

'Imports from India drive Nepal's high trade deficit, and not WTO'

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Nepal's increased trade deficit since joining the WTO is not a direct result of its membership in the global trade organisation but rather due to its significant imports from its "very large neighbour" India, which boasts a huge manufacturing capacity and shares a porous border with Nepal, according to WTO Director-General Ngozi Okonjo-Iweala.

Instead of focusing on the declining export-import ratio, Nepal should see what niche it can develop, where it has a comparative advantage, and become a part of India's supply chains, Iweala said during an interaction with international journalists at the WTO's Public Forum in Geneva on Tuesday.

'DON'T BLAME WTO'

"You [Nepal] have a very large neighbour called India which produces a lot of



Ngozi Okonjo-Iweala, WTO Director-General REUTERS

things. So, you cannot blame the fact that when you became WTO member suddenly imports increased. Even if you were not, you are sitting next to a country with 1.4 billion people with manufacturing capacity that is unprecedented. If you have open trade agreements or open borders with them, that is bound to happen," she said, answering a question on Nepal's increasing trade deficit following its accession to the WTO.

Nepal's imports from India were at \$7.04 billion in

2023-24 while its exports to the country were at \$831.11 million, per Indian government figures. India accounts for more than half of Nepal's formal imports while its share in informal imports is likely to be much higher, according to various estimates by research bodies.

The WTO D-G said Nepal should look at the comparative advantages that would enable it to complete and if it could become part of the supply chain to India.

Another side that people do not look at is who benefits from the imports, Okonjo-Iweala noted. "Sometimes some kind of imports, where you do not have a comparative advantage, you will produce it more expensively than others. There are people in your population who will benefit from the cheaper prices. The consumption side must be looked at," she said, adding that a country, of course, could not import everything as it would lead to young people not getting jobs.