

National Seminar Report

MAINSTREAMING TRADE AGREEMENTS INTO DEVELOPMENT

13-14 January 2009

Lalitpur, Nepal

Organised by

**Forum for Protection of Public Interest (Pro Public)
South Asia Watch on Trade, Economics & Environment (SAWTEE)
Society of Economic Journalists- Nepal (SEJON)**

1. BEGINING

Under the project "Linkages between Trade, Development and Poverty Reduction (TDP)", a two-day national seminar on "Mainstreaming Trade Agreements into Development" was organized in the capital from 13-14 January 2009. The seminar was organized by Forum for Protection of Public Interest (Pro Public) collaborating with South Asia Watch on Trade, Economics & Environment (SAWTEE) and Society of Economic Journalists- Nepal (SEJON) with the support of Consumer Unity Trusts –Centre for Trade, Economics and Environment (CUTS-CITEE) Jaipur, India.

The objective of the seminar was to analyse different trade agreements signed by Nepal at multilateral, regional and bilateral levels, assess their linkages with local development needs and to identify issues to be incorporated in Nepal's development agenda and trade negotiations in the future for mainstreaming those agreements into Nepal's development process. Over 80 stakeholders from different categories across the country attended in the seminar (*see Annex 1 for the list of participants*).

2. PROCEEDINGS

The seminar was divided into three technical sessions followed by concluding panel (*see Annex 2 for the programme details*).

2.1 Opening Session

Dr Shree Krishna Shrestha, President of Pro Public, chaired the opening session. During the opening session, panelists highlighted the importance of liberalization to poverty reduction as well as its impact on poor people in developing countries. They also expected that seminar would be able to make proper policy suggestions for making trade and industrial policies pro poor. Mr Kiran Nepal, President of SEJON, welcomed the participants. In his welcome remarks, Mr Nepal said that more transparent and accountable trading system helps reduce level of poverty in developing countries in general and least developed countries in particular; at the same time, some kinds of safety nets are essential to protect the vulnerable section of the country. He also said that Pro Public has been creating forums to gather concerned stakeholders to discuss on trade and poverty issues for many years; such works would help to democratize the policy formulation process. He appreciated the

works of Pro Public and SAWTEE that these two organizations are the ones, which are actively involved in Nepal for many years in sensitizing the stakeholders including journalists on the issues of WTO. Dr Posh Raj Pandey, Chairman of SAWTEE said that international trade could be a major tool for the poverty reduction in the developing countries in the changed context. He highlighted some of the empirical evidences of trade and poverty linkages from some of the developing countries and said that Nepal has to improve its supply side capacity to benefit its people from the trade agreements signed by Nepal at different levels. Dr Shree Krishna Shrestha, chair of the session, thanked all the participants and resource persons for their valued participation. Informing the participants about the project, Dr Shrestha said that Pro Public has implementing the project with the support of CUTS-CITEE. Dr Shrestha further said that Pro Public believes in partnership in nation building process therefore it is collaborating with concerned stakeholders in building the nation's opinion on matters of trade and industrial policies. It is also working to sensitize stakeholders including local farmer leaders, journalists, civil society activists on those matters with the view to ensure their participation at policy level. He urged the participants for their valued contribution in the seminar so that it would be able to prepare a set of policy suggestions for future development strategies in light of different trade agreements signed by Nepal.

2.2 Technical Sessions

Session I

In the first session of the workshop, Dr Dilli Raj Khanal, Former Member of Parliament of Nepal, made a presentation on the topic "Multilateral Trading System and Nepal's Development". Dr Shree Krishna Shrestha chaired the session; and Dr Minendra Rijal, Honorable Member of Constituent Assembly, Mr Deependra Bahadur Kshetry, Former Member of National Planning Commission and Dr Posh Raj Pandey were the discussants.

Dr Khanal started his presentation by addressing trade liberalisation and its linkage with the development. He said that Nepal's trade liberalisation was undertaken mostly through the unilateral route. He then explained the gains of trade liberalisation and the channels through which such gains occur. Talking about WTO and development, he said that despite not being the development institution, it has realized the role of trade in the development of developing countries in general and under developed countries in

particular and has incorporated development agendas in multilateral trading system.

Summing up his presentation, he said that along with trade liberalisation, compensatory policies and programmes are essential to have a positive impact on economy. He opined that consistency in macroeconomic policies through complementary reforms such as infrastructural development, development of market centres, suitable labour policy, social safety nets for vulnerable group, asset redistribution and access to credit as well as social capital are to be taken as essential steps together with liberalizing domestic trading regime in order to reap benefit from multilateral trading system.

Dr Posh Raj Pandey explained at first about why Nepal moved forward to obtain the membership of the WTO. He said that Nepal could not diversify the market of its products unless it acceded in multilateral trading system in the changed context. Emphasizing the need of improvement in supply side capacity in Nepal he opined that trade facilitation is one of the key factors to ensure its meaningful participation in multilateral trading system. Citing the Doha Development Agenda (DDA), he urged Nepalese trade negotiators to lobby for effective implementation of duty free quota free market access (DFQF) of export interest items of least developed countries to the developed countries. He further said that Nepal should make active its diplomatic mission abroad to include its export interest items in 97 percent tariff lines of DFQF market access. He also highlighted the controversy within article 27.3b of Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and requested Nepalese trade negotiators to lobby for incorporation of mandatory disclosure requirement in article in line with Convention on Biological Diversity.

Honorable Dr Minendra Rijal said that conducive domestic political environment is essential to achieve development goals through liberal policy regime. He urged the government that if it is serious about the double-digit growth and greater inflow of foreign investment in the country it should correct present security situation, impunity and discord management-labourers' relation. He also criticized the government revenue policy and blamed that it would not promote investment and foster trade.

Deependra Bahadur Kshetry, Former Member of National Planning Commission, said that resource poor, low skilled, uneducated section of the country are to be taken into consideration while preparing trade policies and programmes. He further added that still much works are required to ensure the development through international trade in Nepal.

After the presentation, the participants raised their concerns whether the liberal trade policy— that Nepal undertook in early 80s—was a right step forward. They opined that it has been experiencing social injustice after trade liberalization initiated. The participants also argued that withdrawal of subsidy in agriculture was not a wise decision because that decision has caused to erode Nepalese farmers' competitiveness.

In response to the questions and comments of the participants, Dr Khanal said that under trade liberalisation, Nepal concentrated only on deregulation and ignored necessary compensatory measures, which were equally important to be executed hand in hand. He further added that Nepal has to develop safety net mechanism for the losers and to provide certain incentive to the small producers and farmers.

Dr Shree Krishna Shrestha, chair of the session, thanked resource persons and discussants of the session for sharing their valuable expert opinion. Summing up the session Dr Shrestha opined that successful completion of present Doha round of negotiation is must to ensure the equitable participation of least developed countries in multilateral trading system. Dr Shrestha requested Nepal's policy makers and government officials to work on improving supply side capacity of the country, to negotiate for trade facilitation as well as to set safety nets for poor and vulnerable section of the economy.

Session II

The theme of the second session was "Nepal's Participation in Regional Cooperation: Issues and Concerns." Dr Yadav Kant Silwal, Former Secretary General of South Asian Association of Regional Cooperation (SAARC) chaired the session and Dr Binod Karmacharya, senior trade economist, made presentation on the theme. Mr Rajendra Khetan, Honorable Member of Constituent Assembly, and Dr Puspa Raj Rajkarnikar, Former Member of National Planning Commission were the discussants.

Dr Karmacharya started his presentation by sharing about the status of ongoing negotiation at South Asia Free Trade Area (SAFTA) and Bay of Bengal Initiatives for Multi-Sectoral Economic Cooperation (BIMSTEC) forums and Nepal's position on different topics at those fronts. He said that Regional Cooperation and Integration (RCI) is expected to promote growth through several channels such as intra regional trade and investment, larger economies of scale, deeper and wider cooperation in transport, trade facilitation, energy and tourism sectors. He said that regional

cooperation will benefit developing countries in general and least developed countries in particular only if we are able to simplify Rules of Origin, reduce sensitive list and eliminate non-tariff barriers. He also suggested trade negotiators to intensify service sector liberalization in which least developed countries have comparative advantage. Dr Karmacharya opined that trade facilitation is more important than trade liberalization to improve supply side efficiency in landlocked countries.

At the end of his presentation, he put forward some issues to be considered in the future for Nepal's meaningful participation in the regional cooperation/integration:

- Emphasize intra regional connectivity
- Negotiate for Regional Transit Agreement
- Expand intra regional energy cooperation
- Find sources of finance to implement regional investment projects
- Work for closer integration of track I and track II
- Focus on strengthening economic and transit relation with India
- Improve domestic political environment; ensure fair politics, physical security, investment friendly business environment and adequate capacity of stakeholders

Mr Rajendra Khetan, a renowned industrialist and Honorable Member of Constituent Assembly was one of the discussants of the session. He said that we have to focus on our capacity of supply at first. He further said that geopolitical situation and people level relation are important factors for intra-regional trade and cooperation in any region. Citing few examples of problems at custom clearance procedures, he said that domestic administrative reform and change in the mindset of Nepalese bureaucracy are also urgent to promote Nepal's export within the region.

Dr Puspa Raj Rajkarnikar, next discussant of the session, cautioned on possibility of more trade deficit in Nepal after full implementation of trade liberalization under SAFTA and BIMSTEC free trade area. He further said that all the countries across the region have same kind of comparative advantage in same kinds of goods; so Nepal should identify its products appropriate for regional trade at first. He also supported Dr Karmacharya that trade facilitation is vital for Nepal for its meaningful participation in the intra-regional as well as multilateral trading systems.

Dr Yadav Kant Silwal, chair of the session, recited the historical development of SAARC. He said that Nepal had played vital role in the establishment of SAARC and had earned very good reputation in

the earlier days; but such reputation has now eroded due to its weak participation. He also said that the role of SAARC has been minimized by member countries themselves and its focus has diverted from the development objectives. He urged the SAARC leaders to improve harmony among member countries and focus on its development objectives what had been set in its beginning.

Session III

This session was first session of Day 2. The theme of the session was "Revisiting Indo Nepal Trade Treaty". Jagadish Agrawal, Former Vice President of Confederation of Nepalese Industries, was the resource person and Prof Dr Bishambhar Pyakuryal was the chair of the session. Mr Suraj Baidya, Senior Vice President of Federation of Nepalese Chamber of Commerce and Industries, Prof Dr Pushkar Bajracharya and Dr Posh Raj Pandey discussed on the presentation.

Resource persons, discussants and participants discussed on principles and provisions of the treaty, its achievement and relevance in the changed context as well as new phenomena emerged in Indo Nepal trade relations in the present time. They suggested that the treaty should be revised and redefined and should be made more comprehensive and mutually beneficial.

The major highlights of the discussion are:

- The treaty should be comprehensive & open to include trade, investment and service sectors
- The treaty should be made umbrella treaty and all sectoral agreements should be brought under the umbrella treaty
- More focus should be given in facilitating transit for inter-country trade promotion
- Unauthorized trade across the border should be controlled from both the sides
- Work should be done to avoid double taxation
- Work should be done in eliminating all kinds of non tariff and para tariff barriers
- Work should be done to reduce transaction costs and time in doing business between the two countries
- Incorporation of new areas of investment in the treaty such as contract farming, contract manufacturing, establishment and management of Special Economic Zone (SEZ) and entertainment industry would be advantageous

Participants suggested that Nepal India Trade and Development Board is required in the changed context as a supreme body to deal

with all economic affairs including procedural simplification of inter country trade and investment; publication of the necessary information; interpretation of the laws, agreements and treaties. The board will also play the role as a Dispute Settlement Body.

2.3 Closing Session

Closing session was concluding panel of the two-day seminar. Secretary of Ministry of Commerce and Supplies Mr Purushottam Ojha chaired the panel. Dr Madhukar SJB Rana, Dr Prakash Sharan Mahat, Prof Maheswar Man Shrestha, Mr Bhim Prasad Neupane and Dr Posh Raj Pandey were the panelists of the panel. Mr Kiran Nepal, President of SEJON, presented the major issues discussed in the past sessions of the seminar. The panelists agreed with those issues being vital for mainstreaming trade agreements into Nepal's development process. Besides that, panelists showed their concerns in different issues in the context of mainstreaming trade in the development.

Dr. Prakash Sharan Mahat, Honorable Member of Constituent Assembly, said that without expanding exportable goods, it is not wise to blame international treaties being responsible for poor export performance. Dr Madhukar SJB Rana, Former Minister of Finance, argued for strengthening Nepal's diplomatic mission abroad for export promotion and greater inflow of foreign direct investment. Mr Bhim Prasad Neupane, Former Member of National Planning Commission, urged to take the issues of food security into consideration while setting development agendas. Dr Posh Raj Pandey, President of SAWEE and Former Member of National Planning Commission, suggested enhancing capacity of the trade negotiators in order to ensure effective negotiation from Nepalese side. Mr Purushottam Ojha, chair of the session, said that Nepal would face another threat of preference erosion in the Indian market soon because of its extension of duty free quota free market access facility to the products of all least developed countries across the South Asia. He also asked the stakeholders to find the way forward to compensate Nepal's losses in Indian market caused by such facility. He shared with the participants that government of Nepal is revising its trade and industrial policies; in this context, the outcome of the seminar is relevant and appreciable.

Annex- 1

List of participants

Academia		
01	Dr Biswambhar Pyakuryal	Professor, Central Dept. of Eco., TU
02	Dr Puskar Bajracharya	Professor, Central Dept. of Mgmt., TU
03	Dr Bhola Pokhrel	Associate Professor, Central Dept. of Eco., TU
04	Baburam Karki	Lecturer, Central Dept. of Eco., TU
05	Bimal Poudel	Lecturer, Central Dept. of Rural Development, TU
06	Bishnu Prakash Adhikari	Lecturer, Central Dept. of Mgmt., TU
07	Dr Bishwa Nath Tiwari	Tribhuvan University/UNDP
08	Nirajan Basnet	Lecturer, Central Dept. of Mgmt., TU
09	Sujan Koirala	Lecturer, Nepal Commerce Campus
10	Top Raj Gyawali	Lecturer, Whitehouse Education Foundation
11	Yam Lal Poudel	Lecturer, Whitehouse College
12	Naveen Adhikari	Lecturer, Central Dept. of Eco., TU
13	Resham Thapa	Lecturer, Central Dept. of Eco., TU
Government Officials		
14	Purushottam Ojha	Secretary, Ministry of Commerce and Supplies
15	Dr Badri Pokharel	Joint Secretary, Ministry of Commerce and Supplies
16	Kailash Bajimaya	Director General, Department of Commerce
17	Bishnu Prasad Pandey	Under Secretary, Ministry of Commerce and Supplies
18	Binod Acharya	Under Secretary, Ministry of commerce and Supplies
19	Dr Krishna Prasad Pant	Senior Programme Officer, NARDEF
20	Arjun Raj Pant	Under Secretary, Ministry of Foreign Affairs
21	Bigyan Subedi	Assistant Director, Nepal Rastra Bank
22	Rajan Krishna Panta	Assistant Director, Nepal Rastra Bank
23	Shiv Raj Bhatt	ENTReC, UNDP/MOCS
24	Januka Subedi	National Planning Commission
25	Manju Sing Rana	Poverty Alleviation Fund
26	Ramesh Ratna Sthapit	Under Secretary, Department of Industries
27	Manhari Karki	Ministry of Commerce and Supplies
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Experts/Policy Makers		
28	Dr Yadav Kant Silwal	Former Secretary General, SAARC
29	Dr Prakash Sharan Mahat	Honorable Member, Constituent Assembly
30	Dr Madhukar SJB Rana	Former Minister of Finance
31	Deependra Bahadur Kshetry	Former Member, NPC
32	Prof Maheswar Man Shrestha	Former Member, NPC
33	Bhim Prasad Neupane	Former Member, NPC
34	Dr Dilli Raj Khanal	Former MP and Former Member, NPC
35	Dr Minendra Rijal	Honorable Member, Constituent Assembly
36	Dr Puspa Raj Rajkarnikar	Former Member, NPC
37	Dr Binod Karmacharya	Senior Trade Economist
38	Rajendra Khetan	Honorable Member, Constituent Assembly
39	Dr Posh Raj Pandey	President, SAWTEE and Former Member, NPC
Media		
40	Kiran Nepal	President, SEJON/Executive Editor, Himal Fortnightly
41	Shanjaya Neupane	Vice President, SEJON/Business Bureau Chief, Kantipur National Daily
42	Govinda Chimaurya	Radio Nepal
43	Prithvi Man Shrestha	The Kathmandu Post
44	Bidya Bajracharya	Sagarmatha Television
45	Surendra Raut	Sagarmatha Television
46	Pradeep Chapagain	Executive Member, SEJON/Nepal Television
47	Saujanya Neupane	SEJON
48	Shiva Dawadi	Rajdhani National Daily
49	Gokarna Awasthi	Kantipur National Daily
50	Shredhar Neupane	Radio Mirmire
51	Bal Krishna Gnawali	SEJON/ www.dainiki.com
52	Surendra Shrestha	Avenues Television
53	Laxmi Saptkota	Rajdhani National Daily
54	Govinda Luitel	Ghatna Ra Bichar Weekly
55	Rakesh Shrestha	New Business Age
56	Goma Subedi	New Business Age
Other Stakeholders		
57	Santosh Bohora	Youth Initiatives
58	Pallap Raj Nepal	IDS Nepal

59	Dhiraj Pokhrel	Executive Director, LEADERS
60	Kalpana Adhikari	Karitas Nepal
61	Kamalesh Adhikari	Research Director, SAWTEE
62	Lok Raj Awasthi	Association of Youth Organisation
63	Mahesh Nepal	Institute for Development Studies
64	Komal Bhatta	President, Multidisciplinary Academic Perspectives
65	Powan Roy	President, Youth Action Nepal
66	Dhruba Lamsal	Youth Initiative
67	Sunita Sanjyal	COCIS
68	Kiran Saakha	Former President, Garment Association of Nepal
69	Prasant Pokhrel	President, Garment Association of Nepal
70	Suraj Baidya	Senior Vice-President, Federation of Nepalese Commerce and Industries
71	Jagadish Pd Agrawal	Former Vice-President, Confederation of Nepalese Industries
72	Dr Dev Bhakta Shakya	Executive Director, Agro Enterprise Centre /FNCCI
73	Anjana Tamrakar	Federation of Nepalese Cottage and Small Industries
Participants from Out of the Valley		
74	Gopal Hamal	Kailali Chamber of Commerce and Industries, Kailali
75	Lalit Kumar Rauniyar	Nepalgunj Chamber of Commerce and Industries, Nepalgunj
76	Himalaya Karmacharya	Ilam Chamber of Commerce and Industries, Ilam
77	Bindu Bhattarai	Trade and Export Promotion Centre, Biratnagar
78	Raju Maharjan	Palpa Chamber of Commerce and Industries, Tansen
Organizers		
79	Dr Shree Krishna Shrestha	President, Pro Public
80	Prakash Mani Sharma	Executive Director, Pro Public
81	Prakash Ghimire	Programme Officer, Pro Public
82	Jhabindra Adhikari	Support Staff
83	Shanjaya Tharu	Support Staff
84	Hari Sharan Thapa	Support Staff

Annex 2

National Seminar

Mainstreaming Trade Agreements into Development

13-14 January 2009

Hotel Himalaya, Lalitpur

Organizers

Forum for Protection of Public Interest (Pro Public)
South Asia Watch on Trade, Economics & Environment (SAWTEE)
Society of Economic Journalists - Nepal (SEJON)

Programme Schedule

Day 1		
Registration: 01:20- 01:50		
01:50-02:20 Inaugural Session		
01:50-02:00	Welcome and Programme Highlights	Mr Kiran Nepal, President, SEJON
02:00-02:10	Remarks	Dr Posh Raj Pandey, President, SAWTEE
02:10-02:20	Remarks from Chair	Dr Shree Krishna Shrestha, President, Pro Public
02:20-02:40 Tea/coffee break		
Technical Session		
02:40-04:30 <i>Session I: Multilateral Trading System and Nepal's Development</i> Chair: Dr Shree Krishna Shrestha, president, Pro Public		
02:40-03:10	Presentation	Dr Dilli Raj Khanal, President, IPRAD
03:10-03:40	Discussants	1. Mr Deependra Bahadur Kshetri, Former Member, National Planning Commission 2. Dr Minendra Rijal, Honorable Member, Constitutional Assembly 3. Dr Posh Raj pandey, President, SAWTEE
03:40-4:20	Floor Discussion	
04:20-04:30	Wrap up the session I	
04:30-04:50 Tea/coffee break		
04:50-06:40 <i>Session II: Nepal's Participation in Regional Cooperation : Its Issues and Concerns</i> Chair: Dr Yadav Kanta Silwal, Former Secretary General, SAARC		
04:50-05:20	Presentation	Dr Binod Karmacharya, Senior Trade Economist
05:20-05:50	Discussants	1. Dr Puspa Raj Rajkarnikar, Former Member, National Planning Commission 2. Mr Rajendra Khetan, Honorable Member, Constitutional Assembly

05:50-06:30	Floor discussion	
06:30-06:40	Wrap up the session II	
06:40-8:00	Reception/Dinner	
Day 2		
09:00-10:40	Session III: Revisiting Indo Nepal Trade Treaty Chair: Prof Dr Bishwambhar Pyakuryal, Tribhuvan University	
09:00-09:30	Presentation	Mr Jagadish Agrawal, Former Vice-President, Confederation of Nepalese Industries
09:30-10:00	Discussants	1. Prof Dr Pushakar Bajracharya, Tribhuvan University 2. Dr Posh Raj Pandey, President, SAWTEE 3. Mr Suraj Baidya, Senior Vice-President, FNCCI
10:00-10:40	Floor discussion	
10:40-10:50	Wrap up the session	
10:50-11:00	Tea / coffee break	
11:00-01:00	Concluding Panel: Agenda for Mainstreaming Trade Agreements into Development Chair: Mr Purushottam Ojha, Secretary, Ministry of Commerce and Supplies	
11:00-11:30	Presentation: Mr Kiran Nepal, President, SEJON	
11:30-12:30	Penal Discussion	1 Dr Madhukar SJB Rana, Former Minister of Finance 2 Prof Maheswar Man Shrestha, Former Member, NPC 3 Dr Prakash Sharan Mahat, Honorable Member of Constitutional Assembly 4 Mr Bhim Prasad Neupane, Former Member, National Planning Commission 5 Dr Posh Raj Pandey, President, SAWTEE
12:30-01:00	Discussion	
01:00-01:10	Wrap up the session	
01:10-01:20	Vote of Thanks	
01:20-02:00	Lunch	