

India has two-thirds share in Nepal's foreign trade

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NEPAL'S foreign trade is dominated by India to the tune of two-thirds of total exports and imports.

According to the Trade and Export Promotion Centre (TEPC), the southern neighbour accounted for Rs 51.78 billion out of Nepal's total exports of Rs 77.35 billion in fiscal 2012-13. India bought 66.9 percent of Nepal's total exports that year. Similarly, India's share of Nepal's total imports came to 66.19 percent last year. According to the TEPC, Nepal imported goods worth Rs 397.95 billion from India compared to its total imports of Rs 601.20 billion.

Experts said the concentration of trade with a single country had increased the vulnerability of Nepal's economy. They cited the example of the domestic vegetable ghee industry which went belly up when India lowered the tariff on palm oil imports and priced Nepali products out of the market. Trade expert Ratnakar Adhikari said that the more Nepal diversifies its

exports and imports in terms of different countries and products, the safer it will be from the vagaries of the market. He added that even though Nepal's dependence on India had grown, it is in a better position in terms of product diversification compared to other least developed countries.

Among the main exports to India are iron and steels products, cardamom, tea, ginger, jute products and noodles. Nepal mostly buys petroleum products, motor vehicles and parts, medicinal products and cereals from the southern neighbour. Nepal exported iron and steels products worth Rs 10.13 billion last year. Similarly, it earned Rs 3.84 billion from the export of cardamom and Rs 2.04 billion from tea. According to the TEPC, a majority of these products went to India.

TEPC chief Ishwori Prasad Ghimire said that swelling imports of petroleum and cereals was the main reason for rising payments to India. Nepal imported petroleum products worth Rs 111.12 billion last year. Similarly, Nepal imported iron and steel worth Rs 57.40 billion, transport vehicles and parts worth

Rs 32.30 billion and cereals worth Rs 20.92 billion last year.

The dependence on imports from India has been growing in recent years with imports rising to 66.19 percent in 2012-13 from 64.50 percent in 2011-12. Adhikari said that Nepal's trade vulnerability had increased as shown by the fluctuating exports of readymade garments to India over the last few years. "When India imposed an additional 4 percent duty on Nepali readymade garments, their exports took a dive; and when it was removed, exports shot up," he added. "Nepal's exports of farm products are affected by the production trends of the same products in India."

Besides India, the US is the major export market for Nepali products followed by Germany, Bangladesh and China. The US bought Nepali goods worth Rs 5.75 billion last year.

Regarding Nepal's imports, China is the second largest seller after India. Nepal imported goods worth Rs 68.30 billion from China. The UAE, Indonesia and Thailand were among the top five countries selling goods to Nepal last year.