

PRESS RELEASE

SAWTEE Publishes Issue Note on US Reciprocal Tariffs

Kathmandu, 21 April 2025.

Although additional US reciprocal tariff is likely to affect Nepal's export of certain commodities to the US, the impact on the national economy is likely to be limited considering Nepal's small export basket.

This sentiment was expressed by the participants of a roundtable discussion conducted today in Kathmandu. A 10-percentage point increase in tariffs on Nepal's export to the US could result in 0.0096 percent decline in Nepal's Gross Domestic Product, according to an issue note published by South Asia Watch on Trade, Economics and Environment (SAWTEE). The report titled "Decoding US' reciprocal tariffs: A Nepali perspective," is authored by Dr. Paras Kharel, Executive Director at SAWTEE, and Mr. Kshitiz Dahal, Senior Research Officer, provides a Nepali perspective against the rapidly changing international trade landscape due to the US administration's reciprocal tariffs.

The issue note delves into the implications of the United States' proposed reciprocal tariff scheme, which could mark a departure from long-standing global trade norms. It highlights how this shift may impact Nepal, with a focus on Nepal's exports to the United States, which is its second-largest export destination. While Nepal currently enjoys preferential access to the US market under various schemes, the move toward reciprocity could challenge these preferences and add uncertainty for Nepali exporters. Furthermore, additional duties of 10 percent on each product exported from Nepal could affect the demand of these products in the US market, and the initially observed tariff advantage is now uncertain given a 90-day pause on the full implementation of reciprocal tariffs scheme and ambiguities regarding how, or whether, the program will continue.

In conjunction with the publication, SAWTEE organized a roundtable discussion titled "Navigating Nepal-US Trade amid uncertainty" in partnership with Kathmandu University School of Management (KUSOM) on 21 April. The event brought together key stakeholders including representatives from exporters' associations, trade experts, media, academia, and civil society. The discussion fostered dialogue on potential policy responses and collaborative strategies to manage emerging trade dynamics.

Addressing the discussion if Nepal can take advantage of the current situation, Dr. Achyut Wagle, Vice Chancellor, Kathmandu University, stated that Nepal has not been able to create backward linkages in prominent export sectors, for example, we emphasize on readymade garment sectors but the raw materials, such as textiles, yarns, etc., are all import-dependent. This is not only a trade issue but involves industrial policies and other related policies, he added.

As the world appears to be gravitating towards fragmented trading blocs, Nepal should prepare for acceding to sub-regional and regional trading arrangements, pointed out Dr. Posh Raj Pandey, Chair Emeritus, SAWTEE.

Nepal, until it establishes itself as the indispensable part of the global value chain, giving her an upper hand during negotiations, to remain in wait and watch mode, said Mr. Madhu Kumar Marasini, Senior Fellow, SAWTEE and former finance secretary.

Considering the possibility of Nepal taking advantage of relatively lower tariff to the US compared to other countries, private sector representatives cautioned that this could make Nepal a transshipment hub, meaning other countries exporting to US through Nepal, which would not benefit Nepal in terms of job creation or economic activities, but rather invite further restrictions to Nepali products.

SAWTEE continues to work towards strengthening Nepal's trade capacities through evidence-based research and stakeholder engagement. The full issue note is available on SAWTEE's website ([here](#)).