

# 'Government should Establish a Special Economic Zone'

**Ratnakar Adhikari** is the Chief Executive Director of South Asia Watch on Trade, Economics and Environment (SAWTEE).

*The Corporate's* **Sujan Dhungana** talked to Adhikari about trade ties among countries in the bilateral trade. **Excerpts:**

## **What are the areas in which SAWTEE is currently working on?**

Our focus has been on issues related to trade, economy, regional integration and the environment. We are also working on issues related to food security, livelihood and agriculture.

## **Could you elaborate on a few specific projects that SAWTEE is currently working on?**

We are at the moment working on an innovative South Asian-level project related to the Nagoya Protocol on biological diversity. SAWTEE started working on it in association with Fridtjof Nansen, a Norwegian institute.

The second project that we are currently working on is to build the capacity of South Asian institutions involved in setting and implementing various standards.



## **What are the barriers to improving trade ties between Nepal and other countries in the region?**

Working with trade policies of different South Asian countries, we have come to understand that 'sensitive lists' have posed significant barriers to trade in the region.

In Nepal alone, more than 1,300 products have been listed as being 'sensitive'. In the case of India, the government has unilaterally reduced items on the sensitive list and brought it down to 25 products. It has also provided goods manufactured in Least Developed Countries in the region duty free access to its market.

The second barrier is a non-tariff one. For example, when you want to export a product to another country in the region, you will have to deal with various non-tariff barriers such as certification, security checking and standardisation.

Last but not the least important barrier is lack of transit facilities.

## **Nepal is facing trade deficit with almost all of its trading partners in the last few years. What measures could Nepal take to address the problem?**

Nepal does not lack a market for its products. Market access is not really a barrier for Nepal because the Indian market is open for Nepali goods. The major problems are in the supply side. This needs to be taken care of.

The second thing we need to focus on is creating an investment-friendly environment. These days, investors are dealing with threats from trade unions. These should be addressed very soon.

Similarly, Nepal is lagging behind in technological innovation. Due to this, Nepal has been unable to compete in the

international market. Although the European Union (EU) has provided duty free facility to all products manufactured in Nepal, we have not been able to take full advantage of the arrangement.

## **It is said that international trade and Foreign Direct Investment (FDI) are intertwined. What should be done to attract FDI in Nepal?**

The same factors that inhibit international trade also pose as a barrier for FDI. An investment-friendly environment is the prerequisite for attracting FDI. At the moment, there is a lack of such environment in the country. Political instability and lack of infrastructural development also put off investors.

What the government now needs to do is establish a special economic zone, which has a dedicated electricity supply and is well connected to the Indian network.

Similarly, there should be strict legislation that bans the lock ups and strikes in the special economic zone. Finally, the investors -- whether local or international -- should feel that their investment in Nepal is safe.