
Dairy Policy Brief #8a: The Doha Round of the WTO

What is the process and where does the round currently stand?

The current WTO round was formally initiated with a declaration in November 2001 during a ministerial meeting held in Doha, Qatar. The agricultural negotiations had started months earlier under the Agreement on Agriculture. Since the Doha declaration, ministerials have been held in Cancun in 2003, Geneva in 2004 and Hong Kong in 2005. There are currently 149 member countries in the WTO.

An April 30, 2006 deadline for deciding some key details in the agricultural negotiations was missed and a planned ministerial meeting postponed. A July 31, 2006 deadline is still in effect for draft schedules of the next WTO agreement to be submitted. This deadline will be difficult to meet given that many of the details for a successful agricultural agreement are not worked out. A factor heightening the need to complete an agreement quickly is that the Trade Promotion Authority (TPA, or “fast-track”), under which Congress granted the Bush administration unilateral authority to approve trade pacts, ends in mid-2007.

The three “pillars” included in the WTO agricultural negotiations.

- **Domestic support.** The existing Uruguay round WTO agreement and current Doha round negotiations include reductions in trade-distorting domestic support levels, classified by the WTO as “amber box” spending. Using the WTO accounting framework for counting domestic support called the Aggregate Measure of Support (AMS), the U.S. has a current cap of \$19.1 billion. Proposals under the Doha round negotiations have suggested significant cuts in current AMS levels for many countries. The U.S. Doha round proposal offered in October 2005 would have made a 60 percent cut in the U.S. AMS cap. For the U.S. dairy industry, the Milk Price Support Program (MPSP) currently counts over \$4.5 billion towards the overall AMS level and would likely require modification or even termination under these proposed AMS reductions.
- **Market Access.** All non-tariff barriers were eliminated or converted to tariffs under the Uruguay round agreement. In certain cases, Tariff-Rate Quotas (TRQs) were created to allow some level of minimum access. No trade would have occurred without these TRQs since many over-quota tariffs remained prohibitively high. The focus of the Doha round has been on how to reduce these high over-quota tariffs, the administration of TRQs and what special safeguard provisions might exist to protect certain domestic sectors. Some Doha proposals have focused on reducing the highest tariff levels the most to achieve a closer balance in tariffs around the world. Further increases in market access through larger TRQs are included in some Doha proposals. Many developing countries are focused on what special treatment they may obtain in order to protect their agricultural sectors so they can develop and be able to compete in a global economy.
- **Export Subsidies.** The Uruguay round WTO agreement set out reductions in the quantity and expenditure levels of subsidized agricultural exports. The Hong Kong declaration includes references to complete elimination of export subsidies by 2013. For the U.S. dairy industry, the Dairy Export Incentive Program (DEIP) would need to be adjusted to be in compliance with export subsidy reductions made in a Doha round agreement. Current levels of dairy products that can be exported under the DEIP are: butter and butteroil, 21,097 metric tons; skim milk powder, 68,201 metric tons; and cheese, 3,030 metric tons. Other issues included in the area of export subsidies are food aid, export credit guarantees, and state trading enterprises.