

NEPALESE INVESTMENT SCENARIO AND PRIVATE SECTOR INITIATIVES

For further information:

Mr. Badri P. Ojha
Dr. Deb Bhakta Shakya
Dr. Hemant Dabadi
Dr. Binod Hari Joshi

1. Nepal's Policy Framework

- Emphasis on private sector involvement
- Limit of state's role to the creation of enabling environment
- Emphasis on export led growth
- Inevitability of private sector - well accepted across political lines
- Commitment to globalisation / liberalisation
- Foreign investment of up to 100% allowed in almost all sectors
- Industrial Policy
- Foreign Investment Policy
- Industrial Enterprises Act
- Foreign Investment and Technology Transfer Act
- Sectoral Acts and Rules

2. Nepal's locational advantage

- Population of 23 mln. - already a sizable market
- Location in between two most populous and fast growing economies
- Preferential trade arrangement with India and Tibet
- Diverse topography and climate in a very narrow strip of land
- As LDC Enjoys Duty Free And Quota Free Facilities To Major Markets
- Tripartite Agreement Between Nepal, China & India possible

3. Why investment in Nepal

- One Window Policy
- Attractive Investment Features
- Repatriation of Foreign Exchange
- Low tax and duty rates
- Fixed Royalty Payments
- Easy availability of Foreign Exchange
- Import Concessions
- Export Potential
- No Nationalization of Projects

4. Investment Attractions

- Liberalized Investment Climate
- Transparent Legal & Regulatory Framework
- Impartial Judicial System
- Established Procedure
- Emerging Regional Capital Markets
- Democratic Polity
- 100% Foreign Ownership of Project allowed
- Risk Insurance Availability
- Dispute Resolution as per agreement allowed

5. Contribution To GDP

➤ Industry	
➤ Agriculture	- 39
➤ Trade/ Hotels	- 1.1
➤ Finance Real Estate	- 10
➤ Social Services	- 10
➤ Construction	- 9.8
➤ Manufacturing	- 9.7
➤ Transportation	- 8
➤ Other	- 1

6. Currency Regulations

Currency: Nepali Rupees (NRs.) NRs freely convertible in current account

Exchange Rate

Currency	Selling Rate in NRs.
US \$ 1	78.35
RMB 1	9.42
Indian Rupees	1.60

7. Repatriation of Foreign Exchange

- Principal and Interest on debt
 - Profit from equity
 - Sales of share equity
- All at prevailing Prevailing Market Rates*

8. Incentives to Export Industry

- Customs duty, sales tax, excise duty and premiums levied on raw materials and auxiliary raw materials etc utilized by any industry in connection with its product during its production reimbursed on the basis of the quantity of the export.
- No tax, fee or charge of any kind levied on the machine, tool, equipment, machinery and raw materials to be employed by an export promotion industry as well as on the product of such industry.
- No royalty shall be imposed if any industry generates electricity for its use

9. Other Facilities and Concessions

- Foreign investment eligible for all the fiscal incentives available to domestic investment.
- Foreign investment in units located in Export Processing Zones (EPZ), 100% export oriented units eligible for duty free access to machinery and raw materials and will also be eligible for tax holiday for seven years from the year of commercial production or ten years from the year of establishment which ever is earlier

10. Interest Rates

Lending Rates

Sector	Rate in %
Agriculture	7.0 – 14.5
Industry	7.0 – 14.5
Export	7.0 – 12.0
Commercial	1.0 – 16.0
Overdraft	10.0 – 17.0
Agricultural Dev. Bank	10.0 – 12.0

Interest rates may vary from bank to bank. For good clients it is generally below 10 % and has been falling

11. Areas of Opportunity: Manufacturing

11.1 High value low volume products

- Pharmaceuticals
- Electric / electronic gadgets
- Components making
- Precision equipments
- Textile and clothing

11.2 Area of Opportunity: Infrastructure Development

- Power / Road / Airport / Bridges / Tunnels / Telecommunication, Real Estate, Housing etc.
- BOOT / BOT principle accepted
- First comers can themselves be part of the rules framing process

11.3 Area of opportunity Information Technology

- No handicap of land lockedness and high transport cost
- Many graduates of the field
- Fairly good command of English
- Nepali people trainable

Could be a very good location for data entry and processing

11.4 Area of Opportunity: services

- Tourism
- Holiday homes
- Sanatoriums
- Hospitals / Nursing Homes
- Educational / Training Institutions
- Financial Services / Off Shore Banking

11.5 Hydropower Potentials of Nepal

- Average annual flow : 225 Billion m3
- Theoretical Potential : 83000 MW
- Techno-Economically feasible : 44000 MW
- No. of feasible sites : 66

Potential to meet national and regional needs

11.5.1 Nepal : Energy and Peak load Forecast

Year	Growth Rate 9.3% (Planning Target)		Growth Rate 11.8% (High Growth)	
	Energy GWh	Peak Load MW	Energy GWh	Peak Load MW
2000	1663	380	1816	414
2005	2722	622	3534	807
2010	4266	974	5893	1345
2015	6847	1563	9747	2225
2020	9973	2277	16802	3836

11.5.2 Northern India – Power Balance

Year	Demand MW	Supply MW	Deficit MW
2000	30000	20700	9600
2005	42800	27900	14900
2010	58200	37400	20800

11.5.3 Major Planned and Proposed Project of Nepal

- Karnali Chicapani 10800 MW
- West Seti 750 MW
- Upper Karnali 300 MW
- Arun III 402 MW
- Pancheshower 6480 MW
- Upper Tama Koshi 250 MW
- Budhi Gandaki 600 MW

11.5.4 Department of Electricity Development (DoED) : One Window

- Issues Survey and Project Licenses
- Recommends tax concessions and incentives
- Assists in obtaining land
- Assists in importing goods
- Assists in obtaining all necessary permits, approvals etc.
- Regulates and monitors project functioning

11.5.5 Licensing Arrangements

- Survey license issued within 30 days
- Validity of licensing up to 5 years
- Project license issued within 120 days
- Project license validity up to 50 days
- Exclusive water rights

11.5.6 Incentives

- No tax, fee or charge of any kind levied on the machine, tool, equipment, machinery, and raw materials to be employed by an export promotion industry
- No royalty imposed if any industry generates electricity for its own use
- Foreign investment eligible for all the fiscal incentives available to domestic investment

11.5.7 Other facilities

- Investment in generation and transmission of electricity eligible for the following fiscal concessions:
 - Import duty concession of 50% on import of machinery and equipment.
 - Green card at import terminals

11.5.8 Visa Facilities

- Non-tourist visa up to six months made available for investment prospectation in Nepal to foreign nationals
- Resident visa for investor and dependent family members in case of investment of an amount not less than US\$ 200,000 as long as the investment is retained

11.5.9 Royalty Payments (Latest policy yet to be gazetted)

- Projects for internal consumption
- Year 1-15 years
 - Installed capacity 1-10 MW
Royal Amount
NRs. 100 / kW
 - Energy sold
1.75% Ave. Tariff / kWh
 - Installed capacity 10-100 MW
NRs. 150 / kW
 - Energy sold
1.85% Ave. Tariff / kWh
 - Installed capacity 100-above
NRs. 200 / kW
 - Energy sold
2% Ave. Tariff / kWh
 - Captive use
NRs. 1500 / kW
 - Energy sold
2% Ave. Tariff / kWh
- Projects for internal consumption
- Year 1-15 years
 - Installed capacity 1-10 MW
Royal Amount
NRs. 1000 / kW
 - Energy sold
10% Ave. Tariff / kWh
 - Installed capacity 10-100 MW
NRs. 1200 / kW
 - Energy sold
10% Ave. Tariff / kWh
 - Installed capacity 100-above
NRs. 1500 / kW
 - Energy sold
10% Ave. Tariff / kWh
 - Captive use
NRs. 3000 / kW
- Projects for Export
- Year 15 years
 - Export oriented
Run off the river project
Royal Amount
NRs. 400 / kW
 - Energy sold
7.5% Ave. Tariff / kWh
 - Export oriented
storage project
NRs. 500 / kW
 - Energy sold
10% Ave. Tariff / kWh

- Projects for Export
 - Year 15 + years**
 - Export oriented
Run off the river project
 - Energy sold
 - Export oriented
storage project
 - Energy sold
- Royal Amount
- NRs. 1800 / kW
12% Ave. Tariff / kWh
- NRs. 200 / kW
15% Ave. Tariff / kWh

11.5.10 Marketing Opportunities

- Domestic – Nepal Electricity Authority (NEA)
- Interconnection facilities with India
- Huge power deficit in India
- Attractive export oriented projects in Nepal
- Export of SAARC Nations through Regional grid (conceptual phase)

11.5.11 Existing Private Sector Initiatives with Foreign Participation

Project	Foreign Promoters Status
➤ Khimti (60) Commissioned	Staatcraft, Norway
➤ Bhote Koshi (36)	Harza, USA Commissioned
➤ West Seti (750) (Discussion on Project Agreement and PPA going on)	Snowy Mountains Australia
➤ Middle Marsyangdi (70) (Under construction)	NEA / Mi of Germany

11.5.12 Highlights of the Power Trade Agreement HMG/N and Govt. of India (in process)

- Any party (govt. semi-govt., or private sector) of any country may enter into power trade agreement
- Parties themselves determine the agreement parameters (including tariff)
- Respective governments will assist the parties to implement agreements in accordance with existing laws and registration
- Parties will be granted all incentives and concessions of their respective countries

12. Agriculture Scenario of Nepal (2001/02):

Agriculture GDP % of total GDP	37.9
Per capita GNP US \$	246
No. of farm households	4,174,374
Economically active population (above age of 10 yrs and above)	9,900,196
Economically active population involved in agriculture	6,504,689

12.1 Nepal : unique with rich biodiversity :

Extreme altitudinal gradient of Nepal within a horizontal span of < 180 km (South to North)

- 10 bio-climatic zones from tropical to alpine .
- 118 ecosystems, 75 vegetation and 35 forest types are prevailing.

12.2 Duties and Taxes :

- Value Added Tax (VAT Ceiling): Rs. 2 million (US\$ 25,000)
- General Import Duty Rates applicable to agricultural products are
 - Primary products mostly -10% (some 5% only like silk ,wool and cotton yarns)
 - Secondary and value added products – 15 to 25%, and with some exceptions of 40% on the ad valorem
- Custom duties rebate on goods produced in PR China and imported through Tibet: 5% on the chargeable duty
- Local Development Tax: 2.5 %
- Agriculture Improvement Tax: 10% of the value on those items which do not attract custom duty
- Special Surcharge:
 - 1% for items with custom duty upto 5%
 - 3.5% for items with custom duty above 5%
- Excise Duty: levied on Molasses, Sakkhar, Fruit based drinks & Wine
- Export Service Charge on agricultural products
 - On Edible oils, Cane molasses, Rice Bran export tariff levied is Rs. 0.25 per kg. And others to pay only 0.5% export service charge on f.o.b price.
 - Excise and custom duty on exported individual raw materials/auxiliary raw material will be refunded within 60 days of claim

12.3 Duties and Taxes Relaxation :

- **100%Custom duty exemption on following agriculture products of China entering through Tibet land route:**
All live animals; Fish (fresh/chilled); dairy products; bones; live plants, seeds/bulbs flowers / foliages; garlic; all edible vegetables / roots / tubers (with the exception of peas / beans, cassava); banana, coconuts, figs, pineapple, avocado, guava, mango, citrus grape, melons, apricots, strawberries, kiwi etc; fresh ginger/turmeric; all cereal grains, cereal flours, grits, meal & flakes; soybean / groundnuts; seeds of sunflower / cotton / castor / sesame / safflower / poppy; vegetable plaiting materials / products; shakkar / gur; oilseed cakes
- **50%Custom duty exemption on import of following agriculture related products**
Packaging materials for fruits; agricultural implements; cotton thread; feed supplement; mustard /rapeseed; coconut copra

12.4 Duties and Taxes Relaxation :

- **Only 1% custom duty charged for:**
Cold storage related machineries / equipments / spares; pesticides / insecticides / herbicides; fodder cutting equipments; harvesting tools, pump sets for irrigation between 2 to 8 HP; cream separators, chilling vats for milk, industrial refrigeration, poultry feeding plants/equipments, coffee percolators, apiculture machines, fruit juice extractors, sprinkle/drip irrigation equipments / pipes, fishing nets; green house& equipments for agriculture, horticulture and floriculture farms, pasmina yarn.
- **VAT Exemption on:**
Raw Wool, Carpet Cotton Thread, Jute products, Basic Agricultural products, Basic necessity items, livestock products and agricultural inputs(fertilizer and seeds) and basic agricultural tools/equipment, feeds, insecticides/pesticides

12.5 Medium and Large Scale Industries :

Industrial Production Group	Total			Total
	UO	Closed	UC	
Flour Mill	17	2	3	22
Sugar Mill	10	-	3	13
Biscuit & Confectionery	11	-	-	11
Vegetable Ghee/oil	14	-	4	18
Noodles (Instant)	10	-	2	12
Tea and Coffee	22	10	8	40
Dairy	9	-	3	12
Fruit Processing	5	1	1	7
Cattle/Poultry Feed	7	-	-	7
Liquor (Modern)	10	-	5	15
Beer	5	-	1	6
Soft Drink	6	-	1	7
Cigarette	5	-	1	6
Jute Products	7	2	2	11
Paper & Pulp	5	-	5	10
Solvent Oil	6	4	-	10
Meat	1		2	3
Fertiliser/Bone Mills	3		2	5
Straw & Cardboard	2	-	1	3

12.6 National Priority Industries

- Integrated sericulture and silk production
- Horticulture and related processing
- Animal husbandry
- Dairy industry
- Poultry farming
- Fishery
- Tea / coffee plantation & processing
- Mushroom production / processing
- Herbs culture and processing
- Vegetable seeds
- Bee-keeping and honey
- Floriculture

- Agro forestry
- Green-house / tissue culture production Ind.
- Cold Storage

12.7 Reservation and Restrictions

Reserved for domestic investors only

- All cottage industries (but T-T allowed)
- Poultry Farming
- Fisheries
- Bee-keeping

Restricted for export

- Raw hides and skins
- Raw wool
- Log and Timbers

12.8 New Products Thrust for Export

- Organic Black Tea and Coffee
- Vegetable seeds
- Fresh fruits & vegetables
- Honey
- Large cardamom
- Herbs and medicinal plants
- Cut flowers / flower seeds
- Processed fruits, vegetables and cereal products

12.9 What challenges Nepal is facing?

- Lacks know-how in production technology resulting in low productivity / quality and high cost of production
- Very little investment in the area of post harvest handling, grading & packaging and processing technologies
- Production and marketing managements are done in very small or at below the economy of scale

12.10 Why Nepal?

- Increased urbanisation led to increasing demand for more diversified, convenient and quality agro-products within Nepal
- It has comparative / technical advantages to produce and send fresh off-season agro-products to Northern India, Bangladesh, Bhutan and Tibet Autonomous region
- SAFTA and SA Quadrangle Growth Sub-regional concept, once materialised, prospect of free trade of goods within the member countries could be seen
- It is well connected with Gulf, Europe, Japan and SE Asia by air for niche product marketing
- Nepal is expected to be a WTO members soon and as a LDC member its agricultural products could have duty free/concessional access to some regional trade blocks like EU,

12.11 Potential Areas for Investment in Nepal

- Cultivation/Farming of fruits & vegetables
- Floriculture and flower seed production
- F-1 hybrid Vegetable seed production
- Organic Tea plantation and industry
- Sericulture – mulberry plantation and silk production
- Animal feeds production
- Integrated livestock, Pasture land development & management
- Natural wool production/spinning (sheep/angora rabbit)
- Essential oils/herbal products
- Garlic and Ginger cultivation and processing
- Production and processing of Mushroom
- Fish farming

12.12 Where collaboration needed?

- New /improved technology(inputs, farming tools/ equipments, water management, weed and insect pest control and green house techniques etc.) for large scale production & farm/orchard management; post harvest handling and processing equipments and machineries
- On- farm trainings for Nepalese farmers, extension people and farm managers
- Marketing, buy-back and brand promotion
- Finance and business linkages

13. Entry Procedures :

13.1 Indian Nationals

Indian nationals do not require visa. However, effective from October 1, 2000, Indians travelling to Nepal by air have to show upon arrival at entry point either a passport, Voter's Identity card issued by the Election Commission of India, or an identity card with photograph issued by the Central or State Government of India. Temporary identity card with photograph issued by Nepal based Indian diplomatic missions for identification of Indian nationals will also be considered in case of exceptions. Children under 10 years need not show any identification.

13.2 Tourist Visa

- Foreigner who intends to visit Nepal must hold valid passport or any travel document equivalent to passport issued by the Govt. for visiting a foreign country prior to apply for visa.
 - a. Entry : No foreigner is entitled to enter into and stay in the Kingdom of Nepal without valid visa. Tourist entry visa can be obtained for the following durations from Royal Nepalese Embassy or Consulate or other mission offices or immigration offices located on entry points in Nepal.
 - b. Chinese citizen are requested to apply in Royal Nepalese Embassy or other Nepalese diplomatic missions as there is no provision of on arrival visa for them.

1. Visitors who are entering into Nepal first time in a visa year (Jan-Dec)

<i>Facilities</i>	<i>Duration</i>	<i>Fee</i>
Single Entry	60 days from the date of entry	US\$ 30 or equivalent convertible foreign currency
Double Entry	do	US\$ 55 or equivalent convertible foreign currency
Multiple Entry	do	US\$ 90 or equivalent convertible foreign currency

2. Visitors who are entering into Nepal second time and thereafter within the same visa year (Jan-Dec)

<i>Facilities</i>	<i>Duration</i>	<i>Fee</i>
Single Entry	30 days from the date of entry	US\$ 50 or equivalent convertible foreign currency
Double Entry	do	US\$ 75 or equivalent convertible foreign currency
Multiple Entry	do	US\$ 110 or equivalent convertible foreign currency

3. For Sri Lankan pilgrims visiting to Lumbini can get single entry visa for 15 days in US\$ 10 or equivalent convertible currency.

For more on visa information, please check: <http://www.welcomenepal.com>

13.3 Access to Nepal:

By Air

The Royal Nepal Airlines (RA) is the National Flag Carrier of Nepal with flights to/from Delhi, Hong Kong, Mumbai, Osaka, Shanghai and Singapore. Other International Airlines operating from/to Kathmandu are Aeroflot Russian Airlines (Moscow), Lauda Air (Vienna), Biman Bangladesh Airlines (Dacca), China South-West Airlines (Lhasa), Condor (Munich), Dragon Air (Hong Kong), Druk Air (Paro), Gulf Air (Abu Dhabi), Indian Airlines (Delhi, Calcutta, Varanasi), Necon Air (Patna, Varanashi), Pakistan International Airlines (Karachi), Singapore Airlines (Singapore), Qatar Airways (Doha), Thai International (Bangkok) Transavia (Amsterdam via Sharjah).

By Land

All visitors entering Nepal by land must use no other entry points other than (1) Kakarbhitta (2) Birgunj (3) Belhiya, Bhairahawa (4) Nepalgunj (5) Dhangadi and (6) Mahendra Nagar in the Nepal-India Border and (7) Kodari in the Nepal-China border. The overland tourists entering the Kingdom with their vehicles must possess an international carnet

14. Private Sector of Nepal - in the broad sense

- Always a pre-dominant player in Nepal's economy
- The overwhelming chunk of Nepal's national income - generated by private sector
- Farmers, artisans, unorganised traders and service providers - all private sector

14.1 Our mission

"Leading the Nations' Economic Progress"

14.2 Our Vision

Facilitating Nepalese Business become Globally Competitive

14.3 Federation of Nepalese Chambers of Commerce & Industry (FNCCI)

- Apex organisation of the private sector
- True national body representing the entire trade and industry of the country
- Federal in nature - comprised of organisations
- Led by voluntary business leaders
- Professional secretariat
- Also the national organisation of employers

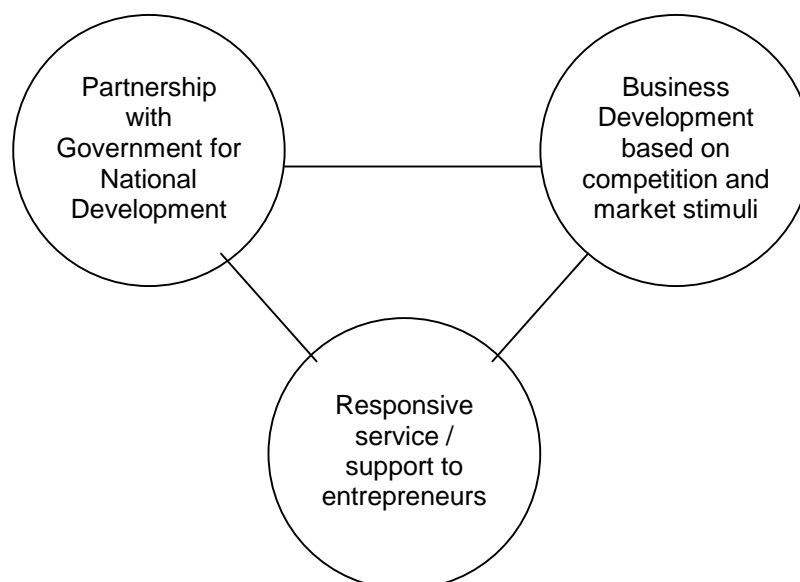
14.4 Membership

- 86 District / Municipality Level Chambers in 69 of the 75 districts of Nepal
 - 53 Commodity Associations
 - 9 Bi-national Chambers
 - more than 400 enterprises - both private and public
- FNCCI encompasses all together about 50,000 business units of the country and almost 99 % of them are SMEs

14.5 FNCCI's Main Foci

- Socio Economic Development of the country
- Business Promotion
- Advocacy of Business Supportive Policies
- Information and Other Services to Entrepreneurs
- Policy Advises to Government
- Public Awareness about Business
- Harmonious Labour Business Relation
- Representation of the Private Sector at national and international levels
- Investment Promotion
- Development of Common View of the Private Sector

14.6 Three Central Driving Forces at FNCCI



14.7 Developments Affecting Industries

- Globalization and competition from easily imported goods and services
- Liberalization and easy entry for competing units including the multinationals
- Growing Expectation from consumers, employees, and other stakeholders
- Technological Progress making the traditional operations unviable
- Easier access to information / technology / international Market
- Easy entry into business

14.8 What we have been doing to promote industries

- Institutional Development/ Entrepreneurship training
- Research and Potentiality analysis
- Exchange of Experience?study visits within the country

Agro Enterprise Center

- Promotion of Agribusiness
- Linking farming with market
- Policy advocacy

Women Entrepreneurship Development Division

- Training and consultancy
- Policy lobbying
- Markets Links

Almost all activities of FNCCI are geared to the facilitation of investment.

14.9 FNCCI Initiatives on HRD

- A Specialized committee to look after the HRD issues
- Established Its Own Human Resource Development Center(HRDC) with financial support from the Embassy of Japan in Kathmandu
- Did the need analysis and have come up with the Management Development Programs booklet
- Organized a number of training programs
- Trying to market the training programs
- Currently in discussion with JICA for the involvement of Japanese senior Volunteer in the center

Trying to promote concepts relatively new to Nepali business: Corporate Governance, Corporate Social Responsibility, HIV aids awareness, Global Compact

- Some of the training being conducted
- General management, marketing, Kaizen etc
- Training on innovative use Use of Information Technology for business with support from AOTS, Japan
- Training on international international trade issues
- Information services to the SMEs
- Trainings on BMO management

14.10 Future Plans (Short Term)

- Encourage more skill training not only for servicing the local industry but also the increasingly important labour market outside (already a sizable portion of the GNP and foreign exchange earnings of Nepal coming from transfers from Nepalese working abroad)
- Run practical management development programs for entrepreneurs in managerial position
- Facilitate Entrepreneurship training and skill development for entry level businessmen
- Partnership with the government in HRD policy formulation

15. Some areas for concrete action

- Information Technology especially ICT enabled services
- Advanced manufacturing and Engineering technologies (precision engineering, electronics etc.)
- Services (e.g. House keeping, bartender, salesmen/sales girls, cook, waiters etc.)
- Construction with use of modern technology
- Machine tools operation

Train as much people as possible so that they could form a critical mass for change

16. World Trade Organisation (WTO)

16.1 Nepal's Characteristics

- Least developed and low-income economy
- Land-locked between two very large agrarian economies of the world, India and China, with open boarder with India
- Agriculture as the main stay of economy with more than 80% of population still dependent on agricultural land resources
- Reliance on a small number of export goods
- Lack of market oriented institutional infrastructures
- Political instability
- In 2000/01, total foreign trade US\$ 2.2 billion & agricultural trade US\$ 0.28 billion
- Total Trade deficit in 2000/01 was US\$ 0.8 billion. and agricultural trade deficit of US\$ 0.2 billion
- Member of SAARC regional block
- Historically, it has special trade treaties with India and China, allowing some preferential treatments to both countries
- Currently, India is the major trading partner in agricultural products and almost 85% of the agricultural export is to India.
- Custom duty is the major source of revenue of the government (about 25% of the total revenue)
- Relatively high transaction costs in doing business

16.2 Nepal and its Position

- Observer status in WTO since 1989
- Process started for a full membership in Dec 1995, seeking technical support from UNDP, Nepal's Accession to WTO project started from 1998
- Drafts for goods and services have been submitted in 2000 and resubmitted in May 2002
- Two working party meetings held by Sept. 2002 and has gone through substantive part of the process of accession, further discussions and lobbying going on
- Awareness campaigns amongst private sector and study missions are undergoing from World Bank and FAO

16.3 Issues Raised by in Working Party Meeting in September 2002

- Lowering done the bound tariff rates in Agriculture to the level at the current tariff level
- Legislative measures in place for TRIPS or SPS etc.?

16.4 Tariff Negotiations

- Nepal has already made offers on tariff concessions and proposed schedule of Bound tariff, which in most of the cases of agricultural commodities proposed at 60% or less
- Nepal had started bilateral negotiations on market access in goods in September 2000
- Nine WTO member states/customs territories, namely Australia, Canada, EU, India Japan, Malaysia, New Zealand, Sri Lanka and US, has shown interest in Nepalese Markets
- Most of them wants Nepal to bind tariff rates at about 40%, or prevailing rates (Nepal's actual tariff on agro-products are one of the lowest in the region)

16.5 Why should Nepal join WTO?

- Nepal: land-locked country, it could have internationally recognized right to have freedom of transit through the territories of other member countries
- Nepal could access issue-based alliance to resolve/negotiate some trade related issues and problems
- Most of the neighboring countries in the region: existing/potential competitors, trading partners are already members, Nepal can not remain isolated
- As a LDC it could enjoy some extra competitive edges over Developing neighbours in the form of concessions/exemptions of rules and tariffs

16.6 Other Opportunities

- As Part of the global family of trade and legislation the membership will increase our bargaining power viz a viz India in any trade related matter
- Globalisation of the domestic economy; this external impetus will help us forcing our economy to be more efficient and transparent
- Stable and secured opportunity for FDI

16.7 Concessions to LDCs

- Besides the provisions applicable to other developing countries, under the AoA , no reduction commitment is required for:
 - Tariff reduction
 - Domestic support reduction
 - Export subsidy reduction
 - Integrated frame work for Trade-related Technical Assistance to LDC established in 1997 with joint efforts of WTO, WB, UNDP,IMF, UNCTAD etc. to enhance market access for LDC exports.
 - Some selected LDCs like Nepal, along with LOME convention members are exempted from tariff by EU for all products except arms and ammunition
 - Japan, Norway, Singapore and Australia is also giving some tariff concessions to the LDCs

16.8 Weakness & Threats

- Small economy / limited resources (chances of being overwhelmed)
- Lack competitive & comparative edge
- Lack of capital, technology & H.R.
- Trips and numerous standards (e.g. SPS)
- Weak implementation & Traditional approach
- Weak complimentary institutions
- Brain drain
- How much you gain is based on your bargaining capacity

16.9 Potential Area

- Modern Farming
- Intellectual Properties
- Bio Diversity (Herbs, Forestry, Ayurved, Spices)
- Tourism (Flora, Fauna, Health, Sports, Religious, Education, SAARC Hub)
- Financial & Offshore Center
- Service Sector & 'SEZ'
- Information Technology
- Human Resources
- Energy Power
- Global Landmarks (Mt.Everest, Lord Buddha, Sita)

16.10 Future Course

- TRIPS (patent Copyrights, Trademark Designs, Geographical Indications) - new laws and implementation required
- Rule based transparent business
- Agriculture - Protecting the rights of Farmers
- Opening of the service sector
- Technical assistance for enhancing competitive strength
- Identification and development of thrust \ core sectors
- Competition Law & facilitating mechanism
- Investment friendly law & policy
- Transparency in govt. procurements
- Safeguard measures – anti dumping \ counter veiling duty