LDCs’ Service Export Performance and Utilization of Waiver: Experiences from Nepal

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Service sector: real brunt of the COVID pandemic
Genesis of trade in services

- WTO's General Agreement on Trade in Services (GATS).
- The 8th Ministerial Conference of WTO (2011)
  - WTO members adopted a waiver to allow preferential treatment for services and service suppliers from least-developed countries (LDCs).
- Over 50 WTO members have since notified preferential treatment under the waiver.

- The Nairobi Ministerial Conference in 2015
  - Adopted decision to extend the Waiver until 31 December 2030
Global trend of service trade: at a glance

- Ever increasing role of services sector in trade
- Significant role of services in global value chain
- Inclination of value chain at regional level
- Increased mobilization of people across borders
- Growing use of Information & Technology
- 4IR and e-commerce changing the global trade landscape.
Nepal’s comparative advantage in service trade:

- Strategic location: between two economic powers of the world
- Abundant natural resources, rich in biodiversity, socio-cultural diversity
- Demographic dividend (youths’ population: 40%, productive labor: 57%)
- Conducive business and investment climate
- Significant achievement in ICT sector
- Grooming BFI
- Share of service sector accounts for about 55% of the GDP
- Significant achievement in ICT sector
Policies promoting service trade

Three areas under service sector identified as priority areas
- Skilled/semi skilled professionals, IT/BPO/IT Engineering and Tourism

ICT Policy (2016)
Nepal Integrated Trade Strategy (NTIS 2016)
Trade Policy, 2015
Sectoral Policies on Health and Education
Bank and Financial Institution Act
Foreign Investment and Technology Transfer Act, 2019
Tourism Policy, 2008
Foreign Employment Policy and Act

Enhancing competitiveness, facilitation to the service providers, negotiation and collaboration at intl. forum
Opened up various sector for FDI, security of investment, easy repatriation of investment and earnings, focus on technology transfer)
GoN’s initiatives

- A strong set of investment incentives in place
  - corporate income tax holiday, 100% ownership and dividend/capital repatriation for foreign investors
- Encouragement to FDI in start ups, and through venture capitals (equity)
- One stop services and other institutional provisions to facilitate FDI
- Decentralization of trainings for aspirant migrant workers
- Incentives for best utilization of knowledge, skills and capital of returnee migrant workers
- Bilateral agreements with destination countries, provision of labour attache’s
GoN’s initiatives

- Improvement of tourism infrastructures
- Sub-regional collaboration to promote tourism: BBIN, Buddha circuit, Ramayan circuit
- National payment gateway system, e-commerce bill under preparation
GoN’s expectations

- Facilitate the granting of visas (in major intl. market) for eligible LDC IT companies
- Inclusion of semi-skilled human resources under mode 4
- Provide an LDC quota for unskilled/semi skilled LDC service providers
- Provide direct support to LDCs and their tourism operators in terms of marketing and information
- Remove restriction for LDC travel agencies
- Grant national treatment
- Capacity building
- Better alignment of LDC service waiver to minimize negative impact on LDG graduation.
Challenges

- Timely, reliable and integrated database system
- Improve competitiveness
- Awareness about the Service Waivers (commitments vs implementations)
- Building coherence among sectoral policies
- Improve connectivity and supply-side constraints.
Future strategy

- Exploit the linkage between FDI inflows and exports
- Technology transfer to LDC services suppliers
- Improved access to finance to innovative service sector (IT)
- Promotion and better regulation of e-commerce
- Capacity building of private sectors
- Increased investment in HRD
- Address supply side constraints
- Regional integration and collaboration with other LDCs
References

- Sáez et al. (2014)
Thank you

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