

Trade Sector Development

1. Background:

Trade has emerged as the engine of growth in the sphere of economic development. Recognizing the role of trade in economic development, the earlier closed and controlled policy was gradually replaced by the liberal and market oriented trade policy. The policy reform was initiated towards mid 1980s through the introduction of Structural Adjustment Program (SAP) with IMF assistance and this process was intensified during 1990s. The first stage of reforms which among others were introduction of duty drawback and bonded warehouse system, reduction and restructuring of import duties, elimination of quantitative restrictions and import licensing requirement for almost all products, and introduction of full convertibility for current account transactions. Under the duty drawback system, duty paid on imports of inputs required for the production of export items were reimbursed to the exporters on export of manufactured products. The bonded warehouse system was introduced to facilitate the exports of readymade garment by reducing costs and the administrative burden related to imports. The reform taken up during 1990s encompasses all sectors-trade, industry, services, foreign investment, exchange rates, and fiscal and monetary policies. The policy reform aimed at shifting in the focus of development strategy, from an inward looking import-substitution to export promotion. The main elements of the reforms were as follows:

- ?? Elimination of licensing requirement and quantitative restrictions on almost all imports and exports.
- ?? Full convertibility of Nepalese Rupee in the current account.
- ?? Industrial Policy announced in 1992 emphasizing on deregulation, competition, and increased reliance on market forces which among others, include; reduction of export service fees, allowing exporters to retain export earnings in convertible currency accounts and income tax concessions on income from exports.
- ?? Foreign Investment Policy 1992 was introduced to promote foreign investment and private sector participation in the economy. The new policy opened all sectors except the traditional and some specific type of industries and industries related to defense, public health and environment.
- ?? Duty-free status is granted to all exports except a few.
- ?? Gradually, the tariff structure was rationalized and reduced substantially. The number of tariff slabs reduced from more than 100 rates during 1980s to 13 in 1992/93 and currently to 5.
- ?? A new treaty was signed with the Government of India in 1996. This provided duty free access for products manufactured in Nepal without quantitative restrictions in Indian market. However, this treaty was renewed in somewhat different spirit in 2002 with the introduction of Rules of Origin criteria which requires changes in customs tariff heading (CTH) and more value addition. Moreover, quantitative restrictions were imposed on the exports of four items namely Vegetable fats, Acrylic yarn, Zinc oxide and copper products.

Nepal has acceded to the World Trade Organization, and is a signatory to South Asian Free Trade Area and the BIMST-EC free trade area. Being a member of world and the regional economic communities, challenges and opportunities lie ahead. This needs to be tackled in a prudent and tactful manner.

Taken together, the trade policy reforms marked a fundamental departure from the earlier restrictive regime. This has resulted in having a higher degree of openness than most other South Asian countries. Nepal achieves a score of 2 on the IMF trade restrictiveness index. This index

gives countries a score between 1 and 10, with scores between 1 and 4 indicating an open regime and scores between 7 and 10 indicating a restrictive regime.

Current Situation:

Since 1990s, there has been a gradual increase in Nepal's international trade. In this period, export grew on an average rate of 26 per cent whereas imports also grew by 19 percent on average. Thus, trade/GDP ratio went up to 40 per cent during later half of 1990s from 22 percent in 1980s. Due to the increase in imports, trade deficit expanded at a rate of about 17.5 per cent per annum.

However, the growth of international trade in the past decade has taken place amid the volatility of the export products with greater concentration on a small number of products and few markets. Even with the structural changes in trade in goods, export sustainability was still under question. In addition, the high transaction cost associated with formal cross border trade with India has led to a significant share of trade occurring through informal channel. Reducing these costs at the border with facilitation measures would help in promoting trade. Moreover, limited forward and backward linkages, high import content of manufactured exports, underdeveloped infrastructure and business services have inhibited the growth of trade. High transit cost combined with complexities of procedures and documentations, slow and inefficient customs clearances and inadequate transport infrastructures have also attributed to slow growth of trade. As a result, export could not commensurate the import growth and the trade deficits rose to more than 17.5 percent per annum during the period. Despite this widening trade deficit, the current account deficit improved because of service and transfer income, particularly from remittance. The trade/GDP symbiosis for the last two decades is presented in the following Table-I:

Table I
Trade-GDP Symbiosis

Indicators	1881-85	1986-90	1991-95	1996-00	2001-02
Total Trade/GDP ratio	21.9	23.7	33.6	40.7	38.9
Export/GDP ratio	4.9	5.3	9.0	10.1	12.3
Export growth rate (%)	23.6	14.4	31.6	24.5	17.1
Import /GDP ratio	17.0	18.4	24.6	30.6	26.6
Import growth rate (%)	17.2	18.9	28.4	11.7	16.4
Trade Deficits/GDP ratio	-12.1	-13.1	-15.7	-20.5	-14.3
Current Account Deficits/ GDP ratio	-3.0	-6.2	-6.2	-4.5	-2.7
Export/Import ratio	29.2	28.8	36.8	33.7	46.3

Sources: Economic Survey (various issues), Ministry of Finance.
Quarterly Economic Bulletin (various issues), Nepal Rastra Bank.

There has been a notable change in the structure of trade over the last two decades. The share of primary goods exports declined from nearly 70 per cent in 1980 to 17 percent in 2001 since the export of manufacturing goods increased from 30 per cent to 75 per cent during the same period. The structure of imports, however, observed little change during these decades reflecting narrow growth in manufacturing. If manufacturing growth was rapid and industrial deepening had taken place, marked increase in imports of capital goods would have been evident.

The rapid growth of manufactured exports during last two decades is, however, marked by structural weakness. In particular, it is very narrowly concentrated in a few products like garments, carpets, handicrafts, and Pashmina shawls, which accounted for around 50 per cent of export earnings in 2001. A very high level of market concentration also characterizes Nepalese exports, as 90 per cent of total exports from Nepal are bound to three destinations - the US, Germany and India. With the signing of trade treaty with India in 2002 the exports were

constricted due to new provisions built under the treaty. The provisions include the Rules of Origin with CTH criteria and insufficient workings, requirement of domestic value addition of 30 percent, Tariff Rate Quota for four products and the need of furnishing the calculation to Government of India on annual basis. However, focus on large niche markets in the region would continue to receive the priority.

The latest trade and payment agreement between Nepal and China was signed in November 22, 1981. The agreement focuses on developing trade overseas and overland and further consolidation of traditional trade between Nepal and the Tibet Autonomous Region of P R China. The agreement also included a list of products to be exchanged and the trading points along the frontier of the two countries. The border inhabitant of the two countries, within an area of 30 Kms can carry out the traditional trade on barter basis. However, the trade is highly skewed in favor of P R China. Trade statistics shows that during F.Y. 2002-03, the export to China including Hong Kong and Tibet was NPR 1.7 Billion while the import from China during the same period has gone up to NPR 11.4 Billion. The export trade to China is dismally low if the export to Tibet is taken out of the scene.

Direction of Foreign Trade:

The direction of trade in terms of market destination shows a wide variance during various plan periods. During sixth plan (1980-85), the share of India in Nepalese exports was 64.5% which went down to 16.6% during eighth plan (1992-97) while imports from India have gone down from 46.5% to 30.5% during the same period. In fact the trend in Nepal's trade with India is seen only in relative terms as the value of trade with India in both ways has been rising in absolute term during the sixth to ninth plan period. The direction of foreign trade is presented in the following Table-II:

Table-II
Direction of Nepal's Foreign Trade

(Value in NPR million)

Plan Period	EXPORTS			IMPORTS		
	Total Value	India	Third Countries	Total Value	India	Third Countries
Sixth Plan 1980/81- 1984/85	8,676.7 (100)	5,592.5 (64.5)	3,084.2 (35.5)	29,928.9 (100)	13,913.5 (46.5)	16,015.4 (53.5)
Seventh Plan 1985/86- 1989/90	19,555.5 (100)	5,768.9 (29.5)	13,786.6 (70.5)	68,704.6 (100)	21,741.9 (31.6)	49,962.7 (68.4)
Eighth Plan 1992/93- 1996/97	96,716.7 (100)	16,063.7 (16.6)	80,653.0 (83.4)	322,463.8 (100)	98,445.3 (30.5)	224,018.5 (69.5)
Ninth Plan 1997/98- 2001/02	216,207.0 (100)	97,441.2 (45.1)	118,765.8 (54.9)	507,450.7 (100)	189,686.1 (37.4)	317,764.6 (62.6)

Note: Figures within parenthesis indicate percentage share of total.

Source: Economic Survey (various issues), Ministry of Finance.

Nepal Overseas Trade Statistics (various issues), Trade Promotion Centre.

Thanks to the treaty of Trade-1996, which gave a boost to trade with India during the ensuing years till 2001 as India's share in total exports and imports again picked up to 45.1% and 37.4% during ninth plan period. During the F.Y. 2002/03, Nepal's exports to India were 54.7% of total export and 44.5% of the total imports altogether make 55% of the total foreign trade. In absolute terms, exports to India have increased from 5.22 billion NPR in 1996/96 to 26.91 billion in 2002/03 and the imports from 24.85 billion NPR to 56.1 billion NPR in the same period. Total of Nepalese trade in the last year reached NPR 175 billion from NPR 30.61 billion in 1990/91 and NPR 158.3 billion in 1999/2000.

Vision and Objectives:

The long-term vision of trade sector as has been spelt out in the Tenth Plan is to develop trade as one of the basic pillars of the Nepalese economy through integration in globalization process and creation of competitive and market-oriented trade regime. The objective of trade sector in the national development perspective has remained in creating a liberal, competitive and market oriented trading regime with full participation of private sector, by ensuring the benefits to grass-root level and establishing backward linkage of industrial development and export promotion.

Trade Policy:

Trade policy 1992 has elaborated the principles governing export and imports with objectives of making meaningful contribution to national economy, developing backward and forward linkages and achieving sustainability through reducing imbalances in exports and imports. The provision of duty drawback and bonded warehouse, setting up the Export Promotion Zone, elimination of license for exports and imports except some notified articles, promotion of containerization in trade, duty drawback for deemed export are some of the provisions mentioned in the Trade Policy 1992. Banking requirements were also simplified and modified to comply with the provisions of the policy. A high level institutional mechanism to support foreign trade has been conceptualized in the form of Board of Trade, chaired by the Commerce Minister/State Minister, with a view to provide effective policy coordination and guidance to the public and private sector entities. Moreover, institutional reforms and rationalization through setting up a Nepal Trade Promotion Organization and an Institute of Foreign Trade were visualized by the trade policy.

The Tenth Plan envisages to building on the foundation laid on the Trade Policy 1992 with the continuation of policy reform to ensure full participation of private sector in the open and competitive trade regime. Moreover, the policy has been geared towards effective participation in the global trading regime through persuasions of reform measures to mitigate adverse impacts of globalization in the wake of RTAs and WTO membership. Similarly, establishing linkages of imports to industrial development for transformation of domestic trade into market based system, promotion of export through identification of products of competitive and comparative advantages, diversification of export, and improvement in the quality of exportable goods are important policy statement made in the plan. Besides, facilitation of trade by developing and improving required infrastructure, institutional capacity and business services are considered as part of the reform process.

The Tenth Plan also embodies to achieve the broad based trade growth with a view to increasing contribution of trade to GDP, making trade supportive to poverty reduction and rural development program, creation of employment to additional 250,000 persons and developing entrepreneurship and skills among rural women. This periodic plan also aims at reducing the trade deficit to 12.1 % of GDP in 2007 from 12.7 % in 2001.

Recent Development:

The major development in the trade sector has been the conclusion of the accession process for the membership of World Trade Organization (WTO). After adoption of the accession package by the fifth Ministerial Conference of WTO last September, Nepal became full fledged member of WTO on 23 April 2004. Similarly Nepal is now a member of two regional trading arrangements; SAFTA and BIMST-EC. The signing of SAFTA framework treaty in January 6, 2004 and BIMST-EC free trade area in February 8, 2004 has been a landmark in the trade history of Nepal as these would help to integrate the Nepalese trade at the regional and trans-regional level.

Nepal is currently an observer to the Bangkok Agreement. This is a regional preferential trading arrangement encompassing South Asia, South East Asia and Far East, with the membership of six countries. With the accession of China to this regional trading group in 2001, the six members collectively have the population of around 2.5 billion. The other members includes; India Sri Lanka, Bangladesh, Lao PDR, and South Korea. Currently, more than 1500 products have been bought under the preferential trading arrangement. This agreement is based on positive list approach following the product-to-product negotiations. There are ample opportunities of growth of this trading arrangement.

In order to facilitate free flow of goods and provide predictable trading environment, amendments of Export-Import Act, Export Import Regulation and Customs Act and draft of Competition Law are in progress. With regard to infrastructure, steps have been taken to develop facilities at border crossings. Inland Container Depots (ICDs) were developed at Birgunj, Bhairahwa and Biratnagar with a view to bring down the cost of transaction and promote efficiency in trade.

Challenges:

With a per capita income of USD 250 per year, Nepal is one of the poor countries in the world. Poverty remains widespread as around 40% of the population remains below the poverty line. The Poverty Reduction Strategy Paper (PRSP) aims at mainstreaming trade with poverty reduction initiatives. There is a big gap between the goals and the current achievement and needs more focus towards making the trade sector growth responsive to the need of poverty reduction. Although, Nepal has now become a member of WTO, the institutional and legal structures to implement WTO agreement are yet to be fully developed. Limited size of product concentrations and volatile market has made the export trade vulnerable to external shocks. Structural problems of trade related services, inadequacy of physical, institutional and legal infrastructures have contributed to inhibited growth of trade. Trade sector is yet to be fully incorporated on overall economic development goals, thereby making it a vehicle of bringing prosperity to the nation at large. The membership of SAFTA and BIMST-EC free trade area agreement has given rise to the need of developing national capacity to negotiate the crucial elements and instruments of implementing the regional trading arrangements. There is need of strengthening the supply side capacity with more investment in the area of comparative and competitive advantages and linking production centers at hinterland with the mainstream trade.

The membership of WTO has got both challenges and opportunities to trade. The need of the hour has been to streamline and manage the negative impacts that need to be faced in the wake of membership of the world trading arrangements. In the meantime, Nepal is required to utilize the opportunities available with the WTO membership. This would require enhancing the competitive strength at the national front; strengthening the supply side capacity, implementing trade facilitation measures, developing appropriate legislative framework for compliance of WTO requirements, and establishing a sound transit transport system at regional and sub regional level to facilitate the economic integration.

In sum, the gap exist not only in the understanding on the design of appropriate trade policies but also in the capacity to implement them particularly in areas of institutions, physical infrastructure and human resources development, and the ability to transform market access into trade opportunities.

Reform Initiatives:

His Majesty's Government of Nepal has taken up various initiatives in the past to promote trade sector as one of the pillars of Nepalese economy. A set of trade facilitation measures including customs reform and modernization, legislative reform on transport operation, improving freight forwarding services, simplification, standardization and harmonization of trade and transport related documents and procedures, were some but very important initiatives taken under the Nepal Multimodal Transit and Trade Facilitation Project. The development of ICDs at Birgunj, Biratnagar and Bhairahawa and the establishment of Export Processing Zones are important achievements in the direction of facilitating export trade of Nepal. The only rail connected Inland Clearance Depot (ICD) in Nepal is expected to come to operation in near future and this is supposed to bring down the cost of transit transportation by 30-40% as the movement of transit cargo will be diverted to mainly rail mode from road transportation and some port charges will be reduced or eliminated due to the inherent benefit associated with the movement of cargo to and from the ICD. Efforts are underway to create better integrated physical facilities at four land customs stations of Biratnagar-Jogbani, Birgunj-Raxaul, Bhairahawa-Sunauli, and Nepalgunj-Rupaidiha in Nepal and India. The development of facilities at these customs points will help to improve the traffic operation, thereby facilitating trade. Initiatives are being taken to avail the alternative transit routes through Mumbai and improve the operation through Phulbari-Banglabandha and to Mongla and Chittagong Port. Industrial and the foreign investment policies are being revised and updated in view of giving more comfort to the export related industries, attracting more FDI and making the investment regime compatible to the WTO requirement.

Developing transit transport network at the regional and sub-regional levels is another important initiative that needs to be pursued by the least developed country like Nepal. Efforts are increasingly focused on trade remedy measures specifically on quality, standards, sanitary and Phytosanitary measures, customs reform and modernization and the use of information and communication technology in trade and transport. Effective mobilization of Nepalese mission, and the honorary Consul Generals for trade and investment would help in promoting Nepal abroad. There is need of intensifying the process of economic diplomacy through multiple approaches to trade and investment promotion.

The reform initiatives taken so far in trade liberalization and investment promotion encompass the adoption of economic liberalization policies, effort towards integration with the world economy, through the vent of bilateral, regional and multilateral trading regimes. Nepal has concluded bilateral trading agreements with 17 countries, all but except one, on the basis of Most Favored Nation treatment. The sub regional co-operation under South Asian Growth Quadrangle is another initiative to promote trade, investment and private sector collaboration among the sub-regional countries of Bangladesh, Bhutan, India and Nepal. This is supposed to develop complementarities among nations in trade and investment.

The reform on trade sector is a continuing process. Many countries around the world are longing for promoting their export on goods and services in view of positioning them better in the realm of economic development. More markets are being opened but the benefits of these are not evenly available to all participating countries. The poor and least developed/landlocked countries are finding themselves in a difficult position as poor performance in economic activity has made them vulnerable to further marginalization.

Strengthening Nepal's capacity to gain from international trade and using it as a major instrument for overall economic development requires effective and efficient institutions across a range of

public and private agencies to conduct and implement trade policy. This also needs to be supported by improved trade policy formulation process and implementation mechanism. However, the government initiative is constrained, mainly due to paucity of resources and lack of technical expertise. More importantly, private sector needs to be on board for participatory development and to realize the goal of inclusive policy. For this to happen, we need to delineate the roles and responsibilities of each actor, i.e. the government, the donor community and the private sectors including academicians and civil societies. These should be viewed as complementing each other and not in a fashion of separate and self-standing.

Role of Public and Private Sector Institutions:

Government:

The adoption of liberal and open trade policy has significant implications on the role of the government on trade matters. The role of government is central in respects of facilitating the trade and investment especially in respects of formulation and implementation of policy, development of trade related institutions, monitoring and evaluation of the processes. It is obvious that government needs to play a proactive role in bringing positive changes in the trade front, and also in achieving the intended benefits from partnering to the world trading community. Government can play a catalytic role in mobilizing the stakeholders and trade related entities. Moreover, the trade negotiations at the bilateral, regional and multilateral level and the reform process at the domestic front are to move ahead concurrently in view of realizing the development gains. Efforts in achieving benefits to trade would include:

- ?? Establishing a sound framework of market access at the regional or multilateral level by negotiating the crucial elements of trade liberalization with the protection of export interest of the country. This holds particularly true in respects of negotiating the rules of origin, sensitive list, safeguard, removal of non-tariff barriers and revenue compensation mechanism under RTAs.
- ?? Enhancing trade related capabilities of the national entities for analysis and formulation of trade policy, international trade negotiation and handling of trade disputes.
- ?? Creating a sound investment climate through effective policy and institutional mechanism with particular focus on service sector in order to exert a pull on foreign investment. This may include, among others, development of IT Centers and export processing zones/special economic zones.
- ?? Developing a common framework among national stakeholders with regard to the elaboration of strategies and positions in international trade negotiations.
- ?? Implementing the cost and time effective facilitation measures to improve the trading environment through removal of barriers to trade and simplification of procedures including customs clearance, and enterprise registration and licensing. Ensure efficient operation of the one window clearance of trade documents.
- ?? Creating a suitable legal regime to cater to the need of trade specifically with regard to safeguard, competition, anti-dumping, customs valuation, SPS, TBT, and so on. Review of existing trade related legislation, rules and policies taking into account the multilateral and regional commitments.
- ?? Establishing the appropriate transport and related infrastructure for linking the various production centers within the country to the market centers and national highways.

- ?? Promoting linkage between SME's and high value agriculture and forest products for sustainable trade promotion with special attention on meaningful participation of women, and backward section of society in the production process of exportable items.
- ?? Making adjustment of the export structure on the basis of dynamism of products in the international markets. Adopt incentive measures to harness optimum benefit from the products categorized as highly dynamic or rising star.
- ?? Establishing a sound transit transport system at regional and sub regional level with the introduction of multimodal transport system and improvement of transport corridors, this includes the efficient operation of ICDs. operation with the availability of multiple transport corridors. Improved connectivity at the regional and sub regional level would help to enhance not only trade but also other areas of economic cooperation.
- ?? Developing an effective coordination mechanism on policy formulation processes, and dialogue with stakeholders and civil society.
- ?? Establishing suitable institutions for trade policy research and human resources development. This includes strengthening the trade related institutions, including customs, tax and export import administration and making them supportive to trade. Promotion of sustainable growth of trade by introducing the ICT and EDI systems, improvement in banking, insurance, transport, freight forwarding and transport operation.
- ?? Diversifying and expanding trade both by product and markets based on increased production and market potentialities.

Private Sector:

The thrust of all policy reform is aimed at resurrecting private sector-led growth. The effort taken so far increased private sector involvement in the reform process. The role of government has been confined to facilitation and creation of an environment conducive for private sector participation and development, as the later is supposed to take the lead in the implementation of the reform process. For this, there is need of collaborative approach between government and private sectors to work together in policy formulation and initiate joint actions towards improving efficiency and productivity. Such effort may be required in areas such as development of capacity to analyze the implications of new policy initiatives, establishment of trade related database and share information among stakeholders, creating awareness among the business community on the implications of changing economic and trade landscape, maintain quality and standards of the product in international and domestic markets, establishment of a mechanism to working together with academic and research institution to translate knowledge into business opportunity, identification of product list treated to be as sensitive for trade liberalization, and input in regard to the concession to be exchanged under the preferential trading arrangements.

Academics:

A concerted approach would be required to meet the challenges brought by the membership of regional and the international trading arrangements. The benefit can be realized if there is a co-ordinated approach at the domestic front. The economists, trade experts and researchers would be the valuable sources of inputs in enhancing the trade related capacities of the national institutions. HMGN would develop the national forum with a view to pool up the ideas of researchers and academicians on trade and investment. Micro studies on various technical issues will be taken up with the help of those who are deservingly interested for such studies. This would help to build up the trade negotiation strength at the national level.

Civil Societies:

We see that civil societies are becoming increasingly popular in articulating the national interest at various international fora. Their linkage with the sister agencies at the national as well as international level gives added advantages to these organizations to update on the latest development on the area of trade, investment and poverty alleviation. Civil societies in the past have been instrumental in articulating the national interest and forewarning trade negotiators in preserving the national interests. Sometimes they provide the services of experts due to the nature of entitled job of these organizations. HMGN will seek the indulgence of the related civil societies through their participation in the suitable national forum to discuss the issues on trade and investment.

Role of Donor community:

The initiative to modernize and expand trade through WTO and the regional trading arrangements is not only policy matter but also an investment decision. If we wish to make international trade to work for people, we need technical as well as financial resources to have right kind of institutions, infrastructure and human resources. The existing level of government revenue does not allow us to divert the resources from social priority areas to trade sector. Thus, the role of development partner is crucial in this regard. However, support should not be structured in ways that emphasizes short-term exercises rather it should be provided with long term vision and also with focus on capacity building through addressing the gaps in institutions, infrastructures and human resources. Financial and technical assistance from the development partners should be, *inter alia*, dovetailed to:

- ?? Capacity building in formulation of trade policy including improvements in analytical capacity of the national institutions through support in human resources development program.
- ?? Support for multilateral and regional trade negotiations in view of positioning better in promotion and protection of domestic industries and employment.
- ?? Market survey and economic analysis of the products of comparative and competitive advantage. Support for the development of such products specifically in the SME sector with a view to increase their production and productivity.
- ?? Support for the implementation of WTO agreements related to customs, technical standards, and quality and intellectual property rights.
- ?? Support for creation of funds to facilitate trade promotion and improve trade related infrastructures and business services.
- ?? Support, as interim measures, for negotiating the crucial part of regional trading arrangements of BIMST-EC free trade area and SAFTA, e.g. Rules of Origin, revenue compensation mechanism, tariff reduction or trade liberalization modalities, tariff rate quotas, non tariff measures, safeguard procedures etc.
- ?? Assist in implementation of recommendations made under the Nepal Trade and Competitiveness Study (NTCS).

Conclusion:

The role of government is changing over the years with the advent of economic liberalization policy and market based approaches in various sectors of economy. Trade has become a common national agenda in the contemporary world as this encompasses various sectors and stakeholders within and outside the national boundaries. Moreover the desire to promote trade interest of nations has resulted in the economic integration at the bilateral or regional level, which gave rise to the concept of complementarities among nations. The aspiration to promote trade has also necessitated in taking up collaborative efforts in various sectors and across a wide range of areas such as transport, tourism, energy investment, and trade facilitation. Accession to the multilateral and regional trading arrangements has enhanced prospects for speedy transformation of the agrarian economy through commercialization, specialization and diversification of the agricultural sector.

Governance reform through promotion of transparency, accountability and predictability are the important functions to be pursued by the individual nation states. Private sector has the central role to play for the product development and export–import business. Promotion of investment is another area of intervention where the government and private sector entities can work together. The role of donors in terms of strengthening the supply side capacity and the trade related capacity enhancement is of utmost importance for a less developed country like Nepal. Similarly, civil societies and the academicians can provide meaningful support in promoting the cause of trade promotion through appropriate suggestion, guidelines and advocacy. This would ultimately help in achieving the overarching goal of poverty alleviation.

