

South Asian Transit Agreement will increase trade

Nepal can boost export in and out of region due to new arrangement

Himalayan News Service
Kathmandu, December 31

Nepal could boost its export, if the regional transit agreement, envisioned by the regional experts, comes into place. Earlier, Dhaka had proposed facilities to the Nepali exports, if it utilises Mongla Port, according to the sources.

Currently, Nepal's key export third country export point is Kolkata Port. "If South Asian countries enter into regional transit agreement, Nepal could be connected to Bangladesh for the smooth exports without bureaucratic hassles," said trade expert Dr Ratnakar Adhikari.

The South Asian Transit Agreement could ensure no bureaucratic hassles with predictability and low cost of transportation with transparency, he said, adding that the agreement will not only help the landlocked developing countries like Nepal but also help coastal countries like India, Bangladesh and Pakistan, apart from more intra-regional trade that is less than five per cent.

Despite Nepal having more competitive strength in some products in the region, it cannot boost its exports due to lack of connectivity. According to the Commerce Ministry also the regional transit framework could give Nepal more access to regional market.

Though, all 31 landlocked developing countries (LLDCs) of the world are facing the same problem of lack of direct access to the sea, isolation from major economic centres, inadequate transport infrastructure — both in LLDCs and transit nations — and cumbersome transit procedural as constrain for their growth prospects for international trade, countries like Nepal is hit hard due to its lack of transit access. "It has resulted in high transport costs, inflating landed import prices and eroding international competitiveness of exports," he added.

A World Bank study revealed that

the median landlocked countries experience 42 per cent higher transport costs than the median coastal economy.

Regional connectivity is key also for all the South Asian countries as they all have geographical constraints. "However, on an average, LLDCs experience one per cent lower growth than coastal economies and a landlocked country with transport costs 50 per cent higher than a similar coastal economy can expect slower growth of about 0.3 per cent annually.

The government has planned to boost exports to Rs 100 billion in the current fiscal year from last fiscal year's exports of Rs 74.26 billion. The country had imported merchandise worth Rs 461.67 billion in the last fiscal year making a huge gap of Rs 387.41 billion due to lack of transportation facility across the border and supply side constraints inside the country.