as African countries needed their policy space in order to reduce poverty in their countries. This problem is recognized in the Chair's text but the text

alludes to the fact that the problem can be dealt with by playing with the thresholds, which would not apply to all the countries.

Session II: State of Play of the Negotiations on Special Products and Sensitive Products

The Ambassador of Mauritius in Geneva made a presentation on sensitive and special products in the market access pillar. He stressed that the main problem is linked to the level of ambition as well as to domestic support. He pointed out that there is a contradiction between exporting and importing countries in the agriculture negotiations. He also added that there are also differences about the number of cuts within the formula where the problem lies with the top band. Also, some members of the WTO are of the opinion that allowing sensitive products negates the mandate, as there is no substantial market access.

He pointed out that recently in the WTO, there has been a shift of the debate from the formula to special and sensitive products. The question debated is how to deal with sensitive products which is used as a commercial protection tool and there are no criteria for selection of sensitive products in comparison to the criteria for special products of rural development, food security and rural livelihood. It was further mentioned that developing countries could also designate some products as sensitive products for purely commercial reasons. However, for sensitive products there is a payback, as countries have to contribute to Tariff Rate Quota (TRQ) expansion and have to give minimum market access. In contradiction, for SPs, the mandate does not mention any payback i.e. TRQs expansion.

Discussions on sensitive products also center on the deviation and the level of treatment. There are a number of proposals on the table ranging from 1% to 15% and others on sliding scale of 1/3 and to 2/3 and 2 coefficients. The deviation will determine the TRQ expansion-the higher the deviation the higher the expansion.

The question that begs an answer is how countries would deal with high deviation. Countries with defensive interests, which are importing countries, argue that there should be a cap on high tariffs and agree that on 1/3 level of deviation itself could be over 300 %. The question is how countries can have TRQ expansion to compensate for deviation and that is why there is a proposal to fix a cap on products. There is an agreement however on the level of treatment that all users of SePs will have to make a contribution and these are:

- Exercise tariff cuts and provide a certain minimum market access through TRQ
- In the calculation of domestic consumption, the formula must be simple and straightforward. Some other proposals do not agree with this and bring in the issue of elasticity because lower tariffs do not mean market access penetration. Countries have to look at elasticity of the product in the market.

At the moment in the WTO, the Ambassador pointed out, the debate is wide open and there is no agreement and there is nothing in the Chair's challenge paper on sensitive products and what is proposed is only a structure of what can be taken into consideration but there is no mention about the treatment.

The G-4 countries, the participants were told are having discussions on reverse engineering where the products discussed are those of interest to the countries in the bilateral and plurilateral meetings and the question is how will the other countries deal with this.

With regard to the African Group perspective on SePs, the Ambassador of Mauritius said they should not be indifferent as essentially the SePs are not in the interest of the African Group as it is a market restriction mechanism used by developed countries to protect their markets. Although it is generally believed that only developed countries have the right to designate sensitive products, developing countries have this right as well because special products are criteria based (food security, livelihood security and rural development) and don't protect products at the commercial level. Therefore, there is a need for innovative approach to give a developmental dimension to the issue of sensitive products by allowing developing countries to designate some of their products as sensitive products.

Furthermore, in view of certain realities, both offensive and defensive, Africa should have some nuanced approach. Extended 2/3 approach will affect some countries as earlier mentioned—the African Group can live with it but it depends on the landing zone and might affect African countries interest and policy space. Although SePs are open to African countries, not many countries will be able to use it. Concerning the cuts of the formula, on a pure G-20 proposal, 5 African countries will be affected since the cuts will eat into their applied tariffs and in comparison with other countries will assume a burden which is proportionately higher than those of some developed countries. Therefore, these countries cannot be made to pay a higher burden than others, as it is essentially unfair. The WTO membership, it is felt, needs to develop an approach where there is an SDT plus which deals with these specific countries with problems with mainstream SDT. An example of SDT plus may be a

lower formula cut or use the Chairman's approach or a developmental approach to SePs as these countries must have solutions.

After his presentation on sensitive products, the Ambassador of Mauritius turned his focus on SPs. He pointed out that before the July Framework, there was no agreement in the negotiations and especially between the five major interested parties and the major problem was market access. There were different proposals on the table and the compromise was the tiered approach but in counter part, the developing countries got special products. SPs are an instrument that aims at preserving or ensuring that the survival of subsistence agriculture is not compromised. It is an important instrument for livelihood security, poverty eradication and rural development. Therefore when compared to SePs, it is not a purely commercial protective instrument. The Hong-Kong Ministerial improved the July Framework in a sense that SPs will be self-designated. What are at issue are the number and the treatment. However, self-designation qualifies the number in the sense that it is needs based.

On SPs, the Ambassador highlighted that the Chairman's text starts on a presumption that the proposal of the G-33 is unrealistic. Nonetheless, even the part of the membership, which is reluctant to the G-33 proposal, is prepared to negotiations and that the G-33 have put an operational proposal on the table. Although some WTO members are qualifying it as too ambitious, the Ambassador stressed that it is the only operational position on the table.

During this presentation, it was pointed out that the Chairman agreed with the idea put forward that there is a political linkage between sensitive and special products. It follows then if a link between special products and other aspects of the negotiations exists in the level of ambition, then the higher the level of ambition is, the higher the level of special products should be. The participants were however informed that according to the mandate special products is a stand-alone issue.

African countries were advised that if they want to negotiate on special products there are many parameters that should be taken into account and these are: link with the formula and with domestic support. On domestic support, if a country wants to designate special products then it has to reduce its level of domestic support. The Chair has interpreted the mandate on special products to mean more flexible treatment as tariff dismantlement on a line-by-line formula.

After the presentation by the Ambassador of Mauritius, the focal point of agriculture of the African Group made another presentation. He kicked off with a discussion of the structure on special products, and the relationship between special products and sensitive products. He stressed that from a developing country perspective, there is a

need to reconcile the offensive and the defensive interests of African countries and to reconcile the differences between developing countries. He listed discussions on SPs centering around:

- Need to agree on an appropriate number
- The selection of the products will be indicated by the criteria of livelihood security, etc.

He gave an overview of the G 33 position, which *inter-alia* includes:

- No a priori exclusion
- Link between domestic support and the AMS
- Special products subject to the SSM
- Treatment: free level treatment, exemption and a minimum cut which will be less than the formula.

He highlighted that some of the developing countries are going to be affected more than others and he gave the example of Malaysia and Thailand. He added that the proposal from Pakistan as a result of the differences between developing countries is trying to reduce the gap in their positions. He further added that the position of Pakistan tries to unite developing countries and promotes South-South trade and there is also the suggestion of linking special products with regional trade agreements.

Discussions

One participant stressed that agriculture is the most crucial sector in Africa as it touches on the livelihood of its people. The participant pointed out although Africa was aware of the urgency of the conclusion of the negotiations, Africa cannot be held to artificial deadlines, as it is the continent that is suffering the most. The problem is not increased market access to make profits but the question of survival of the poor. Furthermore, as a result of the negotiations dragging, Africa is paying a high price by maintaining negotiators in Geneva at a high cost. That Africa would be the biggest loser if the negotiations flop is not in doubt and though there is urgency in concluding the negotiations, members should not rush into a deal. The membership was cautioned not to sacrifice quality in order to meet artificial deadlines. The same participant pointed out that Africa in terms of negotiations has the least capacity although they are getting help from ECA, UNDP etc.

What seems to have been a consensus throughout the discussions and was often repeated is that the African Group welcomes the Chairs text but the text is incomplete. To have a sense of balance the African Group would have to wait for

the second installment before making any linkages. It was also pointed out that the paper does not bind and that the WTO process is a member driven process and the African Group should protect their interests.

The participants were also informed that the current thinking is that developing countries should not worry as they have too much water in the tariff and that any cut would not affect them. However, it was pointed out that any cut they would make would be a contribution to the negotiations. However, the African Group was cautioned that any cut would affect their policy space and hence affects agriculture of developing countries and would not lead to poverty reduction. Therefore what is needed is innovative approach to for example sensitive products to give developing countries flexibility.

An issue that was mentioned over and over again is that in the Chair's text it is recognized that both SP and SePs is open to developing countries. However, what is worrying is the reverting to the Uruguay Round approach. This was problematic as this had not been acceptable to some delegations in the past and this is why delegations settled for a simple Swiss formula. It was agreed that the African Group is therefore at cross roads and that the Chair's proposals should be looked at carefully and participants called on the ECA to look at the implications of the Chair's proposals on African countries.

The participants were of the opinion that in designating a number of products as special products did not imply rising of tariffs. At worst, the status quo would be maintained and at best the tariffs would fall. The other issue that was discussed is what would be "appropriate" as this was under discussion at the WTO. The participants were of the strong opinion that "appropriate" is unambiguous and that this should not be under discussion.

A participant in the meeting pointed out that countries had either defensive or offensive interests. From a trade negotiators point of view it was not bad to have SP or SePs however those countries with offensive interests need an insurance policy that SP or SePs would not limit market access. The successful conclusion of the Doha Round it was pointed out would give an opportunity to some countries such as Brazil to increase their market share which they see are market access through tariff cuts and would not want this taken away through SPs and SSMs.

Also, during the discussions, participants pointed out that the trade performance of African countries was worrying and that the potential outcome of Doha vis-à-vis global trade should be considered.

The conclusion to this session's discussions was the need for the WTO to stay within the mandate if developing countries are to fulfill national development strategies. This is even more important as GDP in African countries has been going down since the 1980s. Also, it was pointed out the SePs should not be used to shield problems in the developed world. African countries were also cautioned not to discount the importance of SePs to them and that they should leave the door open to designate some products as SePs. The ECA was called upon to work on a simple and workable instrument as SSM as Special Safeguard Mechanism of the Uruguay Round was difficult to utilize. Finally, the participants were of the agreement that the negotiations should result in a win-win situation but should not depart from the mandate. In trying to reconcile the gaps, a clinical treatment was needed and flexibility was needed for future South-South trade. Africa, it was recognized, is vulnerable and it is not fair that it should have to fight for stronger partners within the developing countries; nonetheless developing countries unity needs to be maintained.

Session III: Special Products, Methodology and Applications

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) made a presentation focused on sensitive and special products in trade negotiations and their implications on the Kenyan economy. The presenter mentioned that there is a relationship and also overlaps between special products and sensitive products. Most products selected as sensitive are also selected as special products. Special products are supposed to meet criteria of food security, livelihood security and rural development but the declaration of product as 'sensitive' is not required to be linked to any of the development criteria.

Under the current framework, sensitive products are considered to be those for which an appropriate number of tariff lines can be negotiated for more favourable treatment, that is, lower tariff reductions associated with tariff rate quota commitments.

The presentation also mentioned the criteria for selection of sensitive products under EPAs (EU-ESA), which are the following:

- * Those most negatively affected by imports
- * With very high tariffs
- * With greatest reductions in tariff revenues
- * Employing large numbers
- * Where Kenya/East Africa has production capacity

The criteria for selection of special products it was reiterated are based on food security, livelihood security & rural development and are largely guided by draft possible modalities on Agriculture circulated in June 2006 and G-33 indicators.

The presenter also stressed that current proposed levels of SPs of 20% of tariff lines by the G33 should be maintained and considered for adoption by the African Group. He also mentioned that it is very important to have flexibility in the substitution of SPs. The need to address supply side constraints in African countries was also emphasized in the presentation.

In this session a presentation was also made by the World Bank where the presenter raised a number of questions including why having SPs and SePs is important and what are the methodologies for evaluating impacts of SPs and SePs.

He pointed out that an agreement with exceptions would result in more reform than having no agreement. He pointed out that there are risks, which are linked to the use of SPs and SePs:

- It's hard to assess the market access implications of partners' offers
- Unless analysis on market access gains is available, countries tend to focus on their defensive interests, and
- What looks like a few exceptions may hollow out the agreement

With regards to developing countries interests in sensitive products, he stressed that the key issue is market access because developing countries will use special products for their defensive interests. On the selection of sensitive products, he addressed the issues of highest tariffs; extent of cuts and importance of products; loss of tariff revenue and political sensitivity. He also added that it is not possible only to look at the percentage of tariff lines. It is also important to consider the depth of cuts on sensitive products; the importance of these products as a share of imports, tariff caps on these products and TRQ treatment.

He reminded the participants what are the goals of SPs, which are food security, livelihood security and regional development and the instruments used which are smaller cuts in bindings, especially for staple foods with large expenditure shares and products produced by subsistence farmers. He also mentioned the need to consider the impacts on households of changes in food prices. He added it is desirable to take into account adjustments in wages. He stressed the need to consider the role of non-trade and complementary policies and such policies that target problems directly might do a better job such as Aid for Trade initiative. All in all he asserted:

- Sensitive and special products are important in the negotiations
- There is a need for careful analysis and policy design to ensure that sensitive products do not eliminate market access gains
- That special products contribute to their domestic policy goals, and
- It is important to consider complementary policies to support trade reforms

The UNDP representative gave an overview of the methodologies and applications from a UNDP perspective. She recalled that the July 2004 Framework Agreement calls for developing countries to designate an appropriate number of products as Special Products (SP), based on food security, livelihood security and rural development needs, to be eligible for more flexible treatment; and stressed the need for these countries to have access to Special Safeguard Mechanisms (SSM). Furthermore, the 2005 Hong Kong Ministerial Declaration calls for self-designation of an appropriate number of tariff lines as SP guided by indicators based on same criteria.

The presenter mentioned that the objective of the Food and Agricultural Organization (FAO) -UNDP project is to assist African countries in identifying SPs based on specific country (case studies) situations and suggests mechanisms regarding possible treatment in a future WTO agreement. The project is being implemented in two phases, the first one cover 4 developing countries (Botswana, Swaziland, Zimbabwe and Kenya (+Nigeria & Egypt)) and 4 LDCs (Uganda, Zambia, Tanzania and Malawi). The second phase may include 5 more countries in Eastern and South Africa (Mauritius, Namibia, Mozambique, Rwanda and Angola).

The process of the project is as follows:

- Background paper produced by FAO-UNDP
- National case studies conducted at national level using national statistics to confirm/modify first findings
- Exercise involves the use of one or two consultants per country
- Two workshops are conducted: the first is a national dialogue workshop to solicit views from national (agriculture and trade) experts/officials and stakeholders from the country in question, and which forms the basis of some of the analytical work; the second one is a validation workshop

A number of issues related to special products have been addressed in the project including the following:

- How can a distinction be made between what products are special and/or sensitive and their respective treatment?
- Can a product be both sensitive and special?
- How each identified product will be treated?
- What is the current practice regarding the treatment of sensitive products among WTO members?

With regard to Special Products, the July Framework calls for more flexible treatment (as opposed to flexible & distinct treatment for sensitive products). Questions that beg an answer are:

- What does this imply? What indicators for each category? Can indicators be country specific? How much is “an appropriate number”? What level of tariff line?
- What is the distinction between food security, livelihood security and rural development?
- What will be the effect on a country’s tariff profile?
- How might SP affect the negotiating positions of the countries and the outcome of the Doha Round?

The project has used a number of indicators to measure food security including the contribution of the product to nutrition; self-sufficiency and/or import dependency in the product; stability in access of the product; product in food expenditure. For livelihood security, the project has used the following indicators: level of employment in product/sector; income from product; Agricultural land/holdings/assets product share and incidence of surge/displacement by imports. To measure rural development, the project has used indicators such as the importance of product in national/rural agricultural economy; link between the product and rural area growth; the product production system profile; the domestic value-added potential of product; the tariff/tax revenue from product import/export.

The results from the studies in this project that were presented by the FAO showed that the proposition by the G-33 of 20% of the agriculture tariff lines as special products was appropriate. From the three case studies in the presentation, the average level of tariffs that need to be designated as sensitive products is 21.9%. At the individual country level, the following results were presented: Botswana (18.3%); Swaziland (21.1%) and Zimbabwe (26.3%).

The representative of South Centre in her presentation during this session first underscored the concerns leading to SPs proposals including increased inequalities and the inability of the state to act effectively where and when needed. Furthermore,

agricultural systems focused on the promotion of agricultural exports and neglected food production, which increased food-import dependence.

According to the South Centre representative, there are a number of guidelines for designation of SPs. A possible approach would be to think of a combination of indicators aimed at identifying the intended beneficiaries (definition of income level; definition of geographical context/location; and production capacity) and the products on which their livelihoods depend on (through their contribution to the economy; contribution to the consumption, etc).

The presenter stressed the following:

- It is important not to lose sight of the underlying concerns SP provisions are meant to address
 - Any multilateral solution to SP should be rooted in the stated criteria and indicators to guarantee that the objectives are met
- Numeral restrictions will not necessarily address particular trade concerns of members
- The treatment of SPs is critical, and
 - Stated concerns about trade impact of SPs are exaggerated

One of the presenters felt that there is political resistance to reforms because of strong interest groups in some countries and that is why countries have sensitive products. He asked why have an ambitious formula with exception and why not have a formula with smaller cuts. He also added that an agreement with exception might achieve more reforms but it would be difficult to assess the impact. In Uruguay Round, it looked like an ambitious result was achieved but there are still exceptions to the general rules despite the fact that agriculture has a small share of world trade.

It was added that SeP would affect opportunities in developed and some developing countries. On the selection of SePs, importing countries will use to shelter the highest products with the highest tariffs or minor products with higher tariffs. The USA for example, has a higher tariff on corn and has managed to get a higher tariff and if USA has to choose between 20 and 30 products, it would focus on products such as sugar, corn and dairy products where the interests of developing countries are strong.

The presenters finished with a number of questions and suggestions including:

- Look at the choice of product and impact on exporting countries and how it can be managed
- What are implications at home including distribution
- Depth of formula cut in bound tariff
- Extent of binding overhang
- Importance of the product
- Consider Aid for Trade option.

All in all in this session, the question of flexibility in designation and substitution of SePs and SPs was raised. This is because of change of taste and a product that is of paramount importance today might not be important in the future. The question raised by the participants was how should this flexibility in substitution of SPs and SePs be in-built in any future Agreement?

Open Discussion

The participants were of the opinion that it is important to evaluate the impact of SPs and SePs and research questions should be identified. It was also highlighted that the relationship between the negotiations and realities on the ground should be taken into account and that flexibility is needed in the selection and destination of special products.

A question was raised on the implications of the designation of special products for other negotiations such as EPA? Also the link between WTO and EPA negotiations was raised.

The issue of statistics was raised including what was the basis for the identification of the indicators. The participants emphasized the importance of working at the country level and the use of national statistics. In getting statistics, it is important to involve national stakeholders such as the private sector and civil society. In addition, the importance of taking into account bilateral negotiations such as EPAs in the designation of SePs (EPAs) and SPs (WTO) was highlighted as well as having a regional approach.

The conclusions on this session were that sensitive products are a potential escape for industrial countries as half or almost all of liberalization is gone. Another conclusion was that TRQs are important for developing countries market access. The participants agreed that if tariff cut is smaller then there is a need for an expanded TRQ.

A number of recommendations were given in this session and these include:

- The African Group was advised to find indicators in the agricultural sector
- The FAO/UNDP studies have to be extended to most countries and coordinated with what is being done by other institutions such as the ECA and UNCTAD
- There is a need to share research capacity between African countries

Session IV: Special Products and Special and Differential Treatment in Doha Round

ECA made a presentation on SPs. Before the ECA presenter made his presentation, he informed the participants that the ECA is involved in research on SPs and SePS in both the WTO and EPA negotiations. The ECA presentation focused on the economic impacts of SPs. Starting from the point of view that countries have designated tariff lines as special products, and working with the G-33 proposal of 20% and the tiered formula with coefficients originally proposed by the US (for developed countries) and by G-20 (for developing countries), the ECA presentation showed what African countries could expect to be the results of the SPs designation. The following were the main conclusions from the analysis:

- The case for special products is not in doubt
- The broad criteria clearly address the challenges that deep liberalization would have
- Special products are not enough to overcome weak domestic outputs and import dependence
- Investments and productivity improvements are essential.

The UNCTAD representative in his presentation first listed what are the flexibilities or SDT provided by the July Framework and the Hong-Kong Declaration. These include sensitive products for developed countries; proportionality, special products for developing countries, Special Safeguard Mechanisms and preferences for developing countries; and no reduction commitments and Duty Free Quota Free Market Access for LDCs.

He mentioned the main issues of the Chairman's text on special products. On the number of special products, the Chairman's text mentions that:

- Number not an unambiguous a priori requirement
- Not "at least" 20 per cent not "three or four"

- Between 5 and 8 per cent

On the treatment of special products, the Chairman's text provides with a more flexible treatment. It is also not "exempt from tariff cuts"; related to what the default cut is; and cuts are in the range of 10 to 20 per cent

With regards to the selection of special products, the Chairman's text mentions the following:

- Self-designation guided by indicators, which are based on criteria
- Not a vague relationship to criteria but relationship of dependency
- Indicators have to « transparently, objectively and intelligibly exhibit their rationale »
- Internationally recognized sources
- National data could be shared and become inherently publicly available

He mentioned some of the indicators for exclusion of SPs such as concern of impact on South-South Trade; 50 percent threshold; and 80 percent threshold.

In his turn, the representative of FAO mentioned that they have used a conceptual approach; as well as an analytical framework; and a case study application for the identification of SPs. The FAO has also used a number of indicators to measure food security, including the contribution of product to nutrition; Import dependency and/or self sufficiency of the product; stability in access of the product; and product in food expenditure.

To measure livelihood security, the following indicators have been used: level of employment in product/sector; income from the product; agricultural land/holdings product share; and incidence of Surge/displacement by imports.

For rural development the following indicators have been used: importance of product in national/rural agricultural economy; product and rural area growth; product production system profile; domestic value-added potential of product; and tariff revenue from product import/export.

At the level of country studies, he stressed that there was a number of challenges the in the implementation of SPs related to data availability; beneficiaries and desegregation; product choice and indicator; product treatment and need; and ranking and grouping.

He also raised a number of questions linked to the challenges in SP implementation. For example, if countries are members of a custom union with a CET, should they declare a common SP? Are countries belonging to different RTA increase the complexity?

Open Discussions

In the discussions in this session, the participants requested ECA to bring the presentation made by ECA to Geneva, as this study was very relevant to support the African position in the WTO. In addition it was agreed that the selection of SP would increase farmers income both as producers and as consumers.

The question of statistics and their reliability was discussed extensively. In addition the credibility of statistics was mentioned and it was agreed that the statistics by FAO was informative. As mentioned before, it was also advised in collecting data it was important to involve all the stakeholders including non-state actors. On the credibility of identification, it was posited that 7-24 products as SPs could be agreed on if the data relied on is validated internationally.

Conclusions from this session is that:

- SPs does not stop South-South trade
- African countries need to do their own homework on the percentage lines needed as SP, while noting the results already indicating an average range of 21.9% mentioned in earlier discussion
- Protectionism ultimately is a temporary measure and is not enough and protection should be supported by other measures
- Policy space is needed for future Rounds
- SWOT analysis and statistics very important
- Increase in market access does not mean increase in food security
- Growth of supermarkets is part of the problem in negatively affecting poor farmers
- SSM should be a complementary instrument to SP and SSM is part of the bigger picture
- Access to SSM will give African countries additional option to impose measures
- Avoid being maneuvered like in Uruguay Round negotiations where African countries failed to register to take advantage of available flexibilities

- The fallacy of the theory of trade liberalization leads to growth has been seen from UR experience
- Analysis of the implications of designation of special products on employment?

Session V: Sensitive Products and Market Access for Developing Countries

In his second presentation the representative of the World Bank highlighted that even a small number of sensitive products can have a large impact on market access. He also mentioned that the extent of the cut in sensitive products is hugely important. He stressed that the impact of sensitive and special products depends heavily on the formula used and that the impacts of special products on food security depend on impacts on producers and on consumers and not just one criterion. He concluded his presentation by pointing out that investments in rural areas avoid the risks of trade protection and can have very high returns.

The representative of UNIDO made a presentation on market access and sensitive products in the EPAs and Doha negotiations, considering competitiveness and conformity implications. She mentioned that market access does not necessarily mean market entry. For example, many studies have shown that the impact of Everything But Arms (EBA) initiative has been minimal on trade development apart from few sectors. This is because of the role of non-tariff barriers such as TBT/SPS, rules of origin including the problems of competitiveness and productive capacity.

She also gave an overview of the situation of the cotton chain in Africa and the main constraints that this sector is facing including the low level of transformation; weak productive capacities; poor capacity of institutional infrastructure and lack of marketing system; low average rate of utilization of production capacities; decrease of international market price and subsidies granted to exporters in several developed countries; high physical infrastructure costs; lack of regional and national strategy for the development of the cotton sector; and weak capacity for mobilization of domestic resources and attraction of FDI.

It was pointed out that UNIDO in collaboration with the African Cotton Association and the International Cotton Advisory Committee has developed a programme to develop the cotton sector. The main objectives of the programme are to: develop sectoral strategies and policies; upgrade and support productive capacities; enhance capacity of support institutions; improve production quality; and promote intra-regional and export trade. Some examples of UNIDO

assistance programme in the field of cotton for West African countries and some of the actions carried out and achievements were also mentioned.

Open Discussion

In the discussions in this session it was agreed that there is a need to define the concept of food security. The question raised was how did the chair arrive at a figure of 5 to 8% of products as designation of SPs. No answer was given but one participant pointed out that based on the FAO study, it seemed reasonable for the developing countries to minimally stick to the 20% figure. The FAO study clearly indicated that the average figure for three countries in Southern Africa was 21.9%. Furthermore, the ECA study also indicated that even the 20% figure was not enough to limit import dependency and more still needed with complementary actions accompanying the self-designated SPs.

As a result of one of the presentation on the assessment of the G-20 proposal, it was found out that 2/3 cuts would actually result on deeper cuts for African countries and as such the conclusion by the participants was that there is a need for flexibility and less than 2/3 cuts. It was also mentioned that farmers are both consumers and producers and as such there is a need to consider this aspect in the selection of special products.

The conclusion that was coming across throughout the meeting was that although special products have clear criteria, there are no specific criteria for sensitive products. The question raised was what are the criteria for the selection of sensitive products for developed countries and it is in the interest of African countries to put pressure on developed countries to provide them with the criteria they will use and to make sure that in the selection these countries are transparent.

A concern raised by one of the participants was how to reconcile protectionism and liberalization. In addition, the issue of diversification was raised and it was mentioned that there is a need for developing countries to diversify, as the benefits accruing from the sale of commodities are marginal.

In a nutshell, the concerns raised in this session include:

- Conversion to bio-fuels vis-à-vis food security
- Preference erosion
- High SPS and TBTs which hinder products from poor countries in entering rich countries due to rejection
- High tariff barriers and non tariff barriers between African countries

Some of the recommendations that came out of this session are *inter alia*:

- That ECA and its partners needs to do more studies on SPs and SePs
- No alternative to careful studies and analysis and this is where ECA and other agencies comes in
- Studies on the causal link if any between liberalization and import surges
- Harmonization between African countries in selection of SPs and SePs
- AFT is crucial is making sure that selected products become competitive
- African countries need to find out whether they can influence the design of SePs by developed countries
- Need for flexibility and less than 2/3 cuts by those developing countries that would be disproportionately affected
- In selection of SPs, it should be remembered that farmers are both consumers and producers
- There should be allowance for flexibility when countries select products as SPs as there might be changes to local consumption
- Important to remember that poor countries can benefit from trade with rich countries
- Improvement of supply side constraints by African countries is of paramount importance
- The need for right policy to diversify, and
- Harmonization between WTO and EPA negotiations.

It should be pointed out that the meeting was adjourned to give the participants a chance to study the Chair's text as well as help in preparing an African statement for the coordinator of the African Group to the General Council on the above text. But before the adjournment, a presentation was given as a result of dumping of frozen chicken on central African countries markets and their impact on poor farmers. What came across from this presentation is that despite the fact that local produce being of high quality, consumers bought foreign goods, as these were cheaper because of subsidization.

Closing of the Meeting

The Director of TFED closed the meeting and thanked the participants for attending the meeting. He pointed out that the seminar was a result of an African Group request for ECA to organize a meeting on Special and Sensitive products. He also thanked the donors of ATPC, the Canadian fund, UNDP and Denmark that

had made such a workshop possible. He also thanked the government of Benin and international organizations such as the AU, WTO, the WB, UNCTAD, UNIDO, FAO, KIPPRA and the South Center for their cooperation with ECA and being resource people. He mentioned that ECA is ready to organize such events in the future, including retreats if the African Group requests.