Mr. Chairman,
Excellencies,
Distinguished Delegates,

I am delighted to participate in this important thematic roundtable. I would like to thank the organizer for giving me this opportunity to speak a few words about the importance of trade and investment in LLDCs. I believe this session will help consolidate all previous and ongoing activities and efforts aimed finalizing the Vienna Programme of Action for LLDCs.

One third of LLDCs are the lowest ranking countries in the Human Development Index and two third of them have a per capita GDP below one thousand US Dollars. LLDCs have common disadvantages, such as lack of direct access to sea; absence of ownership of seashore resources and high sea ports; remoteness to and high non-tariff barriers in major markets; critical topographical and harsh ecological conditions. This is compounded with limited resources; lack of sufficient mechanisms to resist the unpredictable and unexpected external shocks; and high dependency on political stability. All these factors contribute to high costs of doing business.

These factors limit our export competitiveness in the global and regional markets and our capacity to attract foreign direct investment (FDI). Such limitations make our socio-economic development processes more volatile and complicated.

The policy reforms which started with liberalization and deregulation since early Nineties have contributed towards strengthening the private sector, creating market competitive environment, and improving service delivery system. Nevertheless, impacts of such reforms have been less than satisfying. It is due to this that we have to struggle and thrive against these limitations. The need is for creative thinking and ground-breaking approaches leading us towards sustainable, inclusive and equitable socio-economic development. However, there lies a big question mark: can we resort to our creative thinking and follow some ground-breaking approaches for institutional reforms, structural transformation and strong global partnership? If yes, How?

Mr. Chairman,
I will now try to touch upon some specific issues of trade and investment one by one:

According to the International Trade Centre, merchandise exports of LLDCs in 2013 recorded at US Dollar 203 billion representing only 1.1 per cent of total world exports with growth rate of
only 2% over the year 2012. In the past 5 years, LLDCs imports grew by an average annual rate of 10 per cent with a very weak export performance and growing trade deficits. This is why we need to seek way-outs to restructure productive sectors of our economies and strengthen competitiveness of export products and services. Early implementation of the Bali package on trade facilitation can be one of the way-forwards.

We all know that the global FDI rose by 9% in 2013 with signs of continued growth in years to come. On the other hand, according to UNCTAD’s World Investment Report 2014, the share of FDI inflows to LLDCs has remained at 2%. Additionally the FDI inflow into LLDCs fell by 11% in 2013. It is high time that the development partners devised a mechanism to encourage transnational companies to explore the possibility of prioritizing investment in LLDCs in the areas of infrastructure and productive sectors that create employment, generate exports and encourage maximum uses of local resources.

Almost all LLDCs have to cross hundreds of miles through the territory of transit countries to reach sea ports. This incurs high transportation and handling risks and high cost and time for movement of transit cargoes. South Asia and Sub-Saharan Africa lag behind all other regions in the overall logistics. The reasons for such a situation are low efficiency in clearance process, poor quality of trade and transport infrastructure along the international borders, difficulty in getting competitive cargo handling and shipping charges, low quality logistic services, and poor tracking system and uncertainty in delivery schedule. What I feel is that the support of international community and development partners in the trade development sector should be focused on regional infrastructural development particularly at the land border customs such as; road, ropeway and railway net works; warehouses; documentation and procedures.

Nepal shares borders with India and China and both countries are our major trading partners. For trading with other countries through land, Nepal uses Indian territory. The Treaty of Transit between Nepal and India has made provisions for the Nepali cargo movements through designated routes by road and by rail with Kolkata and Haldia as gateway ports. Hope receCurrently, Nepal is in process of development of infrastructure at the border customs points and transport networks and corridors to reduce the transit transport cost and time and thereby enable better trade performance.

Furthermore, Nepal has recently signed power trade agreement with India. We believe this is going to be one of the landmark agreements for us to attract foreign investment on hydro power development.

Mr. Chairman,

Nepal is a party to regional and multilateral trading arrangements like SAFTA, BMISTIC and WTO. We welcome the efforts of WTO to activate and mobilize the Aid-for-Trade mechanism
through the Enhanced Integrated Framework (EIF). We call for further arrangement of extra funding through this mechanism.

In a nutshell, better connectivity within the region will open the trade and market opportunities in South Asia. The revival of the Silk Road will be a step forward in increasing trade links between neighboring countries and the larger regions of South Asia and South East Asia. We know that Nepal has an important role to play in reviving the historic South Silk Road routes. As a landlocked country, Nepal can enjoy the dividends of physical connectivity access to South East Asia, East Asia and Central Asia. This will also open avenues for Nepal’s economic integration with other major economies of the world. Furthermore, Nepal is willing to serve as a trade link between the neighboring countries. The future of integrated trade in the Himalayan region is strategically important for the rejuvenation of the southern Silk Road.

We should, on our part, take immediate measures to create further favorable business enabling environment particularly by introducing improved regulatory provisions that are needed to encourage foreign investors. Some of us may need technical support from developed countries to introduce and improve prudential macro-economic management with the aim of building up resilience to external shocks. We need a holistic approach with coordinated and integrated political and economic dynamism. Moreover, we have to strengthen public-private investment models that are acceptable to multinational or transnational companies and both public and private sector in the host countries.

The consolidation of legal instruments to guarantee freedom of transit and safety of merchandise and personnel from LLDCs to the sea is very much imperative. We hope the UNOHRLLS will expedite the process in consultation with the concerned UN and other international agencies.

The WB (IFC) and UNDP could play a lead role in the formation of multi-agency technical assistance consortium to develop and implement integrated and heavy investment projects like hydro-electricity, irrigation and transport net-works such as road, ropeways and railways. Active and strategic support of the WB/IFC is needed to mobilize and promote private sector investment in mega-projects that are viable in the LLDCs.

Most of the transit-countries are comparatively at a higher economic level and in better status as compared to their landlocked counterparts. There should be a sentiment and insight that the economic prosperity of landlocked countries will always provide extended market for their products and services and also will supplement the mutual economic development. A guarantee of smooth access to sea and use of international transshipment procedures for the movement of transit cargoes to minimize the transit costs and times also follow the spirit of mutual benefit. Moreover, transit countries should also provide all available infrastructures like warehouse, port facilities, highways, rail networks, and seaports to the LLDCs at reasonable cost and in a more efficient manner thereby helping them reduce transaction costs.
It is necessary to transform LLDCs’ economies with a view to enhancing their competitiveness in the global markets and build resilience to external shocks. The development partners should launch additional capacity building programs by allocating extra funding for technical and financial assistance on infrastructure, institutions, and productive and service sectors. We believe that the private sector and multinational companies in developed countries should be encouraged to identify investment opportunities and submit proposals to harness the potentials thus identified in LLDCs.

To conclude, the understanding of the critical issues of LLDCs will facilitate the search for collective solutions. Trade and investment cannot thrive in isolation. There is a need for a level playing field for the small economies in order for them to benefit from globalization. It is not possible for them to reap benefits from international trade and Investment in the absence of the cooperation from transit countries and other stakeholders. I would like to once again stress on the fact that we must search for the creative thinking and ground-breaking approaches for institutional reforms, structural transformation and strong global partnership that will help us achieve socio-economic development.

I thank you for your attention.