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Statement Circulated by the Hon. Chiranjibi Wagle,
Minister for Commerce
(As an Observer)

It gives me a great pleasure to address this august meeting. On behalf of the Nepalese delegation and my own, I would first like to appreciate the warm and cordial hospitality accorded to us by the Government of Switzerland. I would also like to thank the organizers for the excellent arrangements made for the Meeting.

I am very happy to note that the WTO system emphasises universal membership without compromising the system's basic rules, rights, and obligations. The successful accession of many non-member countries is important to the WTO's ability to manage a trading system of global proportions. The WTO intends to achieve a global order by 2005 where there are no restrictions on free flow of goods and services. To achieve this objective, agreements on a number of areas are yet to be reached. The WTO Members have taken up this challenge. The landmark Agreement on Financial Services achieved in December last year points to the level of commitment among Members. Also in 1997, WTO Members agreed through the High Level Meeting of LDCs on a path which will give important impetus to the integration of the world's poorest nations into the multilateral trading system.

The WTO Agreement embodies provisions conferring more favourable treatment for developing countries, including special attention to LDCs, with a view to creating an enabling environment for them. We must, however, take note of the fact that it would not be easy for the WTO to realize its goal at the current level of disparity in economic and social conditions among developed and least-developed countries. If the capabilities of the LDCs to compete are not developed, it is virtually impossible to attain a global order envisaged by the WTO. Realizing this, the first Ministerial Conference of WTO declared its concern at the problems of LDCs, and agreed on some concessions. However, WTO's expectation from Members to open up new market access opportunities for LDCs has not been met.

Trade liberalization, which is an important aspect of globalization, is transforming people's lives around the world. It is also sparking an intense debate about jobs, incomes, social standards, and the environment. These issues raise important questions about how we pursue legitimate economic and social goals in an increasingly integrated world. The challenge to the emerging "borderless world" does not come from the debate about globalization and free trade but from the weakening domestic support for it. We need to address this problem.

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One cannot, however, ignore the risks globalization brings to the developing countries. Among the asymmetries of globalization is the fact that liberalization of the world economy has not been very favourable for the poor countries of the South. The present mode of liberalization tends to prejudice the growth prospects of developing countries by discriminating against areas in which they can achieve competitive advantage. New forms of protection against exports of manufactures from the South are being sought. Such tendencies create problems for the export of manufactures from developing countries.

Export of manufactured goods has proved to be an essential element of economic development. However, export promotion represents a major problem for LDCs. In many countries, commodity composition is in itself a problem. A major part of export trade concentrates in a limited number of products which can be exported to a small number of countries. In Nepal, for instance, seven manufactured products constitute more than 90 per cent of export earnings. LDCs are also facing challenges in the field of product development. It is in this area where foreign direct investment is most needed. Various multilateral agencies could also play an important role in this regard. May I recall here that the Nepalese delegation to the High-Level Meeting of LDCs had proposed the establishment of a global fund for export development. This fund would enable LDCs to undertake product development in a more meaningful way. In this context, the WTO should endeavour to work jointly with other regional and international agencies to induce investment in LDCs as a result of new trade opportunities. In view of the reduced size of preferential margin available to LDCs under the Generalized System of Preference, we should also study the possibility of preferential tariff rates in a WTO preferential scheme which would be applicable to LDCs only.

Trade relations of WTO Members are being increasingly influenced by regional trade arrangements. Such initiatives promote further liberalization of trade. In fact, regional and global trade are mutually supportive processes. Realizing this, members of the South Asian Association for Regional Cooperation (SAARC) have committed themselves to trade liberalization within the region. They are moving from preferential trade to free trade. I hope all WTO Members will appreciate these initiatives.

Let me briefly outline the trade policy regime in Nepal. As we intend to accede to the WTO in the near future, we are designing our policies accordingly. Nepal has adopted the policy of economic liberalization since 1990. After the introduction of this policy, the number of industrial establishments has rapidly grown, the average growth rate of value-added has increased noticeably, and the share of industrial sector in the total output of the economy is growing fast. The reform measures have also been highly instrumental in trade performance. Major changes have also been made in the financial sector to encourage private investments. As a result, a substantial number of banks, financial institutions, and capital market organizations has been noticed. Subsidies are being gradually reduced. Adoption of market-oriented policies does not, however, mean immediate total liberalization. In order to protect the poor, adequate safety nets will have to be provided in the initial phase. The Government is well aware of this need.

We are at present finalising the memorandum of foreign trade regimes. It will be submitted to the WTO Secretariat very soon. We have received generous support from various organizations for the preparatory works on Nepal's accession to the WTO. I would like to take this opportunity to extend my sincere thanks to the WTO Secretariat, UNDP, ITC and UNCTAD for the support and assistance provided to us in this endeavour.
