Preparing Nepal’s Trade and Industry for Post-Graduation Landscape

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Presentation Outline

• Impacts in Nepal’s export
• Impacts in industry sector
• Preparation for post-graduation landscape
• Possible areas of support from development partners
Impacts in Nepal’s export

- Nepal’s about 70% exports to India will not be affected (governed by bilateral trade treaty)
- Nepal’s second largest export destination - USA will be affected to some extent
- Nepal’s exports to EU, China, UK, Japan, Canada, Australia, Turkey, South Korea will be affected significantly
- Exports of ready made garments, textile, carpets, essential oils, perfumes, cosmetics, leather products, metal and glass related products will be affected
- Nepal is enjoying DFQF market access will no longer be available after graduation (Normal GSP will be available in some markets)
Impacts in Nepal’s export

• Service exports will not be affected (though Service Waiver is valid until 2030, not utilized by LDCs)

• Special and Differential Treatment to LDCs by WTO will be eliminated: flexible rules of origin, Service waiver, balance of payment, agriculture subsidies till 2030, less frequent notifications, technical assistance in SPS and TBT related capacity building, exemption from the export subsidies, longer notification and implementation time for TFA including TA, flexibilities in TRIPS Agreement and technology transfer to LDCs

• LDC graduation may reduce the policy space particularly for supporting domestic productions and export promotions (Export Subsidies)

• Losing of longer implementation period and higher number of sensitive lists in SAFTA
Impacts in Industry sector

• Graduation may have mix impacts in industrial investment
• FDI may increase due to country’s improved image at the global level
• Nepali private sector can have access to international investment loans at concessional interest rate
• Some investors may hesitant to Invest in Nepal due to loss in DFQF facility
• Some industries may shut down due to unable to export with higher tariffs
• Industrial climate may be more dependent with domestic factors than the Country’s status
Preparation for post-graduation landscape

- National Planning Commission has been leading the process by preparing Smooth Transition Strategy
- Ministry of Industry, Commerce and Supplies preparing trade specific strategy and action plan to support the industries and products which are likely to be affected by the graduation
- Mobilization internal and external resources and structural shift in high-value-added industries
- Strengthen and develop trade related infrastructures and business environment
- Lobby for continuation of facilities under SAFTA after graduation as Maldives is getting
Preparation for post-graduation landscape

• Going forward to FTA with major trading partners, particularly US, Japan, China, Turkey, Bangladesh, Bhutan, Australia, ASEAN and others
• Nepal has option to go for EU’s GSP+ scheme by ratifying required conventions
• Attracting FDI for exports
• Promoting export diversification
• Supporting MSMEs and women entrepreneurs to integrate in national, regional and global value chain
• Developing capacity including trade negotiation
Possible areas of support from development partners

• Building productive capacity and strengthening export competitiveness

• Extension of all trade related existing facilities for few more years after graduation such as till 2030 (in line with the SDGs)

• Support in capacity development of public and private sectors

• Effective implementation of Doha Program of Action

• Effective implementation of Nepal Trade Integration Strategy (NTIS)
THANK YOU