

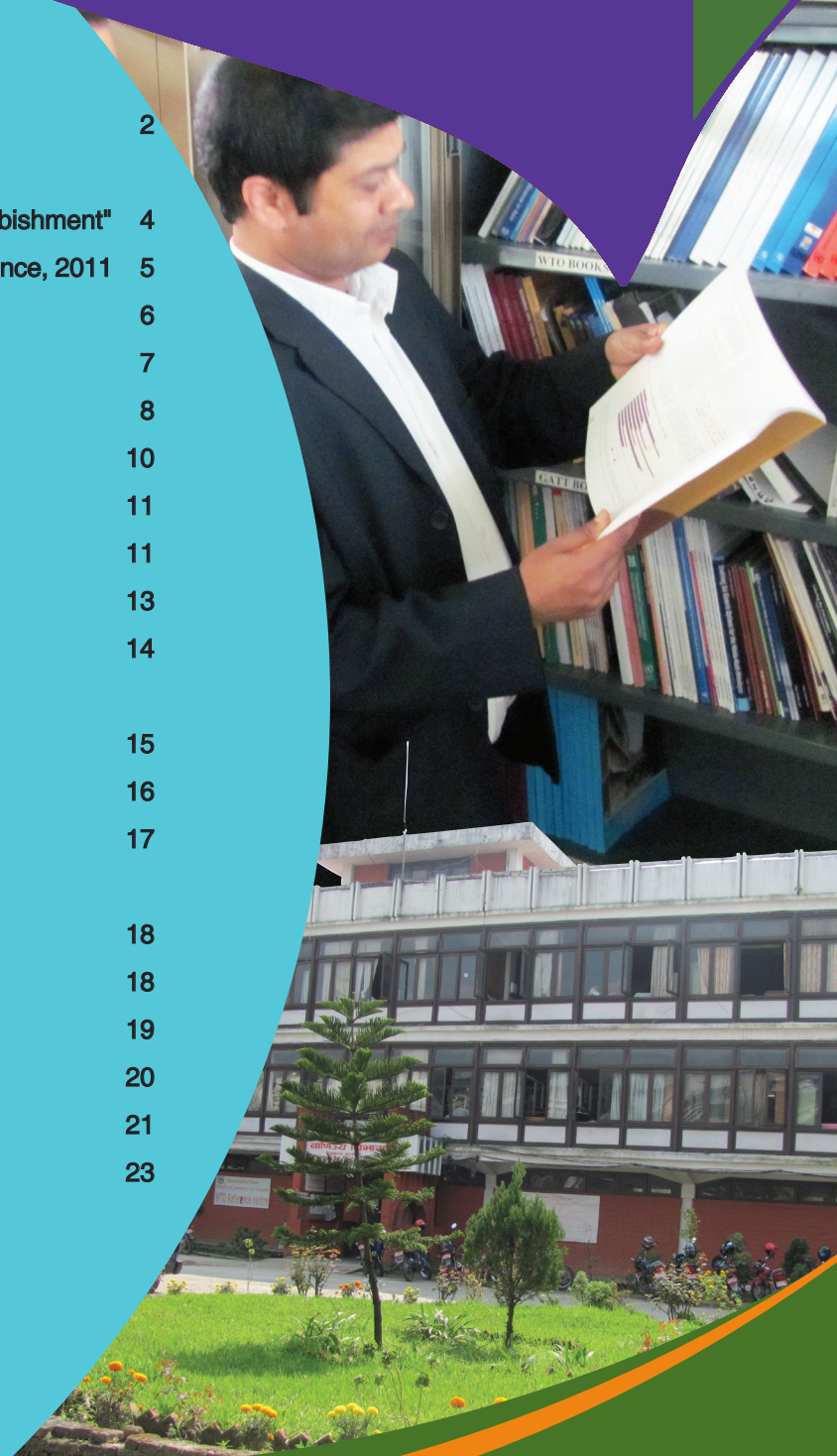


Government of Nepal
Ministry of Commerce and Supplies

WTO Reference Centre Nepal

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Editorial

Welcome to the First Issue of WTO Reference Centre, Nepal Newsletter !

This Newsletter, the first of its kind in the history of Nepal's WTO Reference Centre, holds great significance in many respects. Given the key objective of this Reference Centre to disseminate information on the WTO, issues related to multilateral trading system and other trade related activities and events taking place within and outside the country among readers and stakeholders, this Newsletter would be one of the important means for the Centre to achieve its objectives. Besides, through this Newsletter, readers will come to know what major activities are being undertaken during post accession period and how the WTO and trade related matters are moving ahead in the country at present. Realizing this fact, we have put our utmost efforts to make this Newsletter comprehensive, informative, factual and readable as much as possible. In doing so, it has not been limited to Newsletter only, but goes beyond and has become almost a small journal. We hope that readers will find this Newsletter useful and informative to enhance their knowledge, understanding and perception with regard to WTO related matters.

This Newsletter has been published as a part of activities included under "Strengthening WTO Reference Centre, Nepal", a project supported by European Commission and UNESCAP. We appreciate EC and UNESCAP for the support that they are providing for the strengthening of the WTO Reference Centre, Nepal.

As our next issue of this Newsletter will be in Nepali, we highly welcome readers, academicians and business communities, for their kind inputs and suggestions to make the Newsletter more informative and readable. For now, we would like to thank all concerned officials and friends, without whose sincere support, this Newsletter would not have taken this form.

Editorial Board,

WTO Reference Centre-Nepal,
September, 2011



WTO Reference Centre

WTO Reference Centre Nepal – At a Glance

Introduction

Fifth Ministerial Meeting of the WTO held in Cancun, Mexico, in September 2003 adopted the membership package of Nepal and declared Nepal's accession to the WTO. As provisioned in the WTO, Nepal ratified its membership on 23 April, 2004 and became 147th member of WTO. It was one of the major events for Nepalese trade industry with many opportunities as well as challenges on hand. This event caused rapid demand of information on trade and WTO issues by different stakeholders;- policy makers, researchers, lawyers, university students, entrepreneurs, business community, WTO focal persons, and officials of the government of Nepal and so on. To mitigate the existing information asymmetry and to address the increased demand of information, WTO Reference Centre Nepal was established on 25 November, 2003 under Ministry of Commerce and Supply, Government of Nepal with the technical assistance of the World Trade Organization (WTO). Established with the support of WTO's assistance to strengthen Nepal's capacity on trade and related issues, it is one of those over 29 Reference Centres operated in WTO member countries. Since its establishment, WTO Reference Centre Nepal has been continuously putting its effort to bridge the information gap by providing the relevant information like notification requirements under the Agreements on SPS, Technical Barriers to Trade and GATS and so on. In addition, through different seminars and workshops on trade and WTO, it has been emerging as an 'enquiry point' and 'e-learning centre'.

Objectives of WTO Reference Centre

Information gap minimization on national and international trade and WTO issues is the key objective of WTO Reference Centre, Nepal. For that, major stakeholders are enabled to obtain trade-related information resources

“The WTO Reference Centers (RCs) aim at providing beneficiaries with a dedicated physical location where any relevant information on the WTO can be accessed via the WTO Internet site, on CD-ROMs, in print, as well as in electronic format” - WTO

on the WTO Internet site, in electronic versions on CD-ROMs developed by the WTO, as well as documents, and to facilitate access and use of Training programs proposed by the WTO. This information covers national to international contexts and recent development on trade and WTO issues.

Reference Centre at Present

A well managed information centre is established with the support of UNESCAP. There are almost over 300 books available at centre that cover series of issues related to WTO and trade. Electronic copies of information are available so far as possible. Stakeholders can use internet and get the information they want. There are number of books, reports, booklets and publications of the MOCS, WTO and other agencies.

Services of WTO Reference Centre at Present

- Free distribution of some of the reading materials related to the WTO and other trade related issues
- Availability of variety of study materials only for study in the centre
- Opportunity to download the accessible documents from the internet
- Opportunity to make a copy of different electronic documents and reports from the computers of the centre
- Opportunity to take participation in the training and interaction programme to concerned stakeholders

The Centre has been organizing various activities over the years. Since its inception, the Centre has already organized 29 short-term trainings and interaction programmes, participated by representatives of different ministries of the Government of Nepal, public corporations, private sector organizations, business groups and professional associations and NGOs.



WTO Reference Centre

The centre has also been collecting WTO publications, Newsletters etc. and made them available to users within the Center's premise. The Center has been providing services to visitors by searching related information on websites as per the requests made by the users. These activities of the Centre are being well appreciated and considered very useful by business groups and professionals in gaining knowledge on WTO related matters and agreements.

Challenges Faced by the Reference Centre Nepal

Despite having limited infrastructure and human resources, WTO Reference centre Nepal has been trying to provide excellent service as far as possible. There are some major challenges faced by the centre as follows:

1. No separate budget and program for the centre
2. Insufficient human resources
3. Dependency on Department of Commerce for internet and electricity
4. Insufficient space

Future Scope of WTO Reference Centre Nepal

WTO Reference Centre Nepal was established as an 'information centre' about the WTO and trade related issues. Despite having limited resources, it has been a 'study centre' for many scholars, academicians, policy makers and so on. Whatever the present scenario is, it has got a large future scope in the context that there is no any particular place, except this centre, providing information on trade and the WTO. Although there are few other NGOs carrying out research activities on trade and related issues, WTO Reference centre is the only formal institution in Nepal. Thus, it can be greater avenue for achieving information about trade and WTO. It will be worth counting if the Centre becomes a single hub with required facilities to access the trade related information.



WTO Reference Centre Nepal Needs Upgrading and Refurbishment

1. Why WTO Reference Centre was established in Nepal? How do you assess its relevancy at present?

Nepal's WTO Reference Centre was formally established on 25th November, 2003. It was established with the technical assistance of the WTO at a time when there were different opinions and skepticism floating around in the country regarding Nepal's petition for accession to WTO. Intellectuals, academicians as well as business communities were divided into different groups having different perceptions towards the WTO at that time. Some of them viewed Nepal's accession to WTO as highly desirable since it could help integrate Nepal's economy with global economy and foster economic development by promoting competitiveness and market access. While others were of the opinions that accession might invite unfavorable results in the economy since opening-up economy to the outside world could put our domestic industries and small scale enterprises at great risks. At this crossroads, it was felt necessary to establish a centre which conveys factual information about the WTO and help people to develop good understanding and make impartial judgment about WTO related matters. As it is being developed as a learning centre for WTO related information and becoming popular amongst researchers, students and academicians, I think that it is still relevant. Given the limited knowledge and understandings about the WTO and trade related issues among general citizens in the country, I believe that this kind of Centre should be continued and strengthened in the future too.

2. As the Secretary of the Ministry of Commerce and Supplies, how do you perceive the role played by WTO Reference Centre in Nepal?

With the establishment of WTO Reference Centre in Nepal, many people came to know what the WTO is, what it does and why does it exist in today's world. The materials available either in the print or in electronic formats in the centre are good sources for extending knowledge and validating understandings in different WTO related matters. Free internet services and more than dozens of magazines as well as hundreds of trade related books and booklets available in the centre have made this centre popular among intellectuals and students alike. In the beginning, different kinds of awareness creation programs and interactions were also used to take place from time to time in the centre to disseminate information on various WTO related issues. Even today, interaction programs are being conducted on several trade related issues at certain time intervals, but not

that much. Since it provides true, reliable, updated and relevant information on WTO and WTO related matters, it has become an ideal place for those people who wish to acquire factual knowledge and information on WTO matters. Indeed, this reference centre has helped a lot to educate people about the WTO and make them aware of WTO issues from the beginning. So, I am happy with the centre and would like to appreciate the centre for its continued service to the citizens since its inception.

3. Are you satisfied with the way how Reference Centre is running nowadays and the services that it offers to its visitors?

Yes, I am quite satisfied with the functioning and services of the centre. However, I still feel that there remain some areas for improvement which could make it more systematic and attractive learning centre in the future. Firstly, as it does not have its own building, currently it is running in a tiny room in the Department of Commerce at Babar Mahal. The insufficient space at the centre has made it difficult to manage books, magazines and other useful materials in a scientific and readers-friendly way. On top of that, limited reading space does not allow many readers to read books and refer other reading materials at the same time. So, reader-friendly building is essential without delay. Similarly, as the centre does not have its separate server system it has to rely on Department of Commerce's internet service which is not found as prompt as desired. Besides, due to limited awareness about WTO Reference Centre, limited numbers of people have been benefitted from this centre. Unlike in the past, interaction programs on concurrent trade issues are not taking place regularly, which I think needs revision. These constitute some of the key pitfalls which need immediate intervention if we wish to develop it as a robust learning centre.

4. Given the limited numbers of people visiting Reference Centre what is your suggestions in order to increase the number of visitors in the centre and make it more popular reading centre among concerned people?

To become any reading centre popular among citizens, it must be in accessible location with up to date information and reading materials. Regarding the location of the centre although it seems accessible and appropriate to everyone, inadequate publicity about the centre has

resulted in a low number of visitors. So, in my opinion, we should publicize and introduce the centre as much as possible among people so that a significant number of people make a visit to the centre and enjoy its services. Secondly, we have to make available updated information, recently published books and reading materials, booklets, Journals, magazines, CD-ROMs etc. as maximum as possible. Internet facilities of the centre should be further extended and updated. For certain academicians and researchers, we should consider borrowing facilities for the books for certain time period which does not prevail till now. However, in doing so we may need to develop certain criteria. Perhaps these undertakings would be sufficient for now to increase the number of visitors while making it popular reference centre.

5. How do you assess donor's role in supporting Nepal's WTO Reference Centre?

I already mentioned that WTO Reference Centre was established with the technical assistance of the WTO. Since then different organizations and mechanism of the WTO have been rendering their support for up-grading this centre from time to time. Even today, European Union is providing physical and technical support under the programme of "EC-Nepal-WTO Assistance Program" for the centre. UNESCAP on behalf of EC is supporting to strengthen human resources and institutional capacity. Recently, some new furnitures, computers, printers

books and magazines have been added to the centre. Refurnishing of the centre has been done in order to make it more convenient and attractive for the visitors. Given these sorts of improvements taking place, I highly appreciate donors for their role in strengthening the Centre and hope that they will continue their support even in the days to come.

6. What is the Ministry's plan to further strengthen the Reference Centre in the future?

The Ministry's objective is to run a well equipped, well organized and well functioning WTO Reference Centre. For that, it should be refurbished in many ways. We are planning to construct a separate building with adequate facilities that accommodate separate rooms for reading, conference and administrative purposes. For now, we are undertaking various reforms such as developing a separate website and publishing newsletter for the centre so as to increase its access and publicity among people. Focus will be given on strengthening the internet service in the centre. Buying new books and subscribing to useful magazines and journals for the centre will be carried-out continuously. Conducting interaction programs on concurrent trade issues by inviting scholars, business communities and concerned government and private stakeholders at the centre will be made regular. Both internal and external resources will be mobilized for the strengthening of the centre.

Non-DDA Agendas for Upcoming 8th WTO Ministerial Conference, 2011

It is more than a decade the Doha Development Agendas were announced. There is still no hope that the longest round of multilateral negotiation to be logically concluded. In the mean time there are other contemporary issues which the WTO has to deal with. In the statement of July 2011, the Chair of the General Council has proposed some important items relating to non-DDA issues to be included in MC8 Agenda. These items can be presented under two headings as follows;

a) WTO Work up until December 2011:

- i) Aid for Trade (AfT) and issues relating to Least Developed Countries (LDCs) and Small and Vulnerable Economies (SVEs)
- ii) Improving Accession Process
- iii) Strengthening the Trade Policy Review Mechanism (TPRM)
- iv) Strengthening the Monitoring Mechanism
- v) Broadening work on RTAs.

b) WTO Work after December 2011 and Perhaps up to the Next MC in 2013:

- i) Addressing Systemic Aspects of WTO's Work
- ii) A number of new, or 21st century issues, e.g. trade and currency exchange rates, climate change, and food security.

At the same Council Meeting, the Chair, Informal Group of Developing Countries (IGDC), also highlighted the following additional issues to be discussed on the forthcoming MC8.

- i) Improving Access of Developing Countries, in particular LDCs, to Dispute Settlement Mechanism
- ii) Food Security for NFIDCs
- iii) Adoption of Annex C of the Draft of Cancun Ministerial Declaration
- iv) Transition Periods for LDCs under Art. 66 of the TRIPS Agreement
- v) E-commerce with focus on developing countries.

In conclusion, it is certain that in addition to the DDA issues, the above mentioned items seem to attract the attention of the negotiators in the days to come.

Trade Policy Review of Nepal

The Trade Policy Review Mechanism (TPRM) was introduced into GATT in 1989 following the Mid-term Review of the Uruguay Round. The mechanism was confirmed as an integral part of the WTO in Annex 3 of the Marrakesh Agreement establishing the World Trade Organization. Before 1995, trade policy reviews were restricted to trade in goods. In conformity with WTO rules, since January 1, 1995 reviews have also covered new areas like trade in services and intellectual property rights.

The purpose of the TPRM is to contribute to improve adherence by all members to rules, disciplines and commitments made under the Multilateral Trade Agreements and, where applicable, the Plurilateral Trade Agreements, and hence to the smoother functioning of the multilateral trading system, by achieving greater transparency in and understanding of the trade policies and practices of members.

The frequency of reviews of a member is related to its weight in the multilateral trading system as defined by the member's share of world trade in goods and services. On this basis, members are reviewed under one of three different cycles: every two years for the four largest trading entities, i.e. USA, EU, China and Japan; every four years for the next sixteen countries; and every six years for other members with provision for a longer interval for least-developed countries.

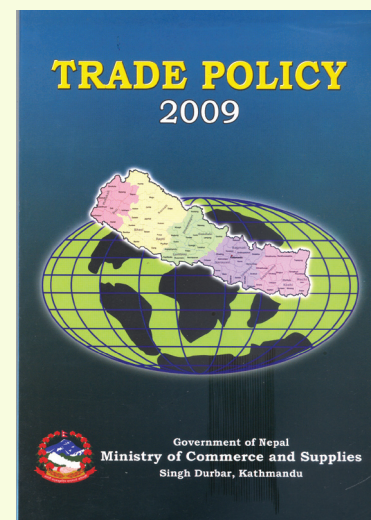
According to ANNEX III of Marrakesh Agreement (1994) the main objectives of TPRM are;

- i) To increase the transparency in the understanding of WTO member's trade policies, regulations and practices;
- ii) To undertake a regular collective appreciation and evaluation of these policies and practices and to assess their impacts on the functioning of the multilateral trading system; and
- iii) To enable a debate on WTO member's trade policies and practices, taking into account their wider economic and development needs, policies and objectives.

WTO members are also agreed to increase domestic transparency of their decision making on trade policy matters; but it is yet on a voluntary basis.

After the six years of membership in WTO, Nepal has decided to carry out its Trade Policy Review under the WTO regime. This kind of exercise is new experience for Nepal. The process was started in July, 2010 and is expected to conclude in February, 2012, when the Trade Policy Review Body sits to review the trade policy of Nepal in Geneva.

In this process, Nepal has set up special mechanisms to carry out the whole process with efficient and effective way. For this, under the Ministry of commerce and Supplies, two tier of institutional mechanism have been set-up. At the higher level, under the chairmanship of the Secretary, there is a TPR Steering Committee which comprises the senior officials from the different line ministries and departments. This committee is mainly concerned with coordination and provides necessary guidance to prepare the TPR reports. Under this committee, there is a TPR Technical Committee which is chaired by the Joint Secretary of Ministry of Commerce and Supplies. This committee includes all WTO focal points and other concerned representatives from different line ministries and other relevant organizations.



UNESCAP Representative visits WTO Reference Centre



Mr. Mostafa Abid Khan, Economic Affairs Officer and Project Manager from UNESCAP, Thailand, visited WTO Reference Centre, Babarmahal, Kathmandu Nepal, on 26th May, 2011.

During his visit, Mr. Khan observed the Reference Centre. He also discussed with Under Secretary Mr. Manoj Kumar Acharya about strengthening the Reference Centre. He promised to continue UNESCAP's support to the centre.

UNESCAP has been supporting the Centre since April, 2008.

Similarly, the WTO Secretariat has also constituted a team to prepare report and coordinate the overall TPR Process in Nepal.

As per the requirement, two reports have to be prepared. The first is to be prepared by the WTO Secretariat which generally gives an overview of the present economic environment of the country, present practices of trade and investment regime, trade policies and practices by measures and sectors as well as aid for trade. Whereas, the second report has to be prepared by the government of Nepal on its own responsibility which provides the future perspective of the country's economic and trade policies. It also tries to address the queries of the member countries. Currently, Nepal is in the process of making comments and suggestions to be incorporated in the TPR Report prepared by the WTO Secretariat.

Though the TPR process is very new exercise for Nepal, it seems very useful to the country. This process covers the assessment of all the economic and trade related policies and legal provisions that are in practice in Nepal. Further, this process provides the policy makers to understand Nepal's current policies on different aspects of the economy especially on investment, trade, and other macro-economic policies from broader perspectives. This will provide strong base to find out the bottlenecks of the policies and legal mechanism that can be addressed in the days to come. Not only this, this process also provides an opportunity to Nepal to attract the attention of international community and clarify the current reform initiatives carried out to liberalize the economy and improve the investment climate in the country.



Nepalese Officials' Study Tour to Mongolia and Vietnam

As part of EC-Nepal-WTO Assistance program, a five membered Nepalese official team visited Mongolia and Vietnam from 28 July to 2 August, 2011. The study tour organized by UNESCAP, was carried-out with a view to provide post accession experience of two developing Asian nations namely Mongolia and Vietnam to senior and mid-career Nepalese officials who are involved in designing country's trade policy and program, WTO commitment implementation and trade policy review. The Nepalese team found this study tour very productive and informative since it provided them with good exposure and opportunity to gain and exchange knowledge and experience with regard to WTO commitment implementation in both countries. The Nepalese officials acquired knowledge on different trade issues including overall impact of accession to the WTO on country's export, investment, employment, income generation and poverty reduction in these two countries. Officials of the study tour met trade specialists and distinguished officials involved in trade negotiation and responsible for fulfilling commitments made during accession of both countries and discussed and shared various issues associated with WTO membership. The team observed good practices on TBT and SPS measures undertaken by these two countries towards positioning their product competitive with approved standards in international market. The team is of the view that knowledge, experience and lessons gathered through this study tour are not only useful and relevant but also highly inspiring to Nepal towards becoming a 'Good WTO Citizen'. The study team led by Mr. Anil Kumar Thakur, Director General, Department of Commerce included four other mid-level officials from Ministry of Commerce and Supplies namely Mr. Ganga Dhar Aryal, Mr. Shiva Prasad Tripathi, Mr. Dinesh Nath Bhatta and Mr. Krishna Prasad Upadhaya. Another five membered study team is visiting Thailand and Cambodia in the second week of September with similar objectives.

Interaction Program on Aid for Trade (AfT) in Nepal

A half day interaction program was organized at WTO Reference Centre, Babar Mahal, Kathmandu on 19th August, 2011 on "Aid for Trade and Nepal : Issues and Way Forward". The program attended by various representatives from different concerned ministries and departments, distinguished academicians, trade intellectuals and journalists, was conducted under 'Strengthening WTO Reference Centre Nepal Program' which is being supported by EC-Nepal-WTO Assistance Program. The interaction program was chaired by Mr. Purushottam Ojha, Secretary, Ministry of Commerce and Supplies. Mr. Chandra Ghimire, Joint Secretary and division chief of Planning and International Trade Cooperation Division of the Ministry, was the key speaker of the program. He made a comprehensive presentation through power-point on the said topic and shed highlights on different issues including challenges associated with AfT. Renowned economist and Professor Dr. Bishwambhar Pyakurel and Mr. Ratnakar Adhikari, a trade specialist and General Secretary of SAWTEE, made eloquent comments on the paper presented by Mr. Ghimire. The program which was held following the 'Third Global Review Meeting on AfT' by the World Trade Organization in Geneva in the third week of July this year, was the second interaction program of its kind at WTO Reference Centre as envisaged under "Strengthening WTO Reference Centre Program".

WTO, AfT and LDCs

Aid for Trade is about assisting developing countries to increase exports of goods and services, to integrate trade into the multilateral trading system and to benefit from liberalized trade and increased market access. The concept of AfT, for the first time in the history of WTO, emerged formally during the sixth Ministerial Conference of WTO members, in Hong Kong, in December, 2005. It is particularly concerned with supporting the Least Developing Countries (LDCs) to enhance their trade capacity given their weak presence at global trade regime. However, initiatives for introducing this kind of mechanism in favor of LDCs were started in the late nineties. Such as the



first WTO Ministerial Conference held in Singapore in December 1996, had realized that only the increased market access opportunities that have been created at different layers through multilateral, regional and bilateral trade agreements can not be sufficient to increase the share of most of the developing countries and particularly Least Developing Countries (LDCs), in global trade and take adequate advantage of them. During the conference it was widely acknowledged that limited production capacities coupled with weak trade infrastructures, poor linkage to global economy and high transaction cost have made goods and services of developing and least developed countries less competitive compared to developed countries, and created great hurdles to enhance export. Besides, adjustment cost of trade liberalization and curtailed tariffs rate had created acute resource constraint to most of the LDCs to carryout and expand poverty reduction programs smoothly. Against this backdrop, to help LDCs address supply side constraints from the grassroots and enable them further expand poverty alleviation programs without experiencing any hindrance, it was decided that developing and least developed countries should be given some sort of technical assistance especially for trade related capacity building. Consequently, WTO introduced "Integrated Framework" in 1997 under which assistances were given to LDCs to help them mainstream trade into national development strategies and build their trade capacity.

The 4th WTO Ministerial Conference held in Doha, Qatar, in 2001, suggested to the WTO and especially to OECD members to incorporate the notion of Trade Related Technical Assistance (TRTA) to help developing and LDCs better frame their trade policies and programs, and engage in fruitful trade negotiations at different levels. In 2005 IF was further revamped and renamed as "Enhanced Integrated Framework" with additional funding and distinct full fledged secretariat at Geneva. Until 2005, support program that were channelized through IF, TRTA and other mechanisms mostly focused on "Software part", hence they did not address resolve issues associated with "Hardware Part" of the trade sector. Against this background, the Hong Kong Ministerial Conference brought the notion of AfT with a view to contribute to both software and hardware parts of the trade sector of the LDCs. The Hong Kong Ministerial Declaration explicitly asked the Director General of the WTO to constitute a task force to present recommendations with regard to the modalities for operationalizing AfT. Accordingly the task force in July, 2006 submitted its report, to the General Council of the WTO, which was later adopted by the council itself. The report has classified AfT into the following 6 broad categories:

1. Trade-related infrastructure (e.g. road, telecommunication, electricity).
2. Building productive capacity (e.g. enhancing productivity of agriculture, industry, fishery sectors).
3. Trade development (e.g. investment promotion, trade promotion, business services).
4. Trade related adjustment (e.g. retraining of workers, compensation for retrenched workers).
5. Trade Policy and regulations (e.g. training of officials and stakeholders, help in designing policies and comply with trade rules).
6. Other areas (e.g. Other needs of the recipient countries that are not included above).

The report set following objectives for Aid for Trade:

1. To enable countries particularly the LDCs to use trade effectively for growth, development and poverty reduction and their

development objectives, including MDGs Goals.

2. To help particularly LDCs to build supply-side capacity and trade related infrastructure in order to access to markets.
3. To help facilitate and implement trade reform and liberalization.
4. To assist regional integration
5. To assist smooth integration into the world trading system.
6. To assist in implementation of trade agreements.

Since 2005, AfT has been a buzz word for both donor and recipient countries. While analyzing AfT, Stiglitz and Charlton have insisted on taking account four key words seriously: additionality, predictability, country-ownership and coherence. Five basic principles of foreign aid mobilization as put forth by Paris Declaration, 2005 which was later on reinforced by Accra Agenda for Action (AAA), 2008, such as alignment, harmonization, ownership, mutual accountability and managing fund for results are also equally applicable and relevant while utilizing AfT. Today, many developing and least developed countries have been receiving financial and technical support from the mechanism of AfT to strengthen their trade capacity. Countries like India, Cambodia, and Vietnam etc. have been benefited a lot from this system. Countries like Nepal, which is undergoing through political transition and has fragile governance and weak absorptive capacity, is still lagging behind to utilize AfT aptly in desired level. However, there remain ample opportunities for Nepal to reap benefits from this global mechanism and revitalize its trade and export capacity along with the improvement of governance and absorptive capacity in the days to come.





EIF Steering Committee Meeting (Sixth and Seventh)

The sixth and seventh meetings of EIF National Steering Committee (SC) have been held on 24 and 27 June, 2011 in Kathmandu. The committee which is chaired by the Chief Secretary of the Government of Nepal, comprising a group of secretaries of concerned ministries /agencies and business leaders, has been set up with the objectives of providing necessary policy guidance to mobilize Aid for Trade (AfT) and Trade Related Technical Assistance (TRTA), received under the Enhanced Integrated Framework (EIF) mechanism of the World Trade Organization (WTO). The committee helps to facilitate trade mainstreaming in Nepal. During the meeting several agendas were discussed and analyzed minutely. Major decisions taken by the SC meeting have been highlighted briefly as below:

1. Reviewed undertaking of EIF Tier 1 Project (NECTRADE), mobilizing Aid for Trade (AfT), allocation of separate budget from Government of Nepal (GoN) for implementing Nepal Trade Integration Strategy 2010 (NTIS-2010) and other related activities carried out for the implementation of NTIS.
2. Technical Committees (TCs) under EIF National Arrangement were restructured as mentioned below for an effective implementation of NTIS-2010:
 - a. Technical Committee-1 (TC-1) for Strategic Objective: Aid for Trade, and Service Trade Led by Planning, and International Trade Cooperation Division, Ministry Commerce and Supplies.
 - b. Technical Committee-2 (TC-2) for Strategic Objective: Trade Negotiation Capacity Development and Trade Support Institutions, Lead by: Export Promotion, Trade and Transit Division, Ministry of Commerce and Supplies.
 - c. Technical Committee-3 (TC-3) for Strategic Objective: Agriculture and Sanitary and Phytosanitary (SPS), Led by Ministry of Agriculture and Cooperatives.
 - d. Technical Committee-4 (TC-4) for Strategic Objective: Manufacturing, Technical Barriers to Trade (TBT), Investment and Intellectual Property Rights (IPR), Lead by Ministry of Industry.
 - e. Technical Committee-5 (TC-5) for Strategic Objective: Customs, and Trade Facilitation, Lead by Ministry of Finance.
 - f. Technical Committee-6 (TC-6) for Strategic Objective: Legal Reform, Lead by Office of the Prime Minister and Council of Ministers.
3. A directive was issued to all concerned agencies and Ministries to support National Implementation

Unit (NIU) for effective implementation of various programs and activities as identified in NTIS-2010.

4. SC also instructed to the Ministry of Commerce and Supplies (MoCS) to follow the government procurement act and law for public procurement under Nepal Enhanced Capacities for Trade and Development (NECTRADE).
5. The SC also entrusted MOCS for publishing the detail report of the Nepal Trade Integration Strategy-2010 as early as possible.
6. Approval of a project for ginger development and facilitation (to be implemented through the Ministry of Agriculture and Cooperatives under the joint support of Standard and Trade Development Facility (STDF) and Enhanced Integrated Framework EIF)).
7. Asked Ministry of Industry (Mol) to make necessary arrangement in order to establish an accreditation board
8. The meeting also conveyed its strong message to all development partners, through the Donor Facilitator (DF), to focus their trade related assistance on hardware part rather than software.
9. The meeting also agreed for organizing a special meeting to discuss on mobilizing Aid for Trade (AfT) and Trade Related Technical Assistance (TRTA) in near future.

Minutes of the meeting have been sent to all concerned agencies for necessary action and implementation. Likewise, coordinators of some of the technical committees have already been decided and some are in the process. The NIU is planning to organize an orientation program for the coordinators of all technical committees and support for their work through providing necessary assistance. Similarly, the implementation of ginger facilitation project is going on and other decisions are also in implementation process. In addition, the NIU is preparing a new project execution guideline for the effective implementation of all activities under NIU and NECTRADE project. In order to establish an accreditation board, the Ministry of Industry has already submitted a proposal of executive order to the cabinet.

It is expected that the participation of diverse group of representation including concerned government agencies and private sector will make the steering committee more effective. The inclusive ownership from stakeholders will certainly support for mainstreaming trade in various development efforts. It also helps carrying out various efforts by different agencies at different level from policy to programs and activities.

Interaction on Draft of Anti-Dumping and Countervailing Act

The Context of Anti-Dumping and Countervailing Act:

Nepal acceded to the World Trade Organization (WTO) on 23rd April, 2004 as the 147th member. Having membership of the Organization, Nepal has to fulfill some obligations in order for the exercise of some rights to grab the opportunities as provided by the Organization. The act concerned to Anti-dumping and Countervailing is more focused to exercise the rights provided by the WTO against some unfair exports of goods by a particular member country. There is provision in WTO agreement that if there are some practices of dumping their goods in uncompetitive way by some exporting countries/producers, the affected party may take action through legal mechanism of that country against such exporters. To get benefit institutionally from such provision, the Government of Nepal is processing to prepare "Anti-Dumping and Countervailing Act". In this context, Ministry of Commerce and Supplies (MoCS), Government of Nepal has prepared a draft of Anti-Dumping and Countervailing Act. To make it mature, more implementable, and compatible with WTO system, discussions and interactions have been made within and outside the Ministry. The draft of Act is still being reformed. As the key stakeholders of the proposed Act are mainly the private business/production companies; intellectual circle- the key input providers and the government- the policy maker and the facilitator for the implementation of the Act, a tripartite interaction program was held on June 16, 2011 in Kathmandu.

Key Components of the Interaction Program:

A tripartite interaction program was organized by MoCS in which rigorous discussions were made on the provisions of the proposed Anti-dumping and Countervailing Bill. The program was chaired by the then Secretary Mr. Sushil Jung Bahadur Rana, MoCS and was moderated by Joint-Secretary Mr. Chandra Kumar Ghimire, MoCS.

Mainly, the concerned stakeholders were invited from three sectors: Private Sector, Intellectual Sector including civil society & media and the Government Sector. So far as the representatives of the program are concerned, private sector was represented by umbrella organizations of private

sector like Federation of Nepal Chamber of Commerce and Industries (FNCCI), Nepal Chamber of Commerce, Confederation of Nepalese Industries (CNI), and Handicraft Association of Nepal. Accordingly, intellectual group and civil society were represented by different Universities and Campuses like Kathmandu School of Management, Kathmandu School of Law, Nepal Law Campus, Shankar Dev Campus, Tribhuvan University (Central Department of Economics, CEDECON), Nepal Bar Association, South Asia Watch on Trade, Economics and Environment (SAWTEE) etc. Representatives from the concerned sectoral ministries like Ministry of Law and Justice, Ministry of Industry, Ministry of Agriculture and Cooperatives and different Departments like Departments of Industry, Department of Commerce, Department of Food Technology and Quality Control, Department of Customs, Nepal Bureau of Standards and Metrology (NBSM) took part actively in the program. Besides, National Planning Commission and Nepal Law Commission and some other related organizations like Trade and Export Promotion Centre, TEPC were also invited from the government sector.

Two papers were presented by the Ministry of Commerce and Supplies in the program. The first paper was presented by Mr. Jib Raj Koirala, Under Secretary, MoCS, and was focused on theoretical aspects of the Anti-Dumping and Countervailing Act. The Second paper was presented by Mr. Matrika Marasini, Under Secretary, MoCS, which was more concentrated on the substantive parts of the bill. Five commentators were there to comment on the papers and the main focus of the comment was on the second paper. The main commentators were from FNCCI, CNI, Nepal Bar Association, Nepal Law Campus and Ministry of law and Justice. Comments and suggestions were also from other participants of the program which were not only on the substantive part but also on language and procedural aspects. As the proposed draft is to be a substantive Act, the comments, suggestions and remarks have been taken as valuable inputs in order to make proposed draft more refined, practicable and implementable too.

Trade SWAp Initiation in Nepal

After the end of the Second World War, the third world countries are in the process of accelerating socio-economic development by mobilizing domestic resources as well as foreign assistance. Huge flow of Overseas Development Assistance (ODA) has been mobilized during the last six decades. However, the result is not much satisfactory. Forty-eight countries are still enlisted under the Least Developed Countries

(LDCs). Likewise, very few countries are getting better in development process through the mobilization of development assistance. In this context, Sector Wide Approach (SWAp) for mobilizing ODA as well as domestic resources has been adopted for harmonizing the entire resources and efforts in particular sector. Mostly, the primary areas of government intervention, such as health, education sectors have been focused through

the SWAp to mobilize resources. It has shown some successful results in development of particular sector; and development partners, particularly international organizations are also initiating such approach to mobilize their support. Recently, various programs and projects in health, education, peace and reconstruction, and local development sectors are being implemented based on the Sector-Wide Approach in Nepal.

Basically, SWAp is an approach to utilize resources effectively and harmonize process and procedures between donors and recipient countries, while mobilizing resources in development process. It brings together governments, donors and other stakeholders within a particular sector of development. It is characterized by a set of operating principles and mechanism rather than a specific package of policies or activities. The approach involves movement over time under government leadership towards: broadening policy dialogue; developing a single sector policy (that addresses private and public sector issues) and a common realistic expenditure program; common monitoring arrangements; and more coordinated procedures for funding and procurement.

Trade sector development is taken as a backbone of economic development of any country in the globalized world of 21st century. Realizing this fact, some developing and least developed countries are initiating and also adopting sector wide approach in trade sector development. Cambodia, Zambia and some other LDCs have already adopted this approach and started achieving positive results. In this context, the Ministry of Commerce and Supplies (MOCS) has also initiated this approach for mobilizing resources/funds through the SWAp with a view that it will be helpful to better utilize resources in trade sector and mainstream the trade in national development agenda. Currently, Nepal is implementing the Nepal Trade Integration Strategy-2010 through domestic resources and foreign assistance. The Government of Nepal has allocated separate budget for implementing NTIS-2010 and has shown high level of commitment to implement the strategy. Likewise, various development partners have also started to support launching different activities based on the NTIS-2010 through Aid for Trade (Aft) and Trade Related Technical Assistance (TRTA). Such initiation indicates our orientation towards Trade SWAp. Against this background, we need to have a set of operational principles and framework in the area of trade sector development in Nepal. So, the government of Nepal, MoCS, has formally set-up a taskforce to recommend a proper mechanism and modality of implementing Trade

SWAp in Nepal under the following terms of references:

- Assessing the foreign assistance in trade sector development of Nepal,
- Establishing coordination mechanism between different ministries concerned in trade sector development and also private sectors and civil societies of Nepal,
- Assessing current experience of SWAp in Nepal in other different sectors,
- Developing a foundation for Trade SWAp based on the assessment of current experiences of SWAp in other sector of Nepal and cross country experiences from the best practices in the world,
- Ensuring regular dialogue between local donors and private sectors,
- Suggesting and recommending appropriate modality for adopting Trade SWAp in Nepal considering and taking account of all above mentioned matters,

The task force has already prepared the first draft report of the Trade SWAp modality for Nepal. As per the terms of reference of the task force, some cross-country experiences should also be incorporated in the report to include lessons of best practices of the world regarding mobilizing development assistance in trade sector through trust fund. Tanzania has been selected as a country to visit for observing the utilization of Aft and TRTA through trust fund and EIF mechanism. Likewise, it is also essential to disseminate the information with all stakeholders and get idea from them for the effective implementation of Trade SWAp. So, some consultation programs with private sectors, government agencies and development partners will also be carried-out before finalizing the modality to incorporate and harmonize the interest of all stakeholders with their strong ownership.

The task force initially has developed some basic modalities mainly in structural, financial, overall project management, and monitoring and evaluation mechanism including the process of project selection. The final report will be produced by the end of November, 2011 and the Trade SWAp modality will be brought into execution hopefully from the beginning of the New Year 2012.

The Government of Nepal has expected the trade sector development to be enhanced through the effective implementation of Trade SWAp by harmonizing the entire efforts of government, private sectors and development partners from central to local level in policy to operational level. And finally, it will contribute to achieve national objective of poverty eradication through the inclusive and sustainable trade sector development of Nepal.

IF-EIF Initiatives in Nepal

Introduction

One attempt at supporting LDCs in trade capacity building and mainstreaming trade issues into countries' development strategies was the Integrated Framework for Trade Related Technical Assistance. It was launched in October 1997 at the high-level Meeting on: Trade and Development. The IF was an international initiative through which the multilateral agencies combined their efforts with those of least developed countries (LDCs) and donors to respond to the trade development needs of LDCs. It strived to mainstream trade into national development and poverty reduction strategies and to assist in the coordinated delivery of trade-related assistance. It was managed by six core multilateral agencies, with the OECD/DAC as an observer, and is governed by bodies which represent the donor community, beneficiary LDCs and the implementing agencies.

The IF process is carried out in two stages; in the initial stage, i) awareness-building on the importance of trade for development is launched followed by ii) preparation of a diagnostic trade integration study (DTIS) to identify constraints to traders, sectors of greatest export potential and an action matrix for better integration into the global trading system.

It was realized that the process of IF had worked successfully in the initial phase; but the initiative failed to translate the findings of the diagnostic phase into real action. An evaluation in 2003/04 led to the revamping of the IF, in what was called enhanced IF or EIF. The EIF stresses: i) strengthening the IF in-country, (ii) increased, predictable and additional funding from donors on a multiyear basis; and (iii) improving the IF decision making and delivery of the increased financial resources and programmes. Subsequently, the UNOP has been designated as the trust Fund Manager of EIF.

The EIF process has emerged important because this model may be used for Aid for Trade at large. There is a strong consensus that the structures and process of the EIF should be used, at least for the LDCs, as the platform to operationalize the Aid for Trade Initiative into funded trade capacity-building activities.

IF/EIF implementation in Nepal

Nepal is one of the LDCs where the Diagnostic Trade Integration Study (DTIS) has been completed with a view to address the supply-side constraints under the Integrated Framework (IF) Programme. On behalf of the IF Working Group (IFWG), the diagnostic study 'Nepal Trade and Competitiveness Study' (NTCS) was completed by the World Bank in 2003. The GoN approved and adopted NTCS in October 2003 for implementation, in close -

cooperation with the IFWG, the policy measure and mobilizing investment and technical assistance as prescribed in the 'Action Matrix' of NTCS. As an arrangement for the facilitation of approval, implementation and coordination of NTCS recommendations, the GoN had created the Integrated Framework Steering Committee under the Chairpersonship of the Member, National Planning Commission.

Under IF Window I programme, USD 38,000 had been allocated through United Nations Development Programme. The allocated resources were utilized in carrying out various important activities in different four areas such as national structures, study tour and knowledge sharing and conference and seminar. Under the programme, the National IF Secretariat was also established and refurbished with logistic supports at the then Ministry of Industry, Commerce and Supplies (MoICS).

Similarly, in January 2005, EIF Window II allocated US\$ 665, 000 for implementing various recommendations of the NTCS. This project was mainly designed to assist in enhancing institutional capacities, improving trade facilitation, strengthening of SPS/TBT/TRIPS enquiry points, and establishing an export financing mechanism. At the closure, these activities were being continued under Enhancing Nepal's Trade-related Capacities (ENTReC) project as part of the Integrated Framework with support from UNDP.

National Level Institutional Mechanism for Implementation of EIF

At the international level, the IFWG and the Integrated Framework Steering Committee (IFSC) adopted a package of recommendations to start the implementation phase of the EIF in May 2007. The IF core agencies agreed to increase their contribution to the IF Trust Fund to enhance their assistance in trade-related capacity building of LDCs. In this backdrop, the GoN was also engaged in strengthening its institutional arrangements so as to enable it to get benefit from EIF.

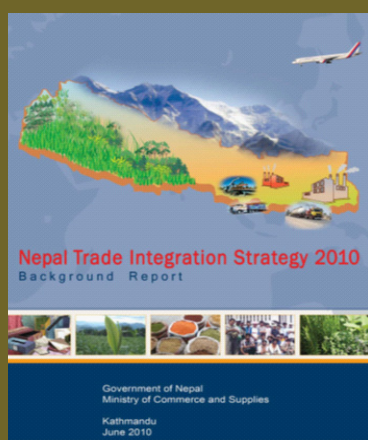
EIF National Steering Committee (NSC): In June 2008, the GoN decided to constitute a national Steering Committee (NSC) responsible for the implementation of all EIF activities, including managing funds. Chaired by the Chief Secretary of the GoN, the NSC is represented by Secretaries of the GoN, high level officials from the concerned agencies and representatives from the private sector as members while the Joint Secretary, Planning and International Trade Cooperation Division, MoCS works as its Member Secretary.

National Implementation Unit (NIU), as a management unit of EIF, has been established at MoCS. Since 2010, as part of EIF Tier1, Nepal's NECTRADE project is running under the MoCS. The main objective of the project is to develop overall trade capacity of the country with providing technical support through NIU. The total cost of the project is around one million. The duration of the project is Three years.

Focal Point (FP): Similarly as per the Guidelines for the Implementation of the EIF, the GoN has also appointed the Secretary of the Ministry of Commerce & Supplies as EIF Focal Point making him responsible in all activities of the EIF in order to speed up the process.

Government of Germany as the Donor Facilitator (DF): In early 2011, the Government of Germany has been appointed as the new DF by the Donors Group meeting.

Nepal Trade Integration Strategy (NTIS) 2010- A Synopsis



Nepal Trade Integration Strategy 2010 is a strategic document to gear up the trade sector development of Nepal. It has been prepared at a time when the trade and economic situation of the country portrays bleak picture on the country's export performance and,

thereby, balance of payment. In response, the NTIS 2010 urges an urgent need of addressing key issues on the way of trade development, the strategy emphasizes on a set of priority actions that are essential to develop Nepal's trade competitiveness and diversify its trade.

NTIS 2010 has set four strategic objectives viz. strengthening trade negotiations capacity, strengthening domestic capacity of domestic non tariff-barriers and other business support institutions, strengthening the export capacity of inclusive export potential goods and services and strengthening the government capacity to coordinate and manage trade related technical assistance and aid for trade. Under these broad objectives it has suggested more than 250 actions to be carried out by different agencies.

The most important feature of this report is that it has clearly identified the 19 export potential items in which Nepal has most competitive advantage and can have very positive impact on country's inclusive socio-economic development. It is one of the comprehensive strategic documents which

covers diverse sectors of the economy. Among 19 export potential products, seven agro-based items include large cardamom, ginger, honey, lentils, tea, medicinal herbs and essential oils and noodles. Similarly, suggested five craft and industrial products include handmade paper, silver jewellery, iron and steels, Pashmina and wool products. Likewise, seven service sectors include tourism, labour, health, education, IT and BPO services, engineering and hydroelectricity. There is SWOT analysis for each sector. In addition, the strategy has also indicated that Nepal might be benefited from other five products like dairy products, cement, sugar, transit services and transformer. The strategy has also assessed the socio-economic impacts and identified the top ten market destinations for each export potential products and services.

As per the recommendations of NTIS 2010, the government has now started different initiatives to implement the report. Firstly, the trade sector has been mainstreamed to the national development plan. In the overall objectives and the priorities, trade sector is one of the pillars in the current Three Year's Plan. Secondly, there is aggressive push to the line ministries to incorporate the trade sector in their respective sectoral plans and policies. Thirdly, the government has started to allocate annual budget to implement the actions recommended by the report. In this regards, the government has so far allocated altogether NRs. 80 million to finance different projects and programs based on NTIS. Likewise, the government is in close consultation with various development partners to implement the NTIS recommendations. Currently, GIZ and USAID have already launched some programs to implement some of the actions of NTIS. EIF trust fund, European Commission and STDF are in the process to finalize some new projects.

EIF Experience Sharing with High Level Delegation from Bhutan and Bangladesh

Nepal has sped-up its Aid for Trade (AfT) mobilization process and utilization of Trade Related Technical Assistance (TRTA) through the Enhanced Integrated Framework (EIF) mechanism, supported by the World Trade Organization (WTO). Nepal has already prepared Diagnostic Trade Integration Strategy (DTIS)-2004 and revised DTIS as Nepal Trade Integration Strategy (NTIS) in June, 2010. Currently under EIF Tier 1 project, NECTRADE is working on Tier 2 projects which basically cover NTIS-2010 action matrix. Nepalese initiation in EIF mechanism has been highly appreciated in international forum in Geneva as well as in the Asia and the Pacific region. As a result, some LDCs, those who are in the process of preparing DTIS and joining the EIF mechanism, have shown their keen interest for learning from Nepalese experiences. In this regards, high level delegations from Bhutan and Bangladesh have visited EIF mechanism of Nepal and the National Implementation Unit (NIU) in February and June, 2011 respectively.

A high level delegation comprising fifteen members from government and private sectors of Bhutan visited Nepal from 24 to 27 February, 2011. An experience sharing program was organized for the delegates on 25th February. Mr. Jib Raj Koirala, Under Secretary of the Ministry of Commerce and Supplies (MOCS) made a presentation on "Nepal's Experience on Accession to the WTO and Lessons Learnt after Accession" with a view to disseminate knowledge and experience to Bhutanese delegates. Mr. Koirala mainly highlighted the Nepalese experiences during the accession to WTO and the results and realization after accession. Similarly, Mr. Shiv Raj Bhatt, the then Program Manager of NECTRADE Project, MoCS, made a presentation on "Preparation and Implementation of NTIS and EIF National Implementation Arrangement in Nepal". He specifically highlighted the experiences of preparing pre-DTIS and updated DTIS (NTIS-2010), and the implementation arrangement of EIF in Nepal. Furthermore, open discussion on various queries and comments and their clarification had made the program more fruitful for the delegates as well as for the MoCS.

In addition, a separate meeting and discussion with the secretary for MoCS, Mr. Purushottam Ojha and other high level officials of the Ministry was also organized



for the delegates as a courtesy call meeting. Similarly, a site visit was also arranged for the delegates in various small and cottage industries in Kathmandu valley to give some additional insights of small and cottage industry in Nepal. The Handicraft Association of Nepal (HAN) had facilitated the site visit. As Bhutan is in the process of WTO accession and also expected to join the EIF in near future, the program was highly recognized by Bhutanese team. They highly appreciated the achievements made by Nepal so far.

Similarly, a high level delegation from Bangladesh comprising ten officials from different agencies also visited EIF mechanism of Nepal from 29th June to 4th July, 2011. An experience sharing program was organized on 30th June 2011 for the delegates. Mr Chandra Kumar Ghimire, Joint Secretary of MoCS and Chief of EIF National Implementation Unit (NIU) welcomed the delegates, put opening remarks and made a presentation on 'EIF National Implementation Arrangements in Nepal'. He discussed about the lessons learned so far and highlighted the prospects of EIF in Nepal that lie ahead. Furthermore, Mr Shiv Raj Bhatt, EIF the then Program Manager also made presentation on 'Preparation and Implementation of NTIS 2010' where he briefed on the EIF background, current status of NTIS-2010 and future steps to be taken by Nepal for an effective EIF implementation.

This experience sharing program was wrapped-up with a working lunch, hosted by the then MoCS Secretary and EIF Focal Point, Mr Sushil Jungbahadur Rana. During their visit, the delegates met the Chief Secretary of Government of Nepal, who chairs the EIF National Steering Committee. Likewise, the delegation had specific meeting with member of National Planning Commission, higher officials in other line agencies and president of Federation of Nepalese Chamber of Commerce and Industries (FNCCI). It may be noticed that as a least developed country, Bangladesh is in the process of preparing its Diagnostic Trade Integration Strategy (DTIS) and joining the EIF mechanism, the program was found highly relevant and appreciated by the delegates.

In conclusion, such visits and experiences sharing program can be taken as a part of promotion of South-South cooperation and a good example of cross country experience in the region.

The Fourth UN Conference on LDCs



Background of UN Conferences on LDCs:

In 1971, the international community recognized as the Least Developed Countries a category of countries distinguished not only by widespread poverty, but also by the structural weakness of those countries' economic, institutional and human resources, often compounded by geographical handicaps. The group, comprising 25 countries at that time (it has since grown to 48) has been described by the United Nations as "the poorest and weakest segment of the international community" whose economic and social development presents a major challenge both for them and for their development partners.

The much awaited Fourth UN Conference on LDCs (UN LDC IV) concluded on 13 May 2011 declaring "We collectively commit to finding lasting solutions to the complex and mutually exacerbating challenges and problems of the least developed countries. We are committed to assisting the least developed countries with an overarching goal of enabling half of them to meet the criteria for graduation through the eradication of poverty and the achievement of accelerated, sustained, inclusive and equitable growth and sustainable development. Thus, we solemnly commit ourselves to implementing this Programme of Action throughout the coming decade".

In order to implement the United Nations General Assembly resolution 63/227 of 2008, and its 64th Session in 2009 the Fourth United Nations Conference on the Least Developed Countries (LDC-IV) was organized in Istanbul of Turkey on 9-13 May 2011. As the UN LDC Conferences are very important for LDCs and its development partners, this meeting was attended by several Heads of States and Heads of Governments of LDCs and high level delegations of other developing and developed countries and international agencies. The then Right Honourable Prime Minister of Nepal, Mr. Jhala Nath Khanal and the then Honourable Foreign Minister of Nepal, Mr. Upendra Yadav also took part in this Meeting. As the current coordinator of the LDCs at the United Nations, the Rt. Honourable Prime Minister addressed the August meeting. The Meeting adopted a 18 points Declaration and an Istanbul Program of Action(IPOA) for LDCs to be implemented by LDCs and their Development Partners in next ten years, i.e. 2011-2020. The IPOA has tried to address several issues that are very important for achieving sustained peace and progress in LDCs such as, reducing poverty and unemployment, building productive capacity, technology transfer, ensuring food security, market access, financial support, climate change, gender mainstreaming, inclusive and green growth etc.

The UN General Assembly convened the First United Nations Conference on the Least Developed Countries in Paris in 1981 to respond to the special needs of the LDCs and thus by doing so to bring them in the global mainstream of social and economic development.

To continue the focus on the need for special measures for those countries, the General Assembly convened the Second United Nations Conference on the Least Developed Countries, again in Paris, in 1990. Its outcome was embodied in the Paris Declaration and Programme of Action for the Least Developed Countries for the 1990s. In the same way, the Third UN LDC Conference was held in Brussels 2001 which adopted a Brussels Declaration and Brussels Programme of Action for the decade 2001-2009.

The Fourth UN Conference on LDCs:

The preparations for the Conference provided an opportunity for in-depth reflection on the continued vulnerabilities faced by the LDCs. An assessment was made of the progress made so far by the LDCs, the obstacles and constraints encountered and the actions and initiatives needed to overcome them. This important process took place in the context of a very different economic and political landscape from the one prevailing a decade ago.

Furthermore, emerging economies have increased their share in global trade, foreign direct investment flows and migration and the LDCs have established increasingly significant economic relations with them. Significant structural changes have taken place on the international stage, more recently with the emergence of the G-20 leaders' summits which formally comprise many countries of the South.

The face of development cooperation is also changing. While aid from OECD/DAC countries is still predominant,

especially to the LDCs, a growing number of developing country partners for trade and investment, and sources of finance, have emerged to help LDCs meet their development aspirations. This was especially needed in the wake of the multiple global crisis, food, energy, financial and economic, as well as climate change, that have had a specific, negative impact on LDCs' economic and social development and threaten to roll back much of the hard-fought advances made. The food crisis has hit the most vulnerable people the hardest, particularly those living in LDCs.

However, this is very unfortunate to see that the LDCs are the serious victims of the global multiple crisis in the creation of which they have no contribution at all. In this context, there was good hope that the developed and developing countries and other multilateral aid

organizations will come forward to help LDCs to resist and mitigate the impact of the current recurring turbulent global economic, social and climate change scenario. Unfortunately, there is nothing new in the declaration and IPOA document which could raise hope in the poor people of LDCs. In fact the IPOA is regressive as it did not introduce new support measures to address the recently emerged chaotic economic, food, energy and climate crisis which are beyond the technical and financial capacity of LDCs. In this regard, to mitigate the adverse impacts of these crisis and to at-least sustain their weak economy at the existing level, the LDCs need significantly increased financial and technological support from all other development partners. Instead, the IPOA has tried to confine itself to the past promises made in several occasions most of which were not implemented.

The Third Global Review of Aid for Trade, Geneva, 2011

The third global review of Aid for Trade took place in Geneva from 18- 19 August 2011. The focus of the third global review of Aid for Trade was on 'showing results'. It was an opportunity to survey what has been achieved since the launch of the Aid for Trade Initiative in 2005.

The Third Global Review also evaluated of the results achieved so far. Several studies and experiences on how Aid for Trade can better assist programmes of trade facilitation, how to coordinate with the private sector to improve the business environment and build business capacity, how to overcome obstacles to regional trade integration in key areas like Africa and how to increase South-South cooperation in trade were presented in the meeting.

During the event, new OECD-WTO monitoring report "Aid for Trade at a Glance: Showing Results" was also presented. Findings of the report suggested that despite the impact of the economic crisis, Aid for Trade flows have continued to grow, albeit at a slower rate. In 2009, Aid for Trade reached approximately US\$ 40 billion, an increase of 60% in real terms since 2005.

Nepal's Participation in the TGR

A five membered delegation led by the then Secretary, Ministry of Commerce and Supplies Mr. Sushil Jungbahadur Rana participated in the meeting. Nepalese Ambassador PR Dr. Dinesh Prasad Bhattarai, Permanent Mission of Nepal to Geneva, Mr. Chandra Kumar Ghimire, Joint Secretary MoCS, Mr. Jib Raj Koirala, Under Secretary MoCS and Mr. Achyut Prasad Sharma, Deputy Permanent Representative (Commerce), Permanent Mission of Nepal to Geneva, participated in the event.

The main event was divided into ten sessions. Out of them, 'Aid for Trade and Asia: Promoting Growth for all in Asia' was dedicated to Nepal. The leader of the delegation and the Secretary of MoCS was one of the lead speakers of this session. Speaking at the meeting Mr. Rana mentioned about the two faces of Asia, one rapidly growing and other almost stagnant. Within the Asia, he said "we have comparatively better East Asia and an overly populated South Asia with highest number of poor residents in any region of the world. He indicated this widened income inequality could potentially lead to social tensions in the region. Having considered trade as the engine of growth, he also stressed the need of a balanced approach. He further said that LDCs could not properly accelerate the reform process for trade and development since it requires huge resources. In this context, both in terms of capacity building and supply side constraints of LDCs are also to be addressed. He therefore urged the world community and development partners to assist LDCs not in terms of software rather focus their support in hardware, mainly in infrastructure.

Several parallel events were also organized during the meeting. Nepal was also given a forum to present its national experiences on Aid For Trade initiatives. Mr. Chandra Kumar Ghimire, Joint Secretary of the MOCS presented case study on Aid for trade in Nepal.

He highlighted the main features of Nepal Trade Integration Strategy 2010 and urged development partners to join hands with GON in order to successful implementation of the strategy. As a part of the side event, exhibitions of the products from LDCs were also organized. Nepalese Chyangra Pashmina and Coffee were displayed in the exhibition.

Brief Overview of Different Trade Capacity Building Projects under MoCS

NECTRADE Project

After a series of rigorous exercises, Ministry of Commerce and Supplies, Government of Nepal could make sign an MOU with UNOPS (EIF Trust Fund Manager) to implement the tier 1 project under Enhanced Integrated Framework (EIF) on March 30, 2010. This project in Nepal is known as Nepal Enhanced Capacities for Trade and Development NECTRADE. The project is expected to spend almost US \$ 0.9 million within three years implementation period.

The overall goal of the project is to ultimately ensure faster growth of the country, alleviation of poverty through creation of jobs and enhanced sustainability of trade development efforts resulting to greater overall benefit to Nepalese populace through enhanced global integration, trade development and proper positioning of the country.

Specifically this project intends to enhance;

- Government of Nepal's capacity to manage Aid for Trade through capacity development of the National Steering Committee, the National Implementation Unit, and Inter-ministerial Technical Committees.
- NIU and Technical Committees and obtain funding for several TA projects to support implementation of NTIS objectives.

The project aims at reaching the following four outcomes in pursuit of the above objectives:

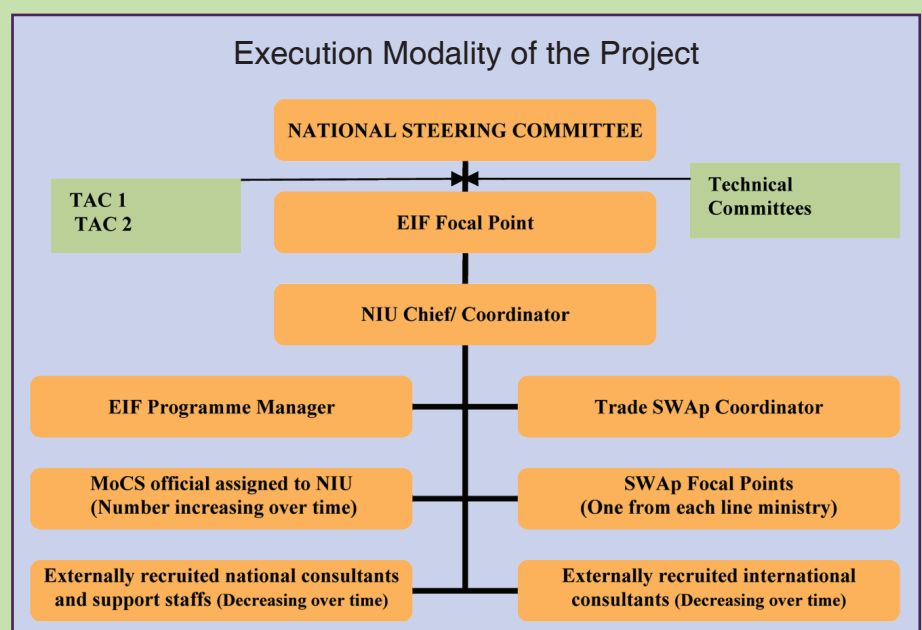
- The National Implementation Unit of the Ministry of Commerce and Supplies is fully functional, staffed by government officials, and empowered to govern, manage, coordinate and monitor EIF process in Nepal, for the implementation of its trade development agenda.
- Inter-ministerial coordination mechanism for the implementation of Nepal's trade development

agenda and inclusion of trade into national development policy is sustainable on the basis of clearly established and efficient institutional mechanisms and procedures.

- The participation of the private sector, both in Kathmandu and in regions/districts, in the definition, implementation and updated of Nepal's trade development agenda has been strengthened and is functional, enhancing trading capacity of the country contributing to overall development of trade in general and export in particular.
- The implementation of Sector Wide Approach (SWAp) in trade capacity building area through support for a coordinated delivery of trade related assistance by all development partners (in cooperation with the Donor Facilitator) is in place.

To attain project objectives and reach outcomes, the following strategies are adopted:

- Necessary structures including NIU, TCs, and FPs will be established and/or strengthened with clearly defined roles, responsibilities, tasks and action plans.
- Regulations and procedures will be defined and improved to enable these agencies to operate in an efficient, transparent and competitive environment and to deliver as per need and



expectations.

- Necessary human resources and equipments will be procured to enable them to function in desired lines.
- Capacity of NIU/TCs/FPs will be continuously upgraded to ensure these agencies not only to implement Tier 1 activities but also to mobilize additional resources to prepare Tier 2 proposals and shoulder the responsibility to execute them.
- The government ownership and contribution to the SWAp set-up will be increased over time, starting with the number of officials being assigned to the NIU from MoCS and other line ministries.
- The functions played by consultants –national and international- and direct support from development partners will be reduced over time and replaced by national capacities.
- Closer coordination with all stakeholders will be developed and promoted in order to ensure common understanding and goals leading to integrated efforts.
- Best practices and lessons learnt from other

LDCs in Asia will be sought and shared, through joint capacity building activities.

- Best learning and practices in general as well as that of particular agencies will be documented and disseminated and will be the basis for developing/designing future plans and activities.

After full implementation of this project, the key results will be; NIU is strengthened to manage TRTA and aid for trade activities in Nepal, operational inter-ministerial coordination mechanism is ensured for trade sector promotion, role of the private sector in the trade and development is activated. Likewise, trade SWAp modality will be functional and trade sector will be fully mainstreamed in national development plans and sector policies.

Currently, the NECTRADE Project is well established, staffed and equipped within the NIU structure in the Ministry of Commerce and Supplies. It has commenced number of initiatives to build the trade capacities of the government of Nepal based on the recommendations made by NTIS-2010.

Nepal Economic, Agriculture and Trade (NEAT) Program

USAID's Nepal Economic, Agriculture and Trade (NEAT) program is designed to promote economic growth, reduce poverty, increase food security, and improved the livelihood of the people in Nepal. This program was launched in March, 2011 in Kathmandu for the period of 3 years. This program is expected to strengthen the foundations for rapid, sustained and inclusive economic growth that will contribute to lessen pressure for conflict, improve livelihood and ultimately to reduce the poverty. To address these issues, the program intends to be involved in reforming the policies, strengthening public private institutions, providing support in value chains and improving the trade and fiscal policies to facilitate the trade.

To achieve these overall objectives NEAT project will address through following 5 main components:

1. Fostering a conducive business environment for private sector led growth
2. Encouraging competitiveness and exports in selected agricultural commodities
3. Enhancing food security

4. Improving trade and fiscal policies and practices to facilitate trade and increase revenues without distorting the economy
5. Strengthening microfinance policy and institutions to increase the access of women, poor and disadvantaged to financial services.

These interrelated components are designed to be implemented through a series of technical activities, including grants, subcontracts, short-term technical assistance, procurement and distribution of goods and services, and training.

Out of the five components, strengthening trade competitiveness and export promotion in Nepal is one of the very important parts of the program. Mainly NEAT activity is expected to address the issue of enhancing the trade negotiation capacities, trade data management and work on value chains especially on those sectors which are identified as export potentials by the Trade Policy 2009 and NTIS-2010. This project is supposed to be instrumental especially in the trade data management and product value chain development.

EC-Nepal-WTO Assistance Program

EC-Nepal-WTO Assistance Program is an EU funded program that was signed between the Government of Nepal and the European Union in December, 2007. The program officially came into effect from April, 2008. The original completion date of the project was 31st December, 2010. However, considering the importance of the project in building and enhancing trade capacities and developing infrastructure supportive to trade promotion and facilitation, the tenure of the project has been extended until 31st December, 2011. UNIDO and UNESCAP are working as implementing agencies of the project while Nepal Bureau of Standards and Metrology (NBSM), Department of Food Technology and Quality Control (DFTQC) and WTO Division of the Ministry of Commerce and Supplies are the major collaborating partners of the program.

The program was introduced basically with a view to ensuring WTO – compliance in the field of SPS and TBT, in particular, addressing quality infrastructure issues to facilitate product acceptance at the international level and developing the capacity of Nepal to export products of improved quality. Similarly building the capacity of the country to understand and implement WTO commitments and to appreciate and analyze key aspects of ongoing WTO negotiations were the prime motives behind launching the program. The prime goals of the program are as follows:

- Improved awareness and substantive knowledge on WTO issues among Nepalese officials, the business sector, academia and civil society organizations.
- Compliance of the Nepalese quality infrastructure (QI) with WTO's TBT and SPS requirements.
- Improved compliance of the legislative framework in line with obligations under the WTO.
- Strengthening TBT enquiry points and SPS focal points for the dissemination of standards, technical

regulations and other WTO related information, resulting in the country's effective participation in the WTO's TBT and SPS regimes.

- Strengthened WTO Reference Centre and WTO Division of Ministry of Commerce and Supplies in information dissemination and WTO notification procedures respectively.

This program primarily includes two components. Component one is concerned with addressing SPS and TBT issues. Major activities included under this component are upgrading the standards, metrology and testing components of the quality (SMTQ) infrastructure of Nepal Bureau of Standards and Metrology (NBSM), strengthening NBSM to become an effective standards body, building institutional infrastructure for standards and conformity assessment, strengthening and accrediting testing laboratories, enhancing accreditation and certification capability at NBSM. Similarly, strengthening DFTQC laboratories to make them capable of producing credible test results which are accepted internationally, strengthening SPS/TBT enquiry points etc. are also included under the same component. Component two of the program deals with capacity building activities. This includes strengthening WTO Reference Centre, raising awareness of WTO matters among private and public sector, reviewing legislation to ensure it complies with WTO obligations, conducting need assessment study with regard to create Trade Analytical Wing in the ministry, designing and implementing a University outreach program, providing training to officials on WTO matters, and supporting officials of the ministry to participate in exposure visit and study tour so as to broaden their understanding in WTO related field. Out of several activities proposed to be conducted, most of them have been already materialized and some of them are in line of completion.

Sixth Steering Committee Meeting of EC-Nepal-WTO Assistance Program

The sixth Steering Committee Meeting was held on 27th May, 2011 in Kathmandu with the presence of all major stakeholders including EU, UNESCAP, UNIDO and concerned Ministries and Departments of the Government of Nepal. Key dignitaries that attended the meeting were Ms. Yam Kumari Khatiwada, Joint Secretary-MOI, Mr. Chandra Kumar Ghimire, Joint Secretary-MOCS, Mr. Poorna Prasad Manandhar, National Program Coordinator, Dr. Giap Dang, Advisor, Cooperation Coordinator, The Delegation of European Union to Nepal, Dr. Sitaram Joshi, Director General-NBSM, Mrs. Jiwan Prabha Lama, Director General-DFTQC, Ms. Ayumi Fujino, UNIDO Representative and Regional Director, Mr. Niculae Sorin, Associated Industrial Development Officer and Project Manager, UNIDO, Mr. Mostafa Abid Khan, Economic Affairs Officer and Project Manager, UNESCAP, Dr. Hussein dib, UNIDO International Consultant, Mr. Philipp J. Kruschel, GIZ and so on. The Meeting vigorously reviewed progresses made so far under the program and pondered over how to deal with some of the major issues encountered during program execution. The meeting took several important decisions with regard to resolve problems encountered and gear-up remaining tasks envisaged under program and kindly urged all key stakeholders for the timely completion of the pending activities and help achieve goals of the program satisfactorily.

In order to facilitate and provide overall policy guidance to the program, to review and approve program implementation and to provide coordination among concerned organizations and institutions a Project Steering Committee (PSC) has been constituted comprising senior officials from the Ministry of Industry, Ministry of Commerce and Supplies, Ministry of Agriculture and Cooperatives, Ministry of

Finance, the National Planning Commission, Nepal Bureau of Standard and Metrology, and Department of Food Technology and Quality Control and representatives from FNCCI. The PSC is co-chaired by the Joint Secretary of Ministry of Industry and a senior officer from the delegation of the European Union to Nepal.

WTO/EIF-Support Project

In November 2010, GoN and development partners officially appointed Germany as the EIF Donor Facilitator (DF) whose principal role is to work closely with the Nepalese EIF Focal Point and the National Implementation Unit (NIU) at MoCS, to facilitate donor coordination and donor-partner dialogue on trade and AfT issues. To this effect, this project was re-structured in early 2011 from its original objective of supporting WTO accession of Nepal to include the support to EIF as well. The project has a volume of 950,000 euros, financed by the Fund for Trade Policy and Promotion (Monterrey Fund) and the Executing Agency is the Ministry of Commerce and Supplies (MoCS).

The project intervention is focused on four areas mentioned below:

Area 1: The project will assist the Planning and International Trade Cooperation Division (PITCD) within MoCS to establish a monitoring system for implementation of WTO commitments with a focus on the areas of TBT and TRIPS.

Area 2: The project will assist the business community and their main business service providing agencies in understanding the pros and cons of different options for product differentiation (such as labeling, certification, branding and geographical indications).

Area 3: In multi-stakeholder discussions, awareness will be created for the necessity to take joint action of government and business.

Area 4: MoCS-NIU, which plays a pivotal role in NTIS implementation at the technical level, will be assisted in fulfilling its multiple tasks, including: TRTA/AfT management, resource mobilization and monitoring; communication and outreach on NTIS,

AfT and EIF issues; and support to other bodies within Nepal's EIF implementation structure.

Impact of WTO/EIF-Supporting Project:

As a direct result the capacities of the Nepalese Government to enhance the business environment by strategically using and implementing WTO commitments and the Enhanced Integrated Framework are improved. Together with other factors that are beyond the direct influence of this project, this will lead to an improved regulatory framework and increased supply capacities that allows exporters from selected value chains to make more profits with their products (indirect results). On the highly aggregated impact level this will lead to employment generation, higher incomes and inclusive growth as a prerequisite for poverty reduction. The project contributes to achieving the Millennium Development Goals (MDG), in particular MDG 1 ("Eradicate extreme poverty and hunger" and MDG 8 ("Develop a global partnership for development. The proposed component is further in line with the EU's 'Aid for Trade Strategy'.

The modes of Project support includes short and long term advisory services, studies, trainings, workshops, coaching, information dissemination and local subsidies to support civil society and sector associations. The target group includes owners and employees of Small and Medium Enterprise (SME), suppliers and producers in selected value chains, including women and possibly traditional knowledge-holding local groups that benefit from the enhanced business environment and better trade opportunities. The measures target the entire country.

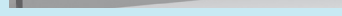
Indicators/Outputs:

There are six main outputs envisaged from the project which are as follows:-

1. A mechanism to regularly monitor and coordinate

Figure 1. The effect of the number of trials on the mean accuracy of the responses

- 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 84



1. *Journal of the American Medical Association*, 1997; 278: 1019-1024.

Nepal's Foreign Trade (FY 2006/07-2010/11)

A Glimpse

Background of Foreign Trade in Nepal

Nepal's foreign trade has a long history; however till 1950, it was mainly with its immediate neighboring countries India and Tibet of China. With the end of Rana Regime in 1950s, Nepal entered into democratic system and openness in economic policy and trade diversification began with the expanding diplomatic relationships with different countries around the globe. As of recent data, Nepal's foreign trade is with more than 180 countries. To make foreign trade systematic and smooth, Nepal has signed different Bilateral, Regional and Multilateral Trade Agreements.

In line with the global economic trend, Nepal began to adopt economic liberalization policy from 1980s and made trade policy further liberal in 1990s. In this context, a new trade policy was introduced. When WTO was established in 1995, global Trading System became more harmonized and significant. With the emergence of this Organization, foreign trade became more competitive. Further, the world market has been accessible. To be more benefited from the opportunities provided by this organization, many countries acceded to it and Nepal also became its 147th member in April, 2004. In order to make the trade policy more compatible with WTO, new Trade Policy has been launched in April, 2009. Nepal Trade Integration Strategy (NTIS), 2010 is in implementation for promoting export potential products. Despite these efforts, the country is facing heavy trade deficits since quite long years and even worse for the last few years.

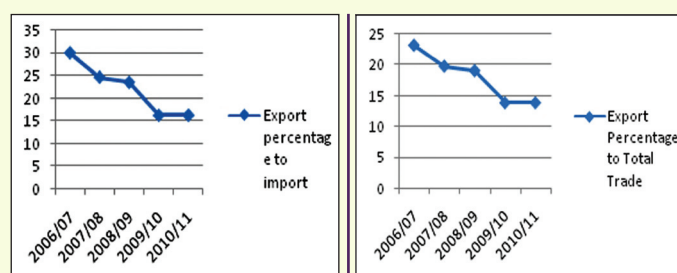
Nepal's Foreign Trade Performance

Trade performance of Nepal over the last five years as depicted by the following table is discouraging. If we examine the figures, exports are found to be deteriorating.

Conversely, the imports are steadily increasing and have been more than doubled and reached to Rs.397535942 thousand in FY 2010/11 compared to Rs.195808412 thousand of FY 2006/07.

Trade deficit has alarmingly increased over five years and has been tripled and reached to Rs. 332973418 thousand in FY 2010/11 in comparison to Rs. 136881315 thousand in FY 2006/07. Export percentage to import was 30.09 in FY 2006/07 which reached overwhelmingly to poorer condition (16.24%) in FY 2010/11. If we look the figure in ratio it is equivalent to 1:3.3 and 1:6.2 for the years respectively. Putting the trend of export-import ratio and export-total trade ratio in line diagram as following, deteriorating condition can be seen clearly.

Diagram 1: Trend of export-import and export-total trade ratio during FY 2006/07-2010/11



Reference: Table 1

Heavy Dependency on India: A Characteristic of Nepal's Foreign Trade

Almost two third of Nepal's total foreign trade is with southern neighboring India in case of exports and imports as well. As presented by table 2, India's share to Nepal's total exports for the last five years from

Table 1: Comparative Figures of Export, Import and Trade Deficit

						Value: Rs. in 000'
Fiscal Year (FY)	Total Exports	Total Imports	Total Trade	Trade Deficit	Export percentage to import	Export Percentage to Total Trade
2006/07	58927097	195808412	254735509	-136881315	30.09	23.13
2007/08	58474359	237030276	295504635	-178555917	24.67	19.79
2008/09	68596852	291000944	359597796	-222404092	23.57	19.08
2009/10	60949603	375605870	436555473	-314656267	16.23	13.96
2010/11	64562444	397535942	462098386	-332973418	16.24	13.97

Source: Trade and Export Promotion Centre, Lalitpur

Table 2: India, China and other Countries' Share to Nepal's Export, Import and Total Trade (%)

Fiscal Year	India (Export)	India (Import)	China (Export)	China (Import)	Other Countries (Export)	Other Countries (Import)
2006/07	70.8	59.2	2.0	9.0	27.2	31.8
2007/08	65.9	60.1	1.6	9.9	32.5	30.0
2008/09	63.5	56.7	3.1	11.9	33.4	31.4
2009/10	65.5	57.0	2.2	11.6	32.3	31.4
2010/11	66.4	65.2	1.4	11.7	32.2	23.1
5 years average	66.42	59.64	2.06	10.82	31.52	29.54

Source: Trade and Export Promotion Centre, Lalitpur

FY 2006/07 to FY 2010/11 was 66.42% on an average and import was found to be 59.64%. Accordingly, Nepal's trade ratio with Northern neighboring country China is considerably higher as compared to Nepal's exports.

Thus, India and China cover around 70% of Nepal's total exports and imports. In this way, Nepal's foreign trade is highly inclined towards India and China and too much skewed towards India.

Despite the situation, Nepal's export basket has not expanded significantly over the years. Primary products like Iron and steel articles, yarns, woolen carpets, textiles, garments, lentils, large cardamom and tea are the leading export items of Nepal. These exports have very low value addition. Conversely, leading imports of the country are petroleum products, automobiles, gold,

machinery, electronic parts etc. which are manufactured products and have high value addition.

Realizing the fact, Nepal should identify the real causes for the poor performance of its foreign trade and must properly address them. Lack of sufficient and qualitative products, low value addition of exporting items and difficulties in market access due to land-locked geography are the primary causes for this. Instable political situation of the country, lack of visionary national strategy in trade sector and weak governance are the basic challenges. To address these problems, political stability, policy priority for economic agendas and efficient and motivating governance system for doing business are essential factors. These factors create the business friendly environment in the country. On top of that, trade diversification is equally important for Nepal.

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