

Interaction Programme
on
E-Commerce in WTO: Agenda for Nepal

2 July 2018

Hotel Himalaya, Kupandole, Lalitpur

An event organized by South Asia Watch on Trade, Economics and Environment (SAWTEE)

And

Ministry of Industry, Commerce and Supplies (MOICS)

Event Summary

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SOUTH ASIA WATCH ON TRADE, ECONOMICS AND ENVIRONMENT (SAWTEE)

Event Summary

South Asia Watch of Trade, Economics and Environment (SAWTEE) and the Ministry of Industry, Commerce and Supplies (MOICS) jointly organized an interaction programme on 2nd July 2018, with the objective of gathering inputs from various stakeholders of the Nepalese e-commerce industry, policy makers as well as those who could potentially benefit from e-commerce and digital economy on matters relating to Nepal's negotiating positions and strategies on e-commerce at the WTO.

The interaction Programme was chaired by Mr. Chandra Kumar Ghimire, Secretary at MOICS. The discussion panel consisted of Mr. Toya Narayan Gyawali, Joint Secretary, MOICS, Er. Binod Dhakal, Chairman, ICT Development Committee, Federation on Nepalese Chambers of Commerce and Industry (FNCCI), and Mr. Keshav Acharya, Senior Economist, Economic Policy Incubator (EPI).

The interaction programme also saw the participation of representatives from various government agencies, commercial banks, e-commerce entrepreneurs and other relevant stakeholders.

Dr. Posh Raj Pandey, Executive Chairman, SAWTEE presented the preliminary findings of the ongoing research E-Commerce in Nepal: Domestic Preparation and Negotiating Strategies being done by SAWTEE. This presentation laid the foundation for participants and discussants to discuss on issues of domestic preparedness of Nepal as well as what needs to be done to be better prepared for the inevitable future negotiation on e-commerce. Dr. Pandey pointed out that the digital economy amounted to 6.5% of the global output but the digital divide that exists between the developed and developing countries is keeping the developing countries from taking full benefit of the digital economy.

The presentation provided a brief history of e-commerce in WTO and its progress over the various WTO Ministerial Conferences. The issue of e-commerce was raised strongly during the eleventh Ministerial Conference in 2017. Efforts were made by some developed countries to start negotiations on e-commerce while a group of developing and least developed countries were not ready to change the exploratory mandate provided by the 1998 work programme. Dr. Pandey, in his presentation explains the issues of contention between these two groups.

Dr. Pandey's presentation posed the following five questions to the participants that would help refine the study:

1. Should there be further work on the Work Programme or negotiation on rule making on e-commerce be initiated?
2. What should be the elements of multilateral rules on e-commerce?
3. Is Nepal ready for multilateral e-commerce rules? If not, how Nepal should improve its preparedness- legal and regulatory, infrastructure, human resources, finance?
4. What are the existing barriers for international e-commerce in Nepal that need to be addressed at the multilateral level?
5. How the operational constraints of MSME and women managed enterprises can be overcome?

The following major themes emerged from the discussion:

- E-commerce is an emerging issue at the WTO and a major one at that. Moreover, as the number, type and scale of e-commerce businesses are growing the negotiations on e-commerce in the WTO are inevitable, sooner or later. Therefore, Nepal needs to prepare itself domestically for the negotiations so as to be at par with the developed countries otherwise Nepal will lose out in capitalizing the benefits brought by e-commerce.
- There is a need to assess our preparedness in the area of trade facilitation, skills and awareness, basic infrastructure required for e-commerce, payment solutions, delivery mechanism, access to finance and legal frameworks.
- Trade costs are high for small packages. The export procedure of these small packages need to be simplified and the trade costs should be lowered.
- The delivery mechanism required for the domestic e-commerce to foster is weak. Most e-commerce businesses have to manage their own delivery which raises the cost of delivery for the company and customers. Nepal's postal service could be developed to provide delivery service to the e-commerce businesses.
- The internet prices should be affordable but the recent move by the government to impose an additional 13% telecommunication service charge is a move in the opposite direction.
- Lack of national switch and payment gateway creates problems for the interoperability and real time gross settlement between commercial banks.
- Mobile financial services and digital wallets are the emerging payment solutions in the country indicating that the basic infrastructure for payment solution for domestic e-commerce are already available in the market. Himalayan Bank and Nabil Bank provide international payment gateway for international e-commerce.
- Lack of access to finance and financial literacy impede micro and small enterprises and women run enterprises from participating in e-commerce as they need to open current account to receive payments from abroad. Solutions need to be identified to make the banking process simple and hassle free for these entrepreneurs. Moreover, initiatives to increase awareness on e-commerce, access to finance, financial literacy need to be taken.
- In the absence of National IDs bank issued financial IDs which could be implemented in a relatively short time could act as an interim solution.
- Laws and policies pertaining to e-commerce are old and outdated. There is a need to update these laws. Consumer protection, cyber security, data protection, privacy etc. are of utmost importance.
- Foreign Direct Investment procedures need to be simplified in order to attract investors in the Nepali e-commerce sector. Nepal's FDI law does not contain the provision of sweat equity for entrepreneurs which discourages foreign investors from investing in Nepal. Moreover, capital gain tax imposed on equity also discourages investors.
- It was also pointed out that there is a need to protect Nepal's e-commerce industry which is a nascent stage.