
CALL FOR EFFECTIVE CHANGES IN NEW ACCORD

- *Nepal-India trade pact*

Jun 7, 2016- Traders and experts have called for making effective changes in the Nepal-India trade treaty when it comes up for review on October 28 to address the country's ballooning deficit with the southern neighbour.

The trade pact between the two countries was last revised and signed on October 27, 2009. The agreement is reviewed and changed as necessary every seven years.

Speaking at an interaction organised by the Commerce Ministry on Monday, they have also asked the authorities concerned to implement electronic trading to reduce hassles, promote service trade and expand border infrastructure. Similarly, providing easy banking and insurance access, minimising the cost of doing business and eliminating non-tariff barriers are other items traders want included in the agenda.

Pradip Kedia, president of the Birgunj Chamber of Commerce and Industry, said India should consider waiving the service tax on goods exported to Nepal. He also urged the government to extend the Indian railway line up to Birgunj Customs. The freight train, which transports Nepal-bound cargo arriving by sea from third countries, stops at Sirsiya Dry Port.

Naresh Kumar Agrawal, treasurer of the Nepal Freight Forwarders' Association, urged that the railway line be extended to other Nepal-India border points too. "In addition, the provision of a dedicated railway line for cargo could further reduce the cost of imports," he said.

Posh Raj Pandey, executive chairman of South Asia Watch on Trade Economics and Environment, said Nepal needed to diversify imports. "If imports can be diversified to increase

exports through value addition on those goods, that could help the country improve its productivity,” said Pandey, adding that swelling imports of consumer goods had sent the trade deficit soaring. Pandey said the new trade pact should consider removing clauses that conflict with provisions in the South Asian Free Trade Area (Safta) agreement. “Besides, it should address investment, energy and service among other topics which are comprehensive issues of bilateral trade,” he said. Traders also said that infrastructure at the Birgunj border point should be improved. “The slow progress in the construction of an integrated check post, inadequate parking lot, lack of warehouses and traffic congestion due to narrow roads are major hurdles at the border point which handles almost 70 percent of Nepal’s foreign trade,” they said. In 2009, India had agreed to a 12-point amendment including removal of extra customs duty and non-tariff barriers on Nepali goods. However, it has not been effectively implemented, severely affecting Nepal’s competitiveness in the Indian market.

According to Nepal Rastra Bank, Nepal’s dependency on India has increased immensely resulting in a widening trade deficit. During the period 2009-10 to 2014-15, Nepal’s trade deficit with the southern neighbour ballooned to Rs435.79 billion from Rs177.12 billion. At the same time, Nepal’s exports to India inched up to Rs55.86 billion from Rs39.99 billion while imports from India more than doubled to Rs491.65 billion.

Indian Ambassador to Nepal Ranjit Rae said the new pact should focus on resolving problems of bilateral trade in a more constructive approach. “In addition, it should address the informal cross-border trade between the two countries,” he said.

Commerce Minister Jayanta Chand said the government had introduced Trade Policy 2015 that could also improve the country’s trade to some extent.

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