

The WTO Challenges and Opportunities: Implications for Nepal

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Abstract

This paper aims at examining the opportunities and challenges that Nepal faces after her accession to WTO. Opportunities of WTO on the Nepalese economy comprise special and differential treatment; import protection and export promotion; TRIMs; TRIPs; poverty alleviation; employment opportunities and income distribution; efficient allocation of natural resources and environment; raising of government revenue; and begetting new prospects with respect to the expansion of international market. In addition, it discusses the prospects for growth and export of clothing to OECD countries as a result of acceding to WTO.

Introduction

The transition from GATT to WTO (1995) marks one of the most important events in the world economy of the 20th century. Nepal's WTO Accession opens a door to a world of new experiences particularly, global integration, expansion of exports, predictability, credibility, capability, establishing rights through DSB, safe guard from external shock, benefit from fare treat and global development justice.

The agreement to establish WTO which was signed by over 100 countries has by now been subscribed by virtually 148 countries, including Nepal, the most recent one as voted to become the member of WTO at the Cancun Ministerial Conference held in Mexico from September 10 to 14, 2003. Though approval of Nepal's membership by Cancun Ministerial Conference is a finality of the accession process but Nepal does not formally become member of the WTO by this finality alone. Nepal had applied for GATT membership in 1989, when efforts to renew trade and transit treaty with India had failed, the accession process could not take off. HMG/N decided to reinitiate the membership process in 1995. In the same year, Nepal obtained an observer status. With the establishment of the WTO to replace the GATT process, the working party established for the GATT accession became

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the WTO working party. Consequently, Nepal submitted the Memorandum on Foreign Trade Regime (FTR) in July 1998. Queries raised and clarifications sought over the memorandum, by WTO member countries, were answered by Nepal in April 1999. Nepal took part in Fourth Ministerial Meeting of WTO in Doha, Qatar in November 2001 as an observer.

His Majesty's Government ratified the agreement to become member of WTO after amending the Nepal Treaty Act through an ordinance. As per Nepal's submission of the instrument of the protocol in accordance to the Protocol of Accession on March 24, 2004, Nepal has acquired membership of the WTO with effect from April 23, 2004.

The Methodology

The objectives of the study are to study Nepal's efforts for the accession to the WTO, to examine and analyse the problems of Nepalese economy after accession in the WTO, and to study the prospects of the WTO on the future of Nepalese economy. To fulfill the objectives, the research design followed in the study is analytical as well as descriptive. The discussions are made on the basis of secondary data.

The WTO and Challenges of Nepal

No one can argue that Nepal's accession in WTO is all good. As a small economy with limited resources, Nepal has all the reasons to worry about its accession to WTO. The strong-arm tactics that are usually exercised by big negotiating partners is an ever-looming threat to our long-term interest. No doubt there are opportunities as well as challenges to be faced by Nepal as a member of WTO. Challenges may weigh heavier than opportunities. Challenges of WTO membership include revenue implication, protection of small and medium sized industries (SMEs), protection of farmers, loss of autonomy in policy making (no sovereign rights in the trade issues), low negotiating skill (enhancing competitive capability), vulnerable economy, no automatic benefits, cost of gearing up infrastructure and institutions for compatibility (institutional capability both in private and public sectors) enactment and amendment of existing legislations, sliding down in the arbitrariness in the formulation of the trade and economic policies, displacement possibility for non competitive goods and services, human resource constant, addressing supply side constraints, non-compliance cost and risk, and absence of business advocacy (Action Aid Nepal and Law Associates Nepal, 2004).

WTO, though opens doors for export all over the world, in practice Nepal is not able to raise export tremendously due to lack of sizeable surplus of goods, competitive price and quality. Trade liberalisation in Nepal actually leads to import liberalisation. Year after year the gap between import and export is widening and deficit in Balance of Trade (BOT) is reached to the critical stage. It is openly observed the flow of Chinese and Indian goods in the Nepalese market. It is over-flooded by the foreign products leading to the destruction of Nepalese economy.

Trade Related Intellectual Property Rights (TRIPS) agreement recognises patents, copyrights, trademark, layout, industrial design etc as an intellectual property. TRIPS agreement protects innovator on the one hand and any imitation and infringement of the original invention regarded as violation of rules and thus made it punishable on the other. After joining WTO, Nepal should have to frame sufficient rules regulation and network to strengthen and enforcement of WTO agreement. It is not an easy task rather costlier one.

Opportunities of the WTO

WTO bestows benefits on members but there are some costs. It offers rights but with them come obligations. It provides new opportunities but also some challenges. WTO-membership enables Nepal to be an equal member of global family and an equal partner in trade legislation. We have unrestricted access to the global market, especially agriculture markets in the Americas and the Europe that are currently protected by steep tariff barriers enjoying equal status under the legislation and privileges of WTO. We will certainly have a stronger negotiating stand vis-à-vis Indian issues regarding trade. More importantly we will have unconditional and unrestricted access of point of transit but equally it might render the special privileges conferred by India a misfit and we will be competing for the market of India as any other South Asian neighbour. Opportunities of WTO provide room for expanded market of member countries for Nepalese exports, larger neighbouring market offering prospects for large scale investment, special preference in excess to market of developed countries being LDC, import stability for industrial inputs, members' support and assistance to gear up domestic capability, trading rights by WTO mechanism, positive atmosphere for investment (increase in foreign direct investment –FDI), wider choice in technologies import, transparency in trade regime, strengthen institutional capability, creates more awareness in the society, and create environment of a good governance (Action Aid Nepal and Law Associates Nepal, 2004).

Equally important are the privileges under the Special and Differential Treatment (SDT), bestowed to the LDCs of the world. Under this treatment, Nepal will have longer insulation period to implement tricky agreements on Intellectual Property Rights and Agreements on Agriculture. Nepal can also benefit from the European Union's present provision of duty free access to all commodities. Again though free and unrestricted trade is at the heart of multilateral negotiations of WTO, it still does allow us to maintain relatively higher tariff barriers on some commodities. Of course, the stand on these commodities will have to be justified and commodities identified should be the one where we have the highest potential in the long term.

Nepal also has to chalk out a strategy to come out of the limitation imposed by her small economy and the limited resources and technology at her disposal. Nepal's bio-diversity (both flora and fauna) can be an effective answer. Equally feasible are eco-tourism based on natural gifts such as Mt Everest and Religious-Tourism based on the global landmarks like birthplace of Sita and Lord Buddha. These are the uniqueness that no other country can boast of. Now Nepal needs to convert these areas of comparative edge to a competitive edge, which in the long term will become a viable source of foreign currency earnings and generation of employment (Khetan, 2003).

Although, there are probable stumbling blocks in the efficacy of the bureaucracy in introducing expedient legislation and providing a sound physical and social infrastructure to do effective business. Equally important is the acknowledgement of the stark reality by the business community that the future of Nepalese economy rests on their ability to drastically eradicate inefficiency and cultivates competitiveness. The ability of the government and the private sector to embrace transparency will also be crucial in winning confidence of the outside investors and buyers.

As summarised by Rodrik (1995), the general benefits that come from the freer trade include the following-

- Better allocation of national resources towards industries with the strongest comparative advantages;
- Enhanced learning and newer technologies from interacting more with the rest of the world;
- Greater flexibility, via trade, for dealing with shock such as natural disasters; and less wasteful rent seeking lobbying activities by groups seeking government assistance and protection.

Four specific benefits of WTO membership are greater and more secure market access abroad for a country's exports, freedom of transit for land-locked countries, availability of a dispute resolution mechanism, and greater discipline at home in sound economic policy making.

Special and Differential Treatment

In addition to receiving the standard WTO membership benefits such MFN and national treatment, the right to some of the low tariff rate quota access to others' agricultural markets, the possibility of accelerated growth in access to US and European Union (EU) markets for textiles and clothing and access to the WTO's Dispute Settlement body, those WTO members that are developing countries, and in particular least developed economies, also receive some special, although typically temporary, treatment in the WTO. This crops up in many places in the WTO agreements (UNCTAD, 1997). As a LDC, Nepal will find it helpful to avail of the special treatment from such countries that were founding members of WTO. Especially, it could be a significant boost to the exports of Nepal if current limitations relating to product coverage could be eliminated. The proposal to provide duty and quota-free and bound access for all exports of the LDCs would lead to an elimination of these limitations; it could considerably enhance the export prospects of Nepal.

The concessions that will be offered to Nepal as a WTO member will primarily be in the form of longer phase-in periods. The country will not gain much from tariff reduction and there could be some losses emanating from the phasing out of preferences. More important, the intensification of competition is likely to marginalize the country and increase market concentration. In order to overcome the threat of marginalization in the global economy, Nepal should undertake this task from three perspectives. Firstly, the country should be able to point out which of its existing activities need to be retained and improved, and to identify new export products in order to expand the productive base, diversify exports and to identify new export products in order to expand the productive base, diversify exports

and build up a more secure and stable source of income. Secondly, Nepal should participate more effectively in regional trade groupings like SAARC. And finally, the country could achieve market penetration through strategic alliances with developing and industrialized country firms.

Nepal should clearly understand that although LDCs are exempt from complying with several WTO obligations but if integration with the new world trade order is a policy objective, it must regard these exemptions as of an inherently temporary nature.

Import Protection, and Export Promotion

Under the umbrella of WTO, domestic firms could be protected from import competition through tariffs, non-tariff measures and subsidies. However, the scope for import protection continues to fall. Tariffs are declining and local content protection is on the average of being prohibited. The scope for continued import protection under the WTO depends on the ability of Nepal to negotiate a provision that allows for greater discretion for protection. Challenging the fairness of competition by employing anti-dumping and safeguard measures can attain import protection. In this context, Nepal should employ selective, performance related and time-bound protection of infant industries. Such protection should be employed strictly as a transitional provision to address market failures and promote learning and capacity building for future competitiveness.

Trade Related Investment Measures (TRIMs)

The Uruguay Round Agreements incorporate provisions with respect to Trade-related Investment Measures (TRIMs). They commit signatory LDCs to phase out over a period of seven years (a) local content requirements (b) import restrictions related to foreign exchange earnings, and (c) export obligations that they may have imposed on foreign firms. Temporary deviations from TRIMs obligations for BOP are permitted.

The final text of the Agreement on TRIMs merely clarifies some policies against the GATT-1947 context. It is argued by many countries that the list of illustrative TRIMs should not be extended. Moreover, the transition period should be extended, as the policies included in the illustrative list are important in fulfilling their development objectives. The seven-year transition period (to expire on January 1, 2002) is not adequate for LDC members to benefit from those policies.

As the TRIMs text now stands, there is no scope for implementing a performance requirement (based on the prevailing illustrative list) in a discriminatory fashion. If Nepal believes that TRIMs on the illustrative list are needed to satisfy her other objectives and must be implemented with regard to foreign firms, this will have to be negotiated.

Trade Related Aspects of Intellectual Property Rights (TRIPs)

The implications of TRIPs on LDCs in general and Nepalese economy particular seem to be continuously debated. It involves various changes in national legislation.

The TRIPs Agreement envisages restrictions on replication or violation of registered trademarks, patents, industrial and textile design and layout design of integrated circuits. The production of counterfeited products is prohibited. Intellectual property is overwhelmingly concentrated in developing countries. The present owners of patents design and trademarks will be the major beneficiaries of the implementation of the TRIPs. Royalty payments for the acquisition of technology and information by LDC firms will increase. Patent holding firms may refuse to sell the technology preferring to serve the LDC market by exports.

It is notably, that the implementation of the TRIPs could make the transfer of technology to Nepal more expensive. Reverse engineering opportunities may be seriously reduced, while innovation and technological adaptation will become more difficult. The liberalization of the investment and technology transfer regime will increase the financial marginalization of Nepal. It is, therefore, very important to construct strategic alliances between firms in Nepal and firms based in developing and industrialized countries to overcome these systemic biases.

As Nepal does not possess comparative advantage in innovation, attempts to develop certain sectors within the WTO imply that they will have to depend largely on the transfer and diffusion of technology from foreign countries. Certain changes are required in the Agreement on TRIPs.

Poverty Alleviation, Employment Opportunities, and Income Distribution

The economic reforms required after Nepal's accession in WTO to move forward could boost Nepal's economic growth in the following ways-

- a) By encouraging the transfer of resources to the most productive use in each economy to optimize the gains from exploiting comparative advantages;
- b) By lowering policy uncertainty and instability through requiring commitments to reform to be legally binding, which raises savings rates and investor confidence and thus faster rates of capital accumulation; and
- c) By encouraging, through more openness to the rest of the world, the inflow of new technologies and new marketing and other business management ideas.

The more the country abolishes distortions to produce and consumers' incentives, more it provides a transparent, open and stable macroeconomic and sectoral policy environment, the faster its economy should grow, *ceteris paribus*. Moreover, the more the economy moves away from assisting import-competing industries and discriminating against actual and potential export sectors notably, agriculture, the faster will output grow, Trade, too, will grow faster with such reform. There will be more employment opportunities created, more poverty trodden people will be alleviated, and a more equitable income distribution will emerge overtime with than without a freer and more liberal policy regime. Some urban people who have been employed in the most-protected industrial sectors may lose

their current jobs as protection barriers are lowered. But there will be fewer such people the earlier the reforms measures take place and the more they are phased in gradually, according to a clear schedule announced at the outset and implemented on time. Three further points are worth making. Firstly, it should be noted that many of those displaced by reform programs would have no difficulty getting another job in one of the expanding industries. That is. Urban employment will still grow, but possibly somewhat at a slower rate at the beginning than otherwise owing to more employment opportunities becoming available in rural areas.

Secondly, agriculture and unprotected light manufacturing in Nepal is much more labour intensive than protected manufacturing, and so too are many of the industries that would expand to build the necessary rural-urban linkages and supply services to a faster growing, more market oriented agricultural sector. Hence the reforms will generate a net increase in the overall demand for labour not only absolutely but also per unit of output. Real wages, therefore, will be higher.

And thirdly, many of those new jobs will be in industries that are intensive in the use of unskilled labour in particular. This applies to agriculture and related agribusiness activities as much as to light manufacturing. That bias in the expanding demand for workers will raise especially the income earning prospects for the least skilled and thereby poorest people in the country, most of them happen to reside in rural areas and so can take immediate advantage of those new opportunities. Faster poverty alleviation and a more equitable income distribution would be outcomes of the reform that are as inevitable as they are desirable (Anderson and Tiwari, 1999).

Efficient Allocation of Natural Resources, and Environment

Freer trade allows a more efficient allocation of resources in the economy, including land and other natural resources, so long as property rights over those resources are well defined and enforceable. As we know from standard economies of markets that so long as optimal environmental policies are in place and adjust to changing circumstances, removing trade distortions will necessarily improve welfare. This is so even if there is an increase in environmental damage, since the welfare loss from that damage will be less than the welfare gain from trade reform (Anderson 1992, Corden, 1997)

Raising of Government Revenue

'Trade reform lowers government revenue' is a natural presumption. About one third of Nepal's tax collections come from trade taxes. However three considerations are worth noting.

Firstly, lowering import and export tariffs expands trade. It is conceivable that the rates of trade -taxation are so high that the largest volume of trade to be taxed more than makes up for the lower rate of tax per unit.

Secondly, reducing official trade taxes lowers the incentive for people to use otherwise

more costly unofficial channels, that is, smuggling. The more goods are thereby redirected through official channels, the greater will be the collection of tax revenue.

And, thirdly, few restrictions on Nepal's trade, both exports and imports, have been in the form of quantitative non-tariff barriers and even bans on some products. Converting those quantitative restrictions to trade taxes necessarily raises rather than lowers government revenue. In nutshell, the tariffication of non-tariff trade barriers and the lowering of high rates may well raise government revenue. Moreover, a simplifying of the of tariffs, in the extreme, having just one tariff rate, would reduce administrative costs and corruption at customs posts as well as reduce domestic price distortions and thereby increase the efficiency of resource use within the import competing and export sectors.

Begetting New Prospects

In addition to the prospects for growth in rugs and clothing exports to OECD countries, the other improvements in export and import opportunities might result from acceding to WTO, perhaps, the most important of greater certainty of market access. Being a WTO member Nepal will have recourse to the WTO's dispute settlement mechanism.

The bilateral trade and transit agreement modifications reached with India during Nepal's WTO accession process, together with the extent to which India herself, and to a lesser extent other SAFTA members, continues to open their economies, will have an important bearing on the benefits to Nepal from joining WTO.

For about export prospects WTO accession will do nothing specific to enhance tourism exports, except in as far as liberalisation devalues the Nepalese rupee and freer investment regulations promote FDI in hotels. The same is true for prospective hydro electricity exports, which will simply involve negotiating bilateral deals with Indian Utility authorities, as electricity trade is not yet covered by WTO rules. In the case of rug exports, these were interrupted in the mid' 90s because of concerns in importing countries that child labour was being used in Nepal to produce those exports. Joining the WTO will not necessarily prevent such interruptions occurring again, particularly while these products are subject to VERS (Voluntary Export Quota Restraints), which can readily be negotiated downwards if the importer is unhappy with the use of such labour.

Nepal will have opportunities to negotiate agriculture, textiles and clothing for shares of in quota sales and for lower tariffs on out of quota sales of products of interest to Nepalese exporters.

Even so, a general point needs to be made about Nepal's prospects for agricultural export expansion following WTO accession. For horticultural and floricultural products especially, success will depend on raising the quality and uniformity and timely delivery of the exported product and on meeting myriad technical standards and Sanitary and Phytosanitary (SPS) barriers to imports by overseas countries. This is especially true of products that other low wage countries can export, because many of them, as they open up too, are now seeking markets for the same types of products as Nepal is looking to export (Yamazawa, 1997). Hence WTO membership does not reduce the need to search out niche markets for items unique to Nepal or at least items it is able to offer as better value for

money than can other suppliers. There is an extra advantage of WTO membership in addition to getting guaranteed MFN access to other members' markets. It is that any technical import restrictions are subject to the WTO's dispute settlement mechanism. Furthermore, developing country members are eligible for expanded technical assistance in these areas, as provided for in Article 11 of the TBT Agreement and Article 9 in the SPS Agreement (Anderson and Tiwari, 1999).

It is noteworthy that WTO is a trade organization rather than a charity organization. How long Nepal stands on its defensive position? Why Nepal is not competing with its production on meat, fish and dairy products? Main causes are backwardness and unscientific technique in agricultural sector. The main task of Nepal is to modernize agriculture and make working plan for crops so that Nepal can meet the challenges of globalization. There is an urgent need of raising productivity at minimum cost. But the reality is that farmers are investing more but their production is low. And, this becomes the cause of providing subsidy. The only way to take advantage of the situation from liberalising agricultural trade by removing subsidies, protections and reducing tariffs and non tariff barriers is to turn Nepalese agriculture from subsistence farming to commercial agriculture, promote suitable agro-forestry, horticulture, floriculture, and other exotic, unique products with comparative advantage in our special climatic and ecological conditions. High-valued cash crops as indicated in the Agriculture Perspective Plan should be emphasized. It is the responsibility of the trade to enable and encourage the Nepalese farmers to become entrepreneurs and exporters, by identifying exportable agricultural products and creating competitive efficiency in their production and marketing.

There is a need that farmers should change themselves and meet the challenges of globalize market. Our plants of apples, oranges and other crops have become old. They are not providing same kind and quality products like other nations. The electricity price is very high in Nepal. On this front, how Nepalese products can be commercially attractive, economic viable and competitive with other nations existence of mass poverty, backwardness, paucity of resources, high population growth, subsidy burden, subsistence farming, and the trick of rich nations, altogether give a very remote possibility for bright future.

One point put forward while doubting the possibility of Nepal benefiting from SAFTA and WTO is that Nepal has absolute cost disadvantage in almost all the products that the other SAFTA and WTO members import. Nepal has to think very carefully what position she wants to occupy in an integrated region and in global platform as well. Nepal has to have a clear vision of where she wants to be in the economic map. Of course, Nepal will not be competitive in all products, Nepal's position in terms of competitiveness is weak. But it doesn't mean that Nepal doesn't have a future. Nepal's industrial complementarities, especially in hydrogenation, agro-based industries, textiles and garments and food processing are possible with production, processing and marketing being spread on a sub-regional basis. This can have possibilities of decreasing current reliance on one or a few export products by increasing the value added of processed raw materials and by diversifying the product base. As a result, it is essential to explore into ways of establishing firms and workable industrial complementarities among the economies in the South Asian sub-region (Pyakuryal, 2004).

We should not forget that private sector is dynamic. It has the capacity to come out with ideas and find sectors it can do well in by adapting to the competitive situation. There is an urgent need on the part of the private sector to make its products' price competitive to survive in the long run. Since Nepal has been weak in enhancing its capacity due to her weak investment in facilitation through investments in trade infrastructure, an increased investment in infrastructure is the need of the hour in which the private sectors participation is needed to be expedited. Research and development has also been a subject of serious concern for the private sector in today's context of increased competition. To maximize the benefits from the SAFTA and WTO Nepal must get her present political mess under control so that people have the time and resources to start thinking about regional and global integration and about building the economy. A strong team with members drawn from government, private sector, and experts should be formed with the specific task of preparing for SAFTA and WTO issues. We should develop officials with a long-term view, provide them international exposure, train them at the best places and keep them on the same job for a reasonable period of time. Government should also have more institutionalised interaction with the private sector and the experts outside. Negotiating strength also depends on inner unity and stability in the country. We should have to consolidate our stronger areas and shed weaker ones. A sector wise and product wise analysis including comparison with competing nations has to be undertaken. This will point out areas where we should concentrate and areas where we should not waste out resources (New Business Age, 2004).

Concluding Remarks

WTO is most democratic organization among other international organizations. The system of one country one vote in the WTO is the evidence of the fact and it is, therefore, necessary that developing and LDCs should join the WTO in order to influence, control its working system and manage it properly.

As of today the WTO seems to be the only one suitable international forum to discuss and watch the issues related with international trade and negotiate. Otherwise developing and LDCs will be dwarfed further if they depend only on the bilateral relations.

Amidst that decimal state of affairs, Nepal has already joined the global trade bandwagon, hoping to extract benefits from the global market. No doubt, Nepal is a small sized economy with limited resources, has all the reasons to worry about its accession to the WTO. The WTO agreements are binding and will have a lasting impact on the future of Nepalese economy. It is therefore, a matter of utmost importance that we strongly apprise ourselves on our country's areas of strength and weaknesses and subsequently, come up with an effective action plan that, if properly implemented, will in fact transfer Nepalese economy to higher level. Thus with the accession to the WTO, Nepal has now the challenge to amend or formulate some laws to make country's system compatible with WTO regime.

Nepal's position in terms of competitiveness is weak. But it doesn't mean that we don't have a future. Nepal's industrial complementarities, especially in hydro power generation, agro-based industries, textiles and garments and food processing are possible with production,

processing and marketing being spread on a sub regional basis. This can have possibilities of decreasing current reliance on one or a few export products by increasing the value added of processed raw materials and by diversifying the product base. As a result, it is essential to explore into ways of establishing firms and workable industrial complementarities among the economies in the South Asian Sub region and globe as well.

The WTO may have negative implications through erosion of quota (preference), price escalation, and additional cost for new products, processes and technology (essential for productivity, health, knowledge, efficiency and competitiveness) and costs of adjustments/restructuring/monitoring/policing/reporting and participating for WTO-compliance. Yet, even without WTO membership the LDCs cannot avoid most of the costs. So the best strategy is to minimize or mitigate losses. Moreover WTO membership also opens opportunities for all developing countries and LDCs including Nepal. To realise those opportunities HMG Nepal and private sector as well as donors have to work together to remove the supply side constraints, in particular, low human resource status, poor infrastructure, primitive technology and information/communication, inefficient bureaucracy, etc. The problem is that benefits are, in the future, long term and potentials (requiring a lot of efforts), while costs are immediate.

Nepal has a potential to trade with all members of the WTO. However, it is a challenge to translate the WTO membership into economic benefits. After becoming a full member of the WTO, which invites efficiency, competitive environment, and a lot of challenges. All concerned laws and acts need to be reformed and amended to make WTO compatible. The government and the private sector should be working jointly in reaping the benefits of a WTO membership. In this context, efforts should be made from both sides to reap maximum benefits from the WTO membership. The government should create a conducive environment for enhancing the capacity of business enterprises. The private sector should be involved in strategy and the decision making process as they are the real stakeholders of the society. There is an urgent need to upgrade stakeholders' capacities in order to minimize the negative impact of the WTO membership. The policy environment matters a lot while taking on the competition in the global market. It is therefore, necessary to have co-ordination between various partners within the country and formulate a common strategy in order to reap the benefits of the international grading system. The status of Nepalese products, development level, competitive capability, and cost as well as the source of government revenue should all be paid proper attention. No doubt the expansion of national, regional and global trade is possible by adopting measures on trade facilitation. These measures include the establishment for regional integration, harmonization and mutual recognition of standards; adoption of common tariff nomenclatures and harmonization of customs procedures, valuation methods; adoption of regional rules of origin; and provision of adequate transport and transit facilities.

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