

**Discussion Forum on  
« Why Trade Matters in Development Strategies »  
Geneva, 27-29 November 2013**

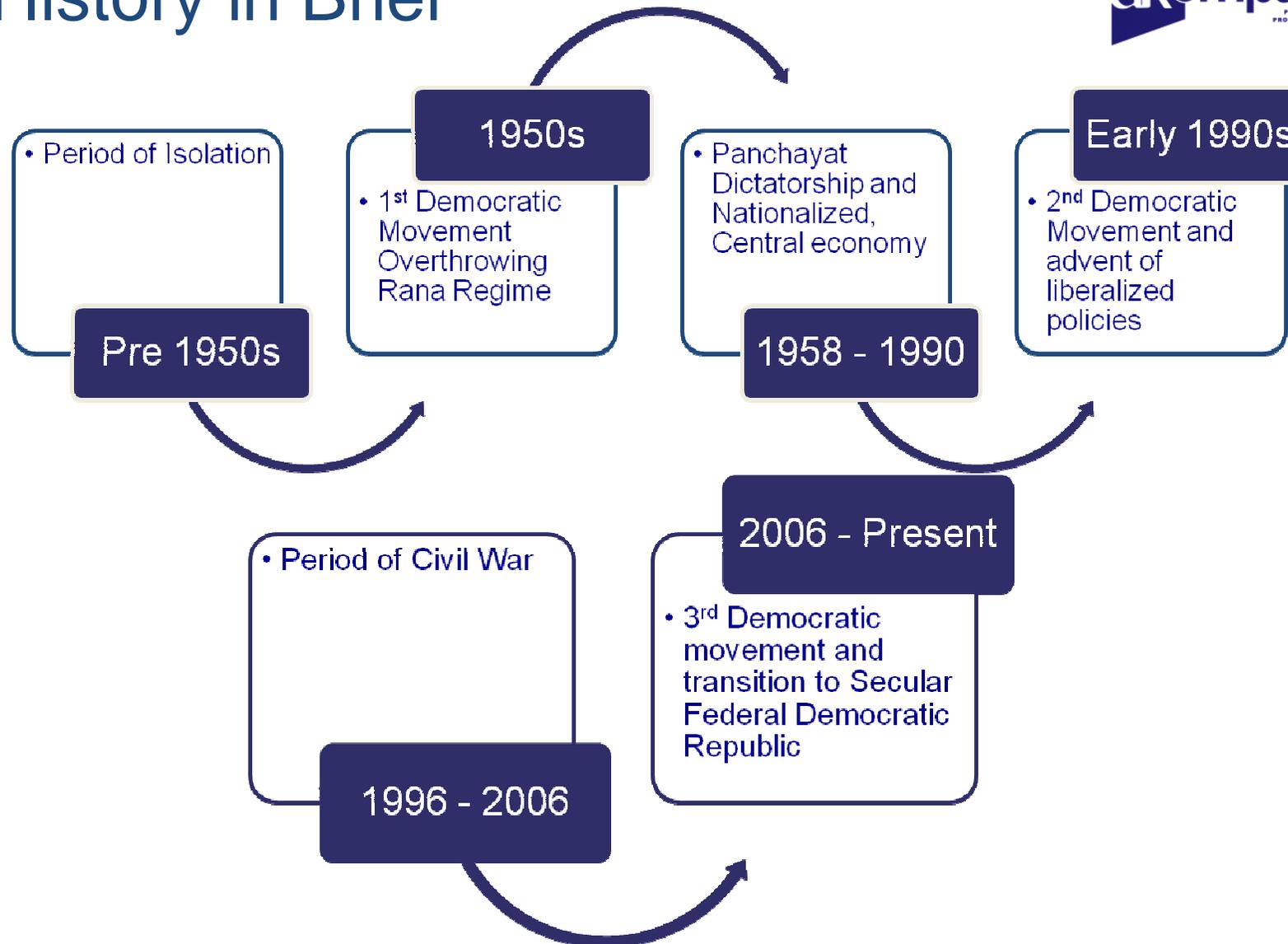
**Presentation on Nepal  
By  
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# Integrating Trade in Nepal's Development Strategies





# History in Brief



# Economic History

Centralized, agrarian society for much of its history

Liberal policy adopted in 1992

Accession to the World Trade Center in 2004

Several bilateral, regional, multilateral trade agreements since then

Major structural changes made according to free market policy

# Current Scenario

- Rapid growth in service sector
- Agriculture still remains the economic focal point – over 70% employment – but suffering due to traditional methods and lack of market access
- Industrial Growth very unsatisfactory
- Sluggish economic growth

Sector	GDP Composition
Agriculture	35.3%
Industry	14.4%
Service	50.3%

# Trade Performance



- Ever widening trade deficit
- Positive balance of payment only due to remittance money
- Growth rate: Export (4.2%) and Import (20.7%)
- Trade deficit grew by 23.5% this year and now occupies a negative of 24.9% of the total GDP
- Import occupies 29% of the total GDP while export occupies 4% of the total GDP
- The import of petroleum products alone has been able to overshadow entire export figure of Nepal

# Problems



- Internal bottlenecks
- Structural limitations
- Supply side constraints

# Integrating Trade in National Development Strategies

- Several new strategic and institutional changes
- Trade Policy, 2009
- Industrial Act, 2010
- Nepal Trade Integration Strategy, 2010

# NTIS 2010



- National Trade Strategy to enhance 'supply side capacity' for Nepal's share in global trade
- Prioritized strategy launched by PM in 24 June 2010
- 19 goods and services identified as priority items
- 10 potential destination markets identified
- Plus 5 other goods suggested

# Niche Products and Services



## 19 Priorities

## Other Potentials

### Agro Food

1. Cardamom
2. Ginger
3. Honey
4. Lentils
5. Tea
6. Noodles
7. Medicinal and Essential Oils

### Craft and Industrial Goods

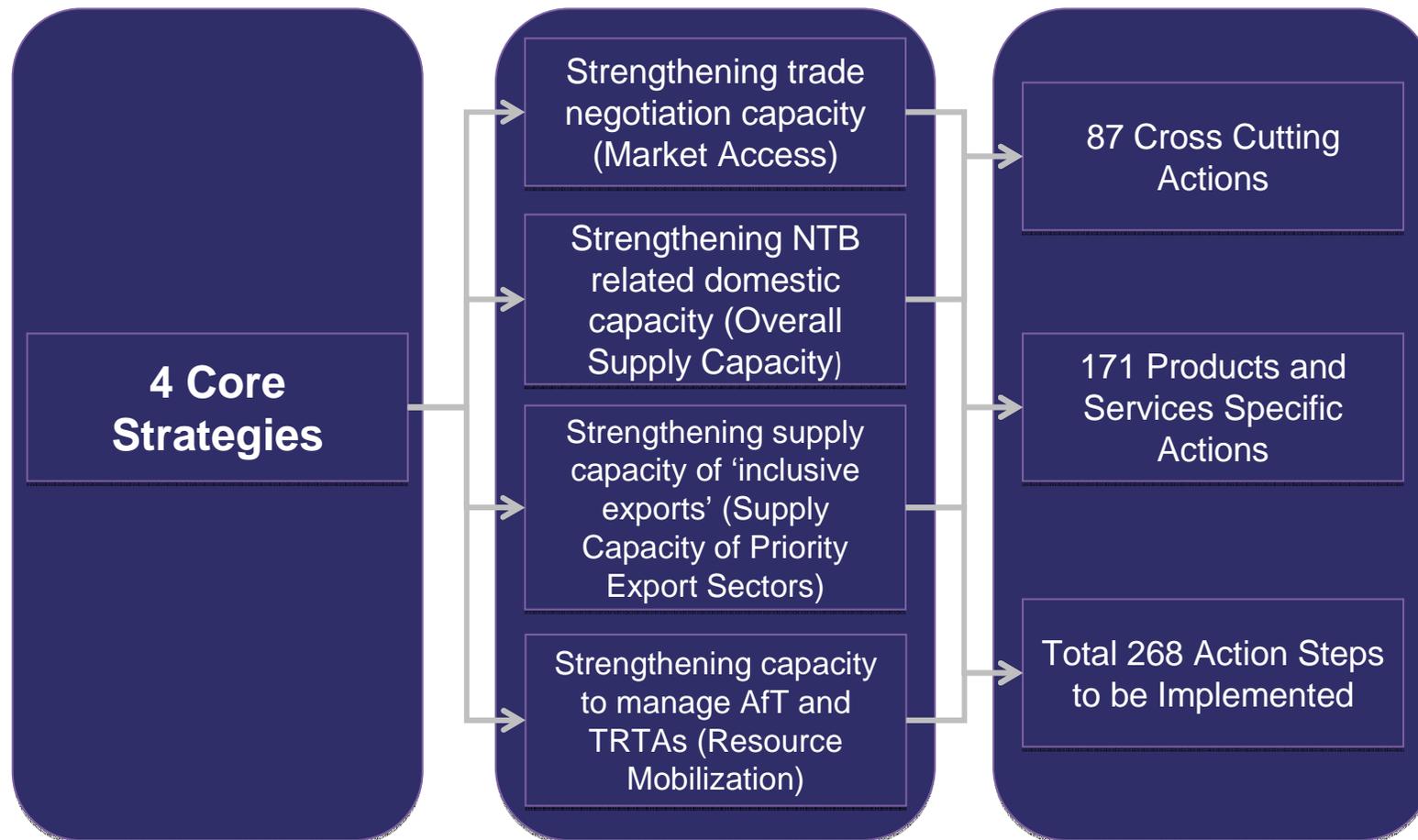
8. Handmade Paper
9. Silver Jewelry
10. Iron and Steel
11. Pashmina
12. Wool Products

### Services

13. Tourism
14. Labour Services
15. IT and BPO Services
16. Health Services
17. Education
18. Engineering
19. Hydro-electricity

20. Transit Trade Services
21. Sugar
22. Cement
23. Dairy Products
24. Transformers

# Salient Features of NTIS





# Implementing the NTIS



- Establishment of robust institutional structure
- Strong public-private partnership established
- Private sector recognized as a strong collaborative partner
- EIF focal points integrated with government institutions and ministries
- Projects in close coordination with the EIF have been developed and implemented

# EIF and NTIS



- Close coordination
- Tier 1: NECTRADE
- Tier 2: Projects for sectoral development
- Ginger, Pashmina and Medicinal Herbs projects, under pipeline
- More under consideration

# Constraints



- Several constraints (majority of them internal) have limited Nepal's ability to benefit fully from multilateralism and other agreements
- Very limited resources and technical expertise
- Prolonged political transition
- Limited export basket

## Constraints cont.



- Weak management-labor equilibrium
- Inadequate infrastructure
- Insufficient skilled human resources
- Inadequate/Inaccurate market information
- Difficult terrain and landlocked geography

# The Way Forward



- Focused collaborative environment for trade development
- Capacity building in terms of quality, quantity as well as price. Focus on R&D
- Enhancement of legal infrastructure on par with the pace of rapidly changing international trade
- Major investments dedicated towards development of trade infrastructure
- Collaboration at a larger scale between the government, public sector as well as international agencies

# The Way Forward cont.



- Development of highly qualified diplomatic missions for effective trade negotiations
- Strengthen country's ownership by following demand driven process
- Increment in direct budgetary support through Aid for Trade channel or through other respective processes
- Establishment of an international market information center with proper public-private partnership as well as through coordination with international partners

# Images Courtesy



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