

# Nepal's terms of trade declined by 31pc annually over last decade

## POST REPORT

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**N**EPAL'S terms of trade declined at an annual rate of 31 percent over the last decade, thanks to low productivity and declining prices of manufactures, according a UN report.

Terms of trade refers to the value of a country's exports relative to that of its imports.

As Nepal is an exporter of manufactures, the decline in their prices resulted in the decrease in the country's terms of trade, according to the Economic and Social Survey of Asia and the Pacific 2012 conducted by the UN Economic and Social Commission for Asia and the Pacific (ESCAP).

The report said commodity prices, particularly those of energy resources or minerals, witnessed a boom over the last decade and their exporters enjoyed the highest increase in their terms of trade. "On the other hand, countries whose exports are manufactures have seen their



Adhikari said rising price competition in the international market and decreased income in the western world due to financial crisis four years ago resulted in a decrease the price of Nepali manufactures. "Nepal has to compete with manufacturers like China which forces us to remain competitive in the international

The report said when low-income countries fail to create new economic activities and sufficient productive employment, many of their citizens migrate overseas in search of better opportunities. "However, remittances are used for consumption instead of productive investment and the subsequent influx of foreign currency and more price competitive imported goods

could stifle local manufacturing," read the report.

The study has suggested low-income countries not only to depend on a few labour-intensive manufactures, but also diversify their activities in more productive economic activities.

At a policy dialogue—Global Economic Turmoil and Asia Pacific's Economic Prospects—held here on Thursday, partici-

pants stressed on the need for increasing the country's productive capacity by ending bottlenecks such as power crisis and expanding the domestic market based on justified distribution of incomes. Nepal Rastra Bank Governor Yubaraj Khatiwada said justified income distribution would ensure resources for more people which will expand the market. "Social protection measures also help in this mechanism as people should not save more for future," he said.

Executive chairman of South Asia Watch on Trade, Economics and Environment, Posh Raj Pandey, said promotion of trade on service could help increase Nepal's trade. "Regional economic integration by removing para-tariff and non-tariff barriers will help in this regard," he said.

The report has said least developed countries (LDCs) have been facing a series of harmful measures as several developed countries imposed trade restrictive measures on their trade flows. "In particular, Bangladesh, Cambodia, Lao People's Democratic Republic and Nepal were the most hit by the discriminatory trade policies of others," read the report.