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Title : WTO endorses its 1st trade deal in 20 years

Author :

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Agrees To Easier Customs Rules In Return For Flexibility On Minimum Support Price

World Trade Organization members agreed to the first global trade deal in the agency's 20-year history by endorsing a move to roll out easier customs rules, while giving flexibility to developing countries such as India to pay minimum support price to their farmers, without fearing about breaching the prescribed ceiling.

Although an official statement was awaited at the time of going to press, Indian government officials confirmed that the proposals have been cleared. "It's all agreed," a WTO official told an international news agency in Geneva.

In addition, they will finalize a work programme by next July to provide a thrust to multilateral trade agreements that cover all 160 members and will make an attempt to reduce the proliferation of free trade agreements that are being pushed by countries such as the US. The West, which has been pursuing an aggressive FTA agenda, has blamed the lack of progress at WTO to look at other options.

The Trade Facilitation Agreement -to ensure easier movement of cargo through customs at ports and airports across the globe -is expected to restore some confidence in WTO, which has been pursuing the stalled Doha Development Agenda for over 13 years now. Some studies have estimated that the gains from the new agreement may be as high as \$1 trillion, although a majority of the gains through higher exports are likely to accrue to the developed countries and large exporters such as China.

While the government will have to upgrade some of the infrastructure and rework the rules, it is unlikely to result in heavy investment or major changes in regulations.

The deal endorsed by the WTO General Council in Geneva on Thursday has been in the pipeline for a year but could not go through due to the BJP government's objection to the formula on piling up food stocks, which was agreed in Bali last December. But, now the member countries have agreed to decide on a new formula for calculating the level of food subsidies by next December but avoid any penal action at the WTO until the mechanism is tweaked to address the concerns of developing countries. According to government, current food subsidy formula flawed as the calculation is linked to 1986 prices.

Although India is still away from breaching the subsidy cap of 10% of value of production, the government fears that the rise in global prices of grains, especially rice, and higher procurement may result in higher support to farmers. As a result, it has been arguing for a safety valve against what it terms as a mistake from the Uruguay Round.

A critical step: US

Washington: The US on Thursday welcomed the WTO decision on enabling full implementation of the trade facilitation agreement (TFA). “The WTO has taken a critical step forward by breaking the impasse that has prevailed since July,” US Trade Representatives Mike Froman said. The WTO move on TFA comes after US-India agreement on it last week.

WHAT'S THE BIG DEAL?

TRADE FACILITATION

- India may not have significant gains. Large exporters in developed world, China to benefit more
- Govt says no major changes in customs rules or infrastructure. Limited investment to be made
- Studies suggest new agreement will give a boost of up to \$1 trillion to global economy, create millions of jobs



FOOD SECURITY

- Deal allows developing countries like India to fix minimum support price without fearing about breaching 10% subsidy cap
- WTO members to try and rework formula by next December. But going past subsidy ceiling will not result in penal action at WTO. Immunity available indefinitely
- In future, India will have to take fresh commitments in some other area in return for the revised subsidy calculation formula

