

WTO Ministerial Collapse Dashes U.S. Dairy Goals

Elwood Kirkpatrick
President



Hopes to fix current world trade imbalances in dairy products were dashed with the collapse of the Cancun round of the World Trade Organization (WTO) ministerial in September.

National Milk Producers Federation and U. S. Dairy Export Council representatives attended the Cancun ministerial to represent U.S. Dairy interests. In an effort to rectify current world trade inequalities, the U.S. dairy contingency set specific goals for the negotiations:

The goals are as follows:

Goal 1) Eliminate all agricultural export subsidies in three years. – *The European Union alone accounts for 75 percent of all export subsidies, while the United States accounts for just 3 percent.*

Goal 2) Harmonize (level the playing field on) tariffs. – *Agriculture tariffs in the United States average 12 percent, while many nations' tariffs are over 100 percent.*

Goal 3) Work toward additional market access. – *Only after accomplishing Goals 1 and 2.*

These goals were mostly included in the draft text prepared for the trade ministers to decide which topics would be negotiated in future WTO negotiations, but the talks collapsed before the text could be agreed upon.

The talks collapsed when a group of developing countries led by Brazil and India demanded the elimination of all farm programs in the United States and European Union before they would agree to anything else. This stalemate caused the talks to end abruptly and the meeting was adjourned without anything being accomplished.

Trade experts speculate that India's main goal is to keep high import tariffs, which are up to 112 percent on certain products. Brazil, which has greatly increased its agricultural abilities and technologies over the past decade, appears to want increased export opportunities.

The selfishness of these developing countries also hurt them. It was only too late when they realized that the draft text would have offered some cuts in U.S. and E.U. farm subsidies as well as reducing high tariffs in Japan. By then, the WTO participating countries had agreed on something: no progress was being made and it was time to leave Cancun.

The WTO's goal to have negotiations completed by January 1, 2005, will undoubtedly not be met and it is not known if or when there will be further WTO negotiations.

Reaction from NMPF and USDEC officials to the WTO negotiation breakdown can be found on page 24.

A handwritten signature in cursive script that reads "Elwood Kirkpatrick".

WTO Talks Collapse

U.S. Dairy Industry Concerns Remain Unaddressed

The mid-September collapse of World Trade Organization (WTO) negotiations in Cancun, Mexico, represents a lost opportunity to rectify some of the major trade imbalances plaguing America's dairy industry, according to the National Milk Producers Federation and the U.S. Dairy Export Council, organizations which sent high-level representatives to attend the talks. At the same time, the organizations recognize that the stalemate is acceptable to the extent that no WTO agreement is better than a bad agreement.

While agricultural trade practices were the most controversial issue that the WTO ministers were expected to address, the trade negotiations actually broke down Sunday, September 14, over trade facilitation issues, and as a result, the 146 trade ministers present never even fully focused on conflicts between developed and developing nations over farm policies.

"Cancun's failure to deliver a workable framework to improve world trade rules is disappointing," said Tom Suber, President of USDEC. "NMPF and USDEC have prepared for this moment

and we were ready to engage in negotiations to obtain the best possible outcome for the U.S. dairy industry."

"You can look at the outcome of the talks, and view the milk jug as either half full or half empty," said Jerry Kozak, President and CEO of NMPF. "It's half full because at least we emerged from Cancun intact, and didn't end up with a bad deal or unpalatable outcome. However, it's half empty from the standpoint that we have lost an opportunity to improve the world trade situation for America's dairy farmers. Europe's existing agricultural practices, which are a problem for the U.S. as well as the developing world, won't be changed now for the foreseeable future."

Suber said that the Bush Administration has expressed the desire to pursue free trade agreements through bilateral and regional negotiations.

"We have consistently argued that multilateral negotiations using the WTO as a forum is the best way to address issues such as export subsidies, market access and domestic support in a reciprocal manner among all

WTO members," Suber said. "That will now have to wait for another day."

Kozak said that "U.S. dairy farmers need to be part of the negotiations because agriculture will be a major part of the final outcome. We need to show we are leaders in this process, rather than standing on the sidelines waiting to take whatever deal we are given."

If the WTO's viability is adversely affected over the long haul, the U.S. dairy sector will need to refocus its energy to fight bilateral free trade agreements that will adversely affect the U.S. dairy industry, such as the pending Australia Free Trade Agreement, Kozak said.

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