WTO provision on farm subsidy likely to hit Nepal’s agri sector

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The agreements reached during the recent ministerial meeting of the World Trade Organisation (WTO) in the Indonesian island of Bali will benefit least developed countries like Nepal, albeit the deal on farm subsidy that allows countries like India to subsidise grains may make Nepali agricultural products less competitive, according to economist and WTO expert Dr Posh Raj Pandey.

“Although agreements like the ones reached during WTO meets do not ensure immediate gains, the successful completion of the recent meeting proves that the multilateral trading system is not dead yet and such forums are not only talk shops but can deliver results as well,” Dr Pandey told The Himalayan Times. “Also, the LDC package shows that the main objective of the WTO is not only to expand trade but ensure sustainable development as well.”

Dr Pandey’s comments come at a time when the world is hailing the Bali meet, during which the trade body was able to strike the first global agreement since WTO’s foundation in 1995.

One of the highlights of the meeting was the agreement on trade facilitation that is expected to reduce trading costs, ensure efficient transactions and expedite customs procedures at various ports across the world.

“But for Nepal to take advantage of this agreement, the country needs to revamp its customs policies and tariff structure,” Dr Pandey said. “The faster we do this, the earlier we can reap benefits from the arrangement.”

The agreement on duty-free, quota-free market access for least developed countries (LDCs) has also been hailed, as it allows more products from LDCs to enter developed and developing countries.

The agreement on duty-free, quota-free market access says: “Developed-country members that do not yet provide duty-free and quota-free market access for at least 97 per cent of products originating from LDCs, shall seek to improve their existing duty-free and quota-free coverage for such products, so as to provide increasingly greater market access to LDCs, prior to the next ministerial conference.”

The agreement also says: “Developing-country members shall seek to provide duty-free and quota-free market access for products originating from LDCs, or shall seek to improve their existing duty-free and quota-free coverage for such products.”

“Although LDCs were asking developed countries to provide duty-free and quota-free market access for 100 per cent of goods originating in LDCs, the agreement reached during the meeting was not that bad either,” Dr Pandey said.

Other agreements reached in favour of LDCs include Preferential Rules of Origin for LDCs and Operationalisation of the Waiver Concerning Preferential Treatment to Services and Service Suppliers of LDCs.

Although most of the agreements reached during the meeting were seen in a positive light, flexibility in rules on farm subsidy that will protect countries like India from penalties for infringing the domestic subsidy limit of 10 per cent of value of production is expected to hit Nepal’s agriculture sector.

“Penetration of these subsidised farm products in the Nepali market may make domestic agricultural products less competitive,” Dr Pandey said. “To prevent such mishaps, we will need to provide protection to our agricultural sector.”