



OPINION IN LEAD

Enhancing intraregional investment in South Asia

Intraregional investment plays a significant role in boosting regional exports, productivity, and resilience of economies. Regional economic integration through trade and investment expands the market and trade opportunities for domestic firms in smaller countries, ultimately leading to the creation of decent jobs and expansion of output. Although South Asia is recognized as among the fastest-growing regions in the world and in spite of the efforts to achieve deeper regional economic integration—through free trade agreements—South Asian regional integration both in terms of trade and investment is low and well below potential levels.

South Asia has relatively low global foreign direct investment (FDI) flows when compared to other low- and middle-income economies. The region is home to only 1.3 percent of the global stock of inward FDI (IFDI) of US\$39.5 trillion as of 2017 despite producing more than 4 percent of the global gross domestic product (GDP), according to a [recent report by the World Bank](#). Also, in the region itself, as of 2018, IFDI stocks (US\$524 billion) and outward FDI (OFDI) stocks (US\$82 billion) are relatively low compared with those of other developing regions. Intraregional investment of US\$3 billion (as of 2017) accounts for only 0.6 percent of IFDI from the world and 2.7 percent of OFDI to the world. Almost 75 percent of intraregional investment funds flow from India, but this amount accounts for only 2 percent of India's total outward investment.

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Report

Nepal's graduation from the LDC category: Implications for international trade and development cooperation

Nepal is scheduled to graduate from the LDC category in 2026. While this is an important milestone in Nepal's development journey and a testament to its achievements in socio-economic progress, Nepal's exit from the category will result in the loss of a variety of international support measures that the international community has provided to help Nepal transcend the development-related challenges. In light of this, the government of Nepal (GoN) is in the process of formulating a transition strategy to ensure smooth, sustainable, and irreversible graduation. Against this background of Nepal's graduation, [SAWTEE conducted a study](#) to investigate the implications of graduation for Nepal in the areas of market access, development cooperation, and trade-related policy space. The motive is also to offer recommendations in these areas for the government to consider when formulating the transition strategy.

Summary of findings of the study:

- The study suggests that graduation from LDC status will have trade implications in terms of higher tariffs and more stringent rules of origin provisions in preference-granting countries. The projected loss in total exports emanating from the increase in tariffs is moderate. However, the loss emanating from more stringent rules of origin, while uncertain, could be significant, especially in the garments sector.
- The graduation could result in a loss of policy space, either through the loss of current flexibilities and special treatment, such as in the area of intellectual property rights, or through greater scrutiny of certain practices, such as the subsidy regime. However, the policy space to promote infant industries and exports, and pursue public health objectives, could be squeezed.
- The impact on development cooperation will be modest as most of the development partners—multilateral and bilateral—have indicated that LDC status is not the main criterion for aid flows. However, some development partners may switch from grants to concessional loans or increase interest rates for concessional loans. Furthermore, Nepal could lose access to specific instruments and funds dedicated exclusively to LDCs, particularly with regard to climate change-related funds, after a transition period.

Summary of recommendations:

- Nepal should aspire to become a party to the more generous preferential schemes such as the EU's Generalized System of Preferences Plus (GSP+) and the UK's GSP Enhanced Framework, while studying the implications of acceding to the additional conventions that Nepal needs to ratify to qualify for these schemes. Nepal should also initiate dialogue with other trading partners seeking an extension to LDC-specific concessions and preferences for another 3-5 years following graduation.
- Nepal should lobby for lenient rules of origin (ROOs) for LDCs for a period sufficient for the private sector to adjust to the new ROOs.
- To realize the untapped export potential of Nepal, the government should prepare trade strategies, in consultation with the private sector, to strengthen the overall competitiveness of the economy, upgrade exporter's capabilities, diversify export products and markets, simplify and streamline processes to attract more foreign direct investment and encourage enterprises to participate in regional/global value chains.
- The government should explore new forms of finance, including blended finance, public-private partnerships, private philanthropies and co-financing, among others, and work with development partners for new forms of support mechanisms such as dedicated funds for graduated countries, disaster insurance, and technology transfer mechanisms.

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NEWS



Court bars export of sand, aggregates

Nepal's Supreme Court has banned the export of stones, aggregates and sand saying the destruction of nature shouldn't be allowed in the name of boosting export.

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Pakistan, Turkiye, others 'at high risk of currency crisis'

Nomura has warned that seven countries — Egypt, Romania, Sri Lanka, Turkiye, Czech Republic, Pakistan and Hungary — are now at a high risk of currency crises.

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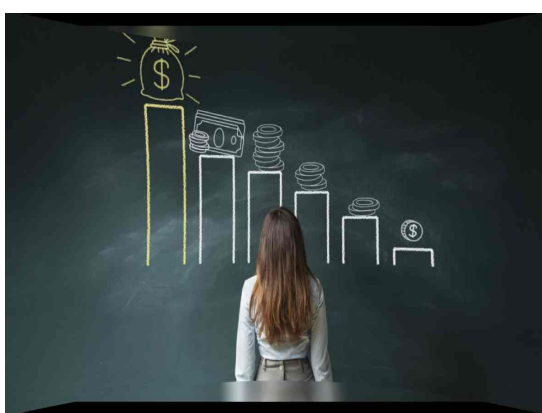

Value addition in apparel keeps falling in B'desh

Value addition in export-oriented readymade garment fell further in the Q1 of the current financial year due to a price hike of raw materials and a high freight cost.

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China border closure puts Nepali traders near bankruptcy

The Rasuwagadhi-Kerung border point is yet to reopen after being closed for the past thirty-four months, throwing scores of local traders out of jobs.

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Govt removes minimum threshold for NRN investment

The government has removed the minimum threshold for the investments to be made by the Non Resident Nepalis (NRNs) through investment companies.

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US slowdown hits Noida apparel companies

Slowdown in the US has hard hit apparel exporters from Noida, whose payments of INR 30 billion have got stuck as buyers from the US have asked them to delay shipments.

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Rupee settlement allowed for international trade

Given the rise in interest in internationalisation of Indian rupee, India has allowed rupee settlement of international trade for export promotion.

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Government hikes minimum support price for paddy

The Nepali government has raised the minimum support price for paddy by 8 percent for the harvest of the current fiscal year.

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Pakistan, China ink yuan clearing deal

The central banks of Pakistan and China signed a memorandum of cooperation on yuan clearing in Pakistan.

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Events

Roundtable discussion on “Overcoming Barriers to Growth Entrepreneurs”

South Asia Watch on Trade, Economics and Environment (SAWTEE) conducted a roundtable discussion on “Overcoming barriers to growth entrepreneurs” to examine the present state of and gaps in the support system in Nepal for startups and growth-potential existing businesses, including those eyeing export markets on 29 November. The objective of the discussion was also to identify the types of focused support needed for startups and how different support agencies from private and public sectors should be engaged to build a well-connected ecosystem to help startups to grow.

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Regional Conference on Suitable Seeds for Food Security

South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu and Fridtjof Nansen Institute (FNI), Norway jointly organized a two-day regional conference on Suitable Seeds for Food Security to disseminate the findings of the study “Suitable seeds for food security in fragile states” and initiate a discussion around seed security and climate change on 2–3 November in Kathmandu.

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EDITOR
Dikshya Singh

CONTACT
South Asia Watch on Trade, Economics and Environment (SAWTEE)
P.O. Box: 19366, Tukucha Marg, Kathmandu, Nepal
Tel: 977-1-4424360, 4444438 Fax: 977-1-4444570
Email: enewsletter@sawtee.org
Web: www.sawtee.org

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