

- 5) Use of labour intensive technology: technique: The use of capital-intensive technique in production is a cause of unemployment as it replaces large number of workers and hence, they become unemployed. The government should encourage the producers of firms to use labour-intensive technology in production of goods and services. This will help to expand employment opportunities.

Moreover, increase in pace of economic growth, credit facilities to farmers can be provided and educational system of the country should be reformed in order to generate more employment opportunities and unemployment can be reduced.

Unit -5 : Nepalese Economics

Chapter-1 : Foreign Trade and Foreign Employment of Nepal

A. Very short questions : For 1 marks

1. Define foreign trade.

⇒ Foreign trade refers to the exchange of goods and services between two or more countries. In foreign trade, buyers and sellers are from different country and they enter into the trade agreement subject to the international or bilateral laws of trade and tariffs.

Q. 11.

⇒ State the meaning of foreign employment.
Foreign employment means going from one country to another country for job and to earn money. Foreign employment of people has been a usual phenomenon since the beginning of human civilization.

Q. 11.

⇒ What is the meaning of remittance?
Remittance refers to the money sent by one party to another within or outside the country. Remittance is one of the important source of revenue for a country and plays a vital role in its economic growth and development.

Q. 11.

⇒ State the concept of WTO.
World Trade Organization (WTO) is one of the special organizations of the United Nations. It is essentially an alternative dispute or mediation entity that upholds the international rules of trade among nations. The organization provides a platform that allows member governments to negotiate and resolve trade issues with other members.

V. What are the objectives of WTO?

⇒ The objectives of WTO are:

- 1) To solve the trade conflict between member nations.
- 2) To simplify and reduce the custom duties.
- 3) To achieve sustainable economic development.
- 4) To preserve and promote environmental resources.

- vi. Mention the major principles of WTO.
- ⇒ The major principles of WTO are listed below:
- To carry out international trade without discrimination.
 - To ensure free trade among member nations.
 - To provide security guarantee.

- vii. State the objectives of SAFTA.
- ⇒ The objectives of SAFTA are listed below:
- To promote fair trade among the member nations.
 - To ~~sim~~ eliminate trade barriers.
 - To implement trade agreement.
 - To make strong regional cooperation.

B. Short questions: for 5 marks

- i. Describe the various ~~problems~~ problems of Nepalese foreign trade.
- ⇒ Nepal is facing a problem of ever-increasing trade deficit. Import is rapidly increasing, but the increase in export is very low. Due to some internal and external reasons, it is very difficult to maintain trade balance here. The followings ~~are the~~ main problems of Nepalese foreign trade.
- ±) Low export and high import: The production of exportable commodities is very limited in Nepal. There are very few goods which Nepal has been exporting such as wollen carpets, ready-made garments, handicrafts, herbs and shrubs, tea, coffee, etc. But the export of these goods is declining in the recent years. On the other hand, Nepal's import is very high in comparison to export. Nepal imports almost all the goods from other countries. Because of this reason, Nepal's ~~for~~ trade deficit is increasing.

Date _____
Page 76.

rapidly every year, which is one of the major problems of Nepalese foreign trade.

2) Low quality production: Due to slow development of industries, production level is very low in Nepal. Still now, Nepal is not self-sufficient in basic necessities. Except a few commodities like carpets and readymade garments, the export of Nepal depends mainly on primary products. The country is unable to produce high quality goods that are capable of competing in foreign markets.

3) High cost of production: The cost of production in Nepal is very high in comparison to our neighbouring countries: India and China. The causes behind the high cost of production in Nepal are the use of primitive technology, inefficient labour, imported raw materials, inefficient equipment, etc. Such products cannot compete with the products of other countries in terms of price and quantity. This is also a problem of Nepalese foreign trade.

4) Illegal trade between Nepal and India: Nepal has a long border with India. Due to the long and open border between Nepal and India, various types of smuggling are taking place. Goods imported to Nepal from third countries are smuggled to India to take advantage of the Indian market. Similarly, many goods are also smuggled to Nepal from India.

b) lack of capital: Sufficient capital investment is essential to establish and develop foreign trade of the country. Well-developed capital market of a country can provide sufficient amount of credit for the export-oriented industries. But the capital market of Nepal is still unable to supply sufficient amount of credit.

Moreover, there are many other problems like defective government policy, tough competition with foreign goods etc.

20
11. Explain the various importance of foreign trade.

⇒ Foreign trade is the most important factor for economic development. There are a lot of benefits of international trade. Some of the importance of foreign trade are as follows:

1) Generates employment opportunities: Foreign trade is one of the big platforms for the employment opportunities. It provides direct employment opportunities to the people for the imports and exports of the goods and services.

2) Economic development: Imports and exports help in the economic development of a country. This is because, with the import of capital goods and technology, a country can generate growth in all sectors of the economy i.e. agriculture, industry and service sector.

3) Develop good relation with foreign countries: Foreign trade helps to build up good relation with foreign countries in the international market. Having a good relationship with various countries, creates platform for a country to improve trade and show its efficiency, capacity, and economic condition in the world.

4) Optimum resource utilization: International trade helps the utilization of optimum resources. Every resources are not available in all nation. So, all production is not possible. Therefore, foreign trade helps in utilizing such resources.

5) Raise standard of living: People can raise their living standard with international trade. International trade imports the new and better varieties of goods and services. By consuming such new and better varieties of goods, people can improve the standard of living.

iii. What are the positive impacts of foreign employment and remittance in Nepalese economy? Explain.

⇒ Foreign employment is the source of remittance which has played a vital role in poverty reduction and expansion of economic activities in Nepal. The increase in remittance results availability in foreign currency in the domestic market and raises national savings.

Some major importance of foreign employment and remittance in Nepal are described:

1) Generation of employment opportunities: Unemployment is one of the major macroeconomic problems of many developing countries, including Nepal. There is low industrial development, and agriculture is almost seasonal in nature. So, many people are unemployed and foreign countries are providing employment opportunities to many Nepalese workers.

2) Increase in consumption pattern: People consume various types of goods and services in their daily life. They consume basic and necessary goods, luxurious, consumer, capital goods, etc. We know that income is the most important determinant of consumption. So, people consume these goods due to the inflow of remittance.

3) Increase in rate of capital formation: Capital formation is necessary and is a pre-condition for overall and industrial development. People do not spend all remittance only for consumption, rather they save part of it. Previously, before receiving remittance, saving was almost impossible. Such savings are collected by banks and financial institutions and they provide it for further productive purpose. It helps for capital formation in the country.

4) Poverty Alleviation: Foreign employment and remittance plays an important role in poverty alleviation. If the remittance obtained from the foreign employment are spent on locally produced goods and services, then will be the use of local resources and increase in employment opportunity in the home country. As a result, it helps to increase income and living standard of people.

5). Develop good relation with other countries: Foreign trade and remittance helps to build good relations with foreign countries in the international market. Having a good relationship with various countries, creates platform for a country to improve trade and show its efficiency, capacity, and economic condition in the world.

Furthermore, there are more positive impact like solve the problem of balance of payment, increase in standard of living.

iv. What are the negative impacts of foreign employment and remittance in Nepalese economy? Explain.

⇒ Though foreign employment and remittance has played a vital role in economic development, it has negative impacts as well.

Some negative impacts of foreign employment and remittance in Nepal are explained below:

1) Problems in family: When the parents go for foreign employment, there is often a lack of proper guidance. Children have additional responsibilities and it causes higher school absence, problems in health care, etc. Likewise, there is a high possibility of other types of problem like divorce between husband and wife, misuse of remittance income.

2) Brain drain: The migration of high skilled workers from Nepal to other countries is becoming a serious defects of foreign employment. The market for high skilled workers is ever increasing in the developed countries. Such industrialized nations are hiring more trained manpower from under-developed nations. It creates shortages of skilled manpower in the homeland.

3) Creates dependency: It is becoming common that remittance received from foreign employment creates dependency. It reduces the incentive of ~~rec~~ recipients to work. The ultimate effect will be ~~show~~ slow growth rate of the economy. On the other hand, there is the problem of skilled manpower in developing / poor nations.

4) Shortage of manpower in the nation: One of the major disadvantages of foreign employment is that it creates a shortage of manpower inside the country. Agriculture and industry is lacking sufficient manpower. Most of the working people are abroad, nation lacks skilled manpower in different sectors.

5) Human cost: Human cost is one of the major defects of foreign employment. Searching for a job in a foreign country and migration are very difficult, and migrants make major sacrifices. They must be separated from their family and do difficult and risky works to send remittances. Many Nepali people has lost their ~~job~~ lives during foreign employment.

C. Long questions: For 8 marks

i. Explain the composition, growth and direction of Nepalese foreign trade.

⇒ Composition of Nepalese Foreign Trade

The composition of Nepalese foreign trade refers to various items of export and import of Nepal. It shows the present situation of export and import of various commodities. Hence, it gives the real picture of the economy, particularly on trade. The commodities traded in foreign countries are classified according to Standard International Trade Classification (SITC). The SITC includes ten types of export and import commodities.

Commodity Trade by SITC Group (Rs. in ten million)

SN	SITC Group	Imports	Exports
1.	Food and live animals	21379.1	2590.4
2.	Tobacco and beverage	551.8	24.8
3.	Crude materials and inedible	5285.1	275.3
4.	Minerals, fuels and lubricants	21438.8	0.0
5.	Animals and vegetables, oils and fats	8159.5	5595.9
6.	Chemicals and drugs	17980.9	588.1
7.	Classified by materials	32720.6	8725.9
8.	Machinery and transport equipments	93535.4	84.2
9.	Miscellaneous manufactured articles	10183.9	1227.7
10.	Not classified	2748.6	0.1
	Total	153983.7	14112.4

Nepal imports a large number of machinery and transport equipments. Also, it exports animals and vegetables, oil and fats & the most. It is not able to export minerals, fuels and lubricants till date.

Growth of Nepalese Foreign Trade

In the past, Nepalese foreign trade was only confined to India and Tibet. However, it is expanding over a period of time. Export (x) and Import (m) are two components of foreign trade. If export is greater than import then it is called surplus trade and if import is greater there occurs trade deficit.

Growth of Total Nepalese Foreign Trade (Rs. in ten Million)

Fiscal year	Export	Import	Volume of Trade	Trade Balance
1990/91	1370.7	8194.1	4564.7	-1832.4
2000/01	5565.4	11568.7	17134.1	-6003.3
2010/11	6433.9	39617.6	46051.4	-33183.7
2020/21	14112.4	153983.7	168096.1	-139871.3

The table also clearly shows that the trade deficit is increasing. In the fiscal year 1990/91, the total volume of the trade deficit was Rs 1832.4 crore, which increased to Rs 139871.3 crore in the fiscal year 2020/21. Due to covid-19, there was a decline in import volume and trade deficit (Rs 109908.8 crore) in the fiscal year 2019/20.

Nepal's principal items of export include - jute, pulses, oilseeds, ginger, live animals, food, carpet, ~~ten ready~~ readymade garments, handicrafts, herbs etc. On the other hand, import items include a wide range of finished goods, industrial raw materials, machinery, equipment, chemical fertilizer, petroleum products, etc.

Direction of Nepalese Foreign Trade

In the past, Nepalese Foreign Trade was confined only to Tibet and India. 95% of the trade was with India and very small position with Tibet. The main trade ~~concentr~~ concentration of Nepal was with India because of open border and traditional, historical, cultural, religious, relations. In recent year, Nepal has trade relation with many countries of world. It imports foreign goods from India, China, Singapore, UK etc. and exports to India, China, Germany, Japan etc.

Direction of Foreign Trade (in percentage)

	Import (M)	Export (X)
India	63%	75%
China	15%	1%
Other countries	22%	24%

Hence, On average, 65% of Nepal's foreign trade is concentrated only with India and 35% with other countries.