AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

The Babcock Institute
for International Dairy Research and Development

International Dairy Notes

April 2005

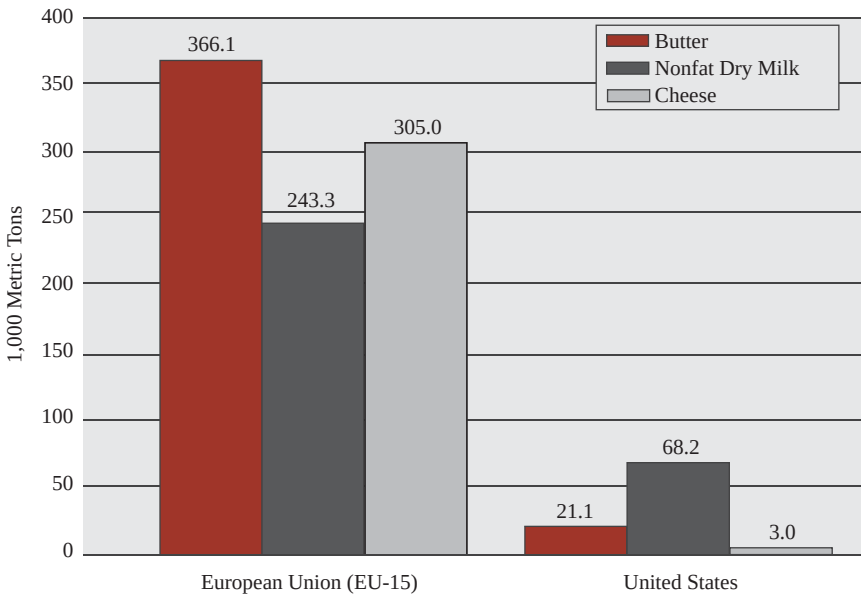
DOHA ROUND OF WTO NEGOTIATIONS: FRAMEWORK FOR AGRICULTURAL MODALITIES CONTAINS "LESS THAN MEETS THE EYE"

The Doha Round of World Trade Organization (WTO) negotiations was put on hold in September 2003 when the Ministerial meetings in Cancun, Mexico broke up after rancorous disagreements among trade ministers from developed and developing countries. The process was resurrected in mid 2004. The resurrected process included publication of a framework for modalities for further agricultural negotiations. This framework was heralded as a blueprint for furthering agricultural trade talks prior to the next WTO Trade Ministerial meetings scheduled for December 2005 in Hong Kong. While useful as a foundation, the framework leaves many important details to be negotiated. The U.S. dairy industry will be affected by elements of the framework relating to export subsidies, market access, and domestic price and income supports

Dairy Export Subsidies

The framework for modalities for agriculture specifies that export subsidies will cease at a date to be negotiated. This spells the eventual end of the U.S. Dairy Export Incentive Program (DEIP) and curtailment of several export credit guarantee programs. The big question relates to when agricultural export subsidies actually will end. The U.S. has proposed that agricultural export subsidies end five years after the start of the implementation period for the Doha Round. The French have proposed 2015 or 2017. The end of dairy export subsidies will hurt the European Union (EU) more than the U.S. since the U.S. has authorization for smaller export subsidies than the EU under the existing Uruguay Round WTO agreement.

Maximum Annual Volume of Subsidized Exports Under Current WTO Agreement



Dairy Market Access

"Substantial improvements in agricultural market access" is required by the framework for modalities however, WTO member countries are permitted to designate "sensitive" agricultural products for special, protective treatment. This and related "wiggle room" injects so much uncertainty into market access negotiations that the framework for modalities is mostly a "framework for negotiating some more" on market access. However, expect U.S. cheese imports, which equaled 5.2 percent of domestic consumption in 2004, to increase after the Doha Round becomes effective.

Trade-Distorting Domestic Support

The framework for modalities states that overall levels of the most trade-distorting domestic support for agriculture will be substantially reduced. What this will mean for the U.S. dairy price support program is unclear. However, if Aggregate Measures of Support (AMS) computations are made in roughly the same way under the Doha Round as they were under the Uruguay Round WTO agreement, then expect the U.S. dairy price support program to be scrutinized carefully and possibly cut in order to meet U.S. AMS targets.

Authored by: W.D. Dobson, Agribusiness Economist, Babcock Institute • Phone: 608-850-4540 • E-mail: Dobson@aae.wisc.edu.
Babcock Institute • 240 Agriculture Hall • 1450 Linden Dr. Madison, WI 53706 • E-mail: babcock@cals.wisc.edu • Web: http://babcock.cals.wisc.edu