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Dairy Policy Analysis Alliance

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Dairy Policy Brief #8b: WTO Market Access Issues

Market Access Provisions of the Uruguay Round

Prior to the Uruguay Round Agricultural Agreement (URAA) many agricultural product imports were restricted by quotas or other types of non-tariff instruments. The Uruguay round converted all non-tariff barriers into tariff equivalents in a process called "tariffication." This process attempted to create a tariff that would leave the ratio of the internal price to world price unchanged from what existed under the non-tariff instrument. Besides the conversion of non-tariff barriers, the URAA ensured that access to markets did not decline under tariffication by the introduction of tariff-rate quotas (TRQs) that had a lower in-quota tariff rate. The tariffs established under the URAA were then cut on average by 36 percent (at least 15 percent for each product) over five years (1995-2000) for developed countries and by 24 percent (at least 10 percent for each product) over ten years (1995-2004) for developing countries. Least developed countries were not required to make tariff cuts under the URAA. There were special safeguard provisions in the URAA that allowed governments to take action in cases of rapidly declining prices or for surges in imports. The URAA set the stage for future trade rounds to deal more easily with market access issues since market access became increasingly transparent with non-tariff barriers removed.

Market Access Proposals in the Doha Round

Although agricultural products are now only protected by tariffs, many tariffs remain at levels that are high enough to prevent meaningful market access. The numerous proposals on market access reform under the Doha round have called for further reductions in tariffs in an effort to achieve greater progress in expanding agricultural trade. Early in the Doha round, some countries proposed that cuts in tariffs should not be from the URAA bound rates but from applied tariff rates. In many cases, the applied rates are well below their respective bound rates, so there is no additional market access opportunity until the bound rate is reduced to below the applied rate. There are many other issues related to tariff reductions that range from domestic food security to tariff escalation that occurs in an attempt to protect processing industries. There have been many different proposals offered to cut tariffs. They all differ in the degree in which they attempt to equalize tariffs over time. The Swiss formula, for example, provides for a narrow range of final tariffs and a maximum final tariff rate. The latest Doha proposals have looked at bands that cut the largest tariffs by the largest percentage and smaller tariffs by a smaller percentage in an attempt to harmonize rates. Further market access issues identified in the Doha round include tariff quotas, tariff quota administration, special safeguards and state trading enterprises.

What are important market access issues for the U.S. dairy industry?

- ***Additional dairy products will enter the U.S.*** Under most Doha proposals, additional U.S. market access for most dairy products will occur. This will tend to lower U.S. prices. Perhaps more important will be reductions in U.S. tariffs that will allow products like butter to flow more easily into the U.S. when domestic prices are high. This will tend to cut the extreme peaks that have characterized butter markets over the past few years.

- ***Additional market access will raise world dairy prices.*** There is considerable evidence that additional global market access achieved by a successful Doha round agreement would increase world dairy prices to levels closer to current U.S. prices. This would minimize the negative effects of expanded market access on the U.S. dairy sector and could even cause U.S. milk prices to increase because of expanded export opportunities.