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IN LEAD

Let Nepal-Bangladesh trade more

Bangladesh is just a few kilometres—about 27 kms— away from the easternmost end of Nepal. The two countries are similar in many aspects: social, cultural and economic. But the exchange of goods and services between them is far lower than one would expect it to be. Yet Bangladesh is an important trade partner for Nepal with abundance of potentials to exploit.

The two countries are the members of South Asia Free Trade Agreement (SAFTA), a regional agreement that envisions European Union (EU)-like economic union in South Asia. The overarching SAFTA target so far is limited to reducing tariffs to 0-5 per cent by 2020 while still maintaining a rather long 'sensitive list' exempted from tariff-cuts. The SAARC Agreement on Trade in Services (SATIS), similar agreement concerning services trade, is in limbo as member countries failed to finalize the schedule of commitments although the agreement entered into force on November 2012.

The two countries are also the members of various regional and international organizations such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), World Trade Organization (WTO) and Bhutan Bangladesh India Nepal (BBIN) initiative. Bilaterally, Nepal-Bangladesh trade is governed by the Trade and Payment Agreement; and the Transit Agreement. The latter dates back to April 1976 which enabled Nepal to use Bangladesh's Chittagong and Khulna ports for its transit trade. Since 1997, Nepal has been using the Banglabandha-Phulbari route for third-country as well as bilateral cargo movements. Two countries also enjoy the Most Favoured Nation (MFN) treatment while trading with each other.

Neither their geographical proximity, nor the trade liberalization measures, have significantly contributed to improve trade-relations between the South Asian countries, including that between Nepal and Bangladesh. The trade volume hovers around just a few billion rupees. Nepal's export to Bangladesh, in 2017, stood at NPR 1.02 billion (1.3 per cent of total exports) which was highly eclipsed by the imports worth NPR 4.05 billion (0.4 per cent of total imports). Thus, the imports were four times bigger than exports. Up until 2013 Nepal had been enjoying trade surplus with them.

Nepal's exports just a few products to Bangladesh. Red lentils dominates the export (88.7 per cent) followed by brans, sharps and other residues of leguminous plants (6.1 per cent) and food preparations (1.6 per cent). Imports, though, are diverse. Mixtures of juices has the highest share of imports (20.7 per cent) followed by jute & other textile-based fibres (17 per cent) and sugar (7.1 per cent).

During an interaction programme held in eastern Nepal in Biratnagar, Nepal's private sector discussed the measures to enhance trade with Bangladesh. They blame Nepal's ill-designed policies for increased imports from Bangladesh. According to them, imports consists of commodities—such as biscuits and juices—which Nepal can easily produce domestically. In order to curtail easy access granted to Bangladeshi goods, Nepali producers urged the government to impose non-tariff barriers (NTBs) such as para-tariffs and stringent standards-related compliances. This, they say, may also help Nepal bargain in tackling various NTBs faced by Nepali goods while entering Bangladesh. For example, 10 per cent duty is charged for 'plants or parts, of a kind used in perfumery, pharmacy etc' but additional charges higher than the duty—15 per cent 'supplementary duty' and 5 per cent 'other taxes'—are levied on it by Bangladesh.

They say that Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT)-related issues have acted as a big obstacle, and impeded Nepal's export to Bangladesh. The discrepancies in standards and regulations exist in radioactivity levels, melamine, antibiotics, hormonal treatment, and mandatory certification marks scheme.

Export process, requiring 78 different types of documents, has also been pointed out as a major trade-impeding factor. But when Bangladeshis send their goods to Nepal, the custom clearance is quick against minimum two days wait for Nepali goods to enter Bangladesh, according to private sector representatives of Nepal. Adding to the woes are poor physical facilities in the trade route up to the ports. Nepali or

Bangladeshi vehicles cannot enter each other's territories as they need to pass through India. This points to the need for a tripartite transit agreement between Nepal, Bangladesh and India. There are some progress in power sector cooperation between these three countries, with India agreeing to allow Bangladesh import electricity from Nepal. So, a tripartite agreement for goods trade with India's participation does not seem too difficult as it used to be some time ago. BBIN Motor Vehicle Agreement could be of help.

Despite their protestations regarding growing Bangladeshi imports, the traders voice support on concluding a Preferential Trade Agreement (PTA) for efficient and unrestricted market access in Bangladesh. Two countries have agreed to provide preferential market access to their goods, and the lists of products for such treatment are being worked out. Agriculture products such as meat, fats, dried leguminous vegetables, cinnamon, ginger, wheat flour, soybean, pasta, noodles, biscuits, tomato and tomato ketchup, juices, bran, oil cakes; and manufactured products such as incense sticks, soaps, rosin, insecticide, plastic products, tanned hide and skins, plywood paper products, jute products, yarn, woven fabrics, footwear, jewellery, iron products, copper products, transformer etc. should go in the list prepared by Nepal.

A PTA may be able to address the NTBs and documentation issues to a larger extent, and may also lay down in details the plans for improving physical facilities of transit points and corridors. It may also provision an institutional mechanism in the port and transshipment hubs in Bangladesh to facilitate the trade process. The two close neighbours should understand that nailing a trade deal is a time-taking process which needs to be expedited to trade more with each other.

REPORT

Exploring food security and malnutrition in Asia

A recent report on food and nutrition security in Asia and the Pacific region finds that instead of improving the progress in hunger reduction is slowing down and even reversing for some countries.

The report—Asia and the Pacific Regional Overview of Food Security and Nutrition: Accelerating Progress Towards the SDGs—published by Food and Agriculture Organization (FAO) of the United Nations shows that recent trends in food insecurity and malnutrition in Asia and the Pacific are at odds with the region's high economic growth. The 2016 edition of this report indicated that only handful of countries were likely to meet the 2030 SDG 2 target—zero hunger—with the recent rates of hunger reduction. The 2018 edition found that progress has stagnated in all sub-regions.

Based on the World Bank's Poverty and Shared Prosperity 2016 report, FAO points out that the global poor are predominantly rural, mostly employed in agriculture, young, poorly educated, and living in larger households with more children. It finds that the share of the total poor living in rural areas was 75 per cent in East Asia and the Pacific, and 83 per cent in South Asia. Poverty rates are more than three times higher among rural than urban residents and agricultural workers are over four times more likely to be poor relative to people employed in other sectors of the economy. This means that agriculture and the rural economy still deserve the attention they received in the past despite the shrinking share of agriculture in national economies.

As per the latest FAO estimates, there has been virtual stagnation in the number of undernourished people (in terms of dietary energy supply) in Asia and the Pacific between 2016 and 2017. In 2017, the number of hungry people in the region stood at 486.1 million against 486.5 million in 2016. Within the Asia-Pacific sub-regions, South Asia continued to witness some progress in reducing the number of undernourished people, although clearly not sufficient to achieve the zero-hunger target by 2030. The number of undernourished people declined by less than a million between 2016 and 2017 here. East and Southeast Asia witnessed no improvement and Oceania added another 200,000 people. In terms of severe food insecurity, the report finds, relative to 2017, almost 20 million more people experienced severe food insecurity compared to 2016.

Besides highlighting the food security and nutrition situation in Asia and the Pacific, the report also delved into the drivers and determinants of food security and malnutrition, namely, climate-related disasters and access to water and sanitation hygiene (WASH) services.

Incidences of climate-related disasters have been rising in the region. Natural disasters impact food security and nutrition through reduced food production, which can then cascade down to the entire food value chain, affecting livelihoods and causing economic and agricultural loss. Beyond the short term, disasters can impact the agriculture sector through loss of assets and rural infrastructure, and through increased disease outbreaks. The extent of these impacts is, at least in part, determined by the intensity and frequency of such disasters. According to FAO estimates, Asia suffered a staggering loss of US\$48 billion during 2005-2015. Climate-related disasters impact all four dimensions of food security (availability, access, utilization and stability), as well as other drivers of malnutrition. Some disasters also impact the spread of infectious diseases and thus impact child undernutrition.

WASH services are among the main underlying drivers of improved nutrition along with availability and consumption of nutritious food, child-care practices, maternal education and absence of infectious diseases. Poor water quality, use of unimproved water sources, limited access to basic sanitation and prevailing high rates of open defecation increase the burden of infectious disease (such as diarrhoea) which undermines the contribution of food intake. Faecal contamination of the environment and poor hygiene practices remain important causes of child mortality, morbidity, undernutrition and stunting. The degree to which these drivers impact child malnutrition are context specific, with a greater influence of some drivers in specific settings than others.

The Asia-Pacific region has made good progress since 2000 with 91.5 per cent of the region's population now using at least basic drinking water facilities compared to 80.5 per cent in 2000. While higher than rural areas, coverage of at least a basic drinking water source has lagged in urban areas with no change between 2000 and 2015. The use of unimproved water sources has increased from 2.9 per cent in 2000 to 3.3 per cent in 2015. 'Basic' sanitation is still unavailable for a significant proportion of households in Asia. Across the region, around 1.4 billion people are without access to basic sanitation and progress varies widely across the region. Across Asia (of a weighted average of 28 countries), 72 per cent of the population have access to 'basic' sanitation (80 per cent in East Asia, 75 percent in Southeast Asia, 48 per cent in South Asia and much lower in the Pacific). 'Basic' sanitation coverage is higher in urban areas than in rural areas, and the gap in coverage is high between the poorest and richest households in ten Asian countries (a difference of more than 40 percentage points).

The third section of the report explores the incidence of urban malnutrition. The data show that the prevalence of stunting and wasting, though high, is lower for urban than for rural children. But, urban prevalence of both stunting and wasting exceeds the thresholds set by the World Health Organization (WHO) for public health concern. It is interesting to note that in some countries, the level of stunting in both the bottom and top wealth quintiles are actually higher in urban areas than in rural areas (although only marginally). The report suggests that more nuanced understanding of the key drivers and their interactions is essential in transforming urban landscapes into resilient systems capable of fostering and supporting sustainable food systems.

This piece is excerpted from Food and Agriculture Organization's [latest report](#).

NEWS

Inland waterways become part of Nepal-India trade and transit treaties

India has agreed to incorporate Nepal's proposal to extend inland waterway facilities up to its nearest navigation points in the bilateral trade and transit treaties for third country trade via India.

An understanding to this effect was made during a joint meeting of senior officials from Nepal and India, which concluded on 19 February in New Delhi. Officials from both countries held the meeting to review

and revisit the bilateral transit and trade treaties. Mr. Rabi Shankar Saiju, joint-secretary at the Ministry of Industries, Commerce and Supplies, and Mr. Bhupinder Singh Bhalla, joint-secretary at the Department of Commerce, Ministry of Commerce and Industry of Government of India, signed an agreement.

India has agreed to incorporate inland water facilities in separate trade and transit treaties, paving the way for us to navigate inland water facilities from Haldia to Nepal border via our two rivers. This will diversify our transit facilities, as we are currently completely dependent on land transit, Nepal' Commerce Secretary Mr. Kedar Bahadur Adhikari said.

India is actively pursuing development of inland waterways from Kolkata to Indian states of Uttar Pradesh and Bihar. Nepal will use the Indian facilities to import and export cargos via its two rivers—Koshi and Gandak—to reach Haldia port in Kolkata.

During the meeting in New Delhi, the Nepali side had proposed using two Indian transit points for inland water navigation: Sahibgunj (Jharkhand) and Kalughat (Bihar) via Haldia port up to Nepali border from Koshi and Narayani (Gandak in India) rivers respectively.

A Nepali technical team had earlier held a meeting in Kathmandu to prepare a proposal on the inland waterways route in Nepal to connect with India. The technical team had identified that Sahibgunj and Kalughat routes via Haldia port as the most viable routes for inland waterways transit between the two countries and decided to propose the same with the Indian side. As per Nepali findings, any third country cargo will navigate via Haldia port to Sahibgunj and Kalughat and will park them there. Then the Nepal-bound cargos will ferry them via land route to Raxaul and Jogbani.

Similarly, both sides have also agreed to expand bulk cargo facilities from Visakhapatnam port to Jogbani (Biratnagar), Raxaul (Birgunj) and Sunawal (Bhairahawa).

During the meeting, both sides have agreed to install electronic cargo tracking facilities on Nepal-bound cargos from April.

Source: <http://kathmandupost.ekantipur.com/news/2019-03-20/inland-waterways-become-part-of-nepal-india-trade-and-transit-treaties.html>, 21.03.2019.

Bangladesh-India to resolve trade barriers; apparel on priority

Dhaka and New Delhi have agreed to resolve trade barriers curbing growth of bilateral trade, which is expected to give a boost to apparel export from Bangladesh.

“We will take steps to increase trade with India. We will identify trade barriers and take necessary action to resolve it,” Bangladeshi Commerce Minister Mr. Tipu Munshi said on March 18, 2019, after meeting the newly appointed Indian High Commissioner to Bangladesh Ms. Riva Ganguly Das.

“India is a big export market for Bangladesh. There is huge demand of Bangladeshi apparel in the Indian market. Bangladesh will benefit from apparel exports to India. We know about this potential and are working towards it,” he said in the press conference.

In return, Indian High Commissioner Ms. Ganguly said: “There is big scope to increase bilateral trade between India and Bangladesh. We must exploit these opportunities. We will discuss on the aspects of trade barriers and try to resolve them through dialogue.”

Bangladeshi policymakers think that the country has the capability to export US\$2 billion worth of apparel to India in the next two years on the back of its duty-free access to the market and rising demand for garment items at competitive prices.

Source: <https://www.bdapparelnews.com/https://www.bdapparelnews.com/Bangladesh-India-to-resolve-trade-barriers-apparel-on-priority/334/334>, 19.03.2019.

Herat- Delhi Air Corridor launched

The first cargo of Afghan goods was sent to New Delhi from Herat Airport on 11 March, making it the third air corridor between Afghanistan and India after Kabul and Kandahar.

The shipment contained 200 kilograms of saffron and 1,600 kilograms of pistachios.

Through air corridors, we can connect Afghanistan's private sector with world markets, but Afghanistan has alternative routes, said Mr. Ajmal Hamid Abdul Rahimzai, Deputy Minister of Industry and Commerce of Afghanistan.

India is a very big market and I am sure that once this saffron from Herat goes to India, Afghanistan will not have enough saffron to export to India because then there will be so much of demand, said Mr. Kumar Gaurav India's Consul General to Herat.

Local officials expected that in the next flights, besides dry fruits and saffron, other agricultural products and industrial goods will be sent to India.

Government statistics show that Afghanistan has so far sent 5,400 tons of goods, worth at least US\$100 million, to different countries through air corridors and in 425 flights.

Source: <https://www.tolonews.com/index.php/afghanistan/herat-delhi-air-corridor-launched>, 13.03.2019.

Maldives seeks duty-free fish exports to European Union

The Maldives government on 11 March asked the European Union to consider granting duty free access to fisheries products—the country's chief export.

The request was made at the fourth annual policy dialogue with EU ambassadors at the Kurumba resort near the capital Malé.

"The EU took note of the request but highlighted the requirement for the Maldives to fully comply with [Illegal, Unreported and Unregulated] fishing regulations," reads a joint statement.

The EU Member States also took note of the Government's request to explore the means of facilitating the Schengen Visa process in the Maldives.

After the meeting, Foreign Minister Mr. Abdulla Shahid said the EU delegation gave assurances of working to reduce the 24 per cent tariff presently levied for fish exports.

The Maldives was previously eligible for a Generalised Scheme of Preferences (GSP) that offered full removal of tariffs to developing countries that ratify and implement core international conventions.

The GSP tariff reductions were revoked in 2013 after the Maldives graduated from least developed country status, prior to which 40 percent of its fisheries products were exported to the EU, its single largest partner by value.

The Maldives fisheries industry performed strongly in 2017 with the volume of exports growing by 55 per cent in annual terms and amounting to 72,000 MT. But exports declined in the first half of 2018.

Source: <https://maldivesindependent.com/politics/maldives-seeks-duty-free-fish-exports-to-european-union-144185>, 12.03.2019.

Rail link to connect Iran, Afghanistan, Turkey, Russia

Railways Minister Mr. Sheikh Rashid Ahmad has said Pakistan Railways will connect Iran, Afghanistan Turkey and Russia through rail link.

Addressing labourers at Railways Workshop at Mughalpura, Pakistan on Saturday, he said Turkey and Iran had also assured Pakistan Railways of cooperation for its upgradation.

While announcing PKR 3,000 bonus for each railway labourer on behalf of Prime Minister Imran Khan, the minister said the premier would inaugurate Jinnah Express on 30 March.

He said Pakistan Railways was the only institution which offered 10,000 new jobs, while no other department had done so. He termed Pakistan Railways backbone of the country's economy.

Source: <https://www.thenews.com.pk/print/442182-rail-link-to-connect-iran-afghanistan-turkey-russia-says-sh-rashid>, 10.03.2019.

Nepal, Bangladesh sign Double Tax Avoidance Agreement

Nepal and Bangladesh signed a pact on Double Tax Avoidance Agreement (DTAA) at Ministry of Finance in Kathmandu on 4 March.

Revenue Secretary Mr. Lal Shankar Ghimire from Nepal and his Bangladeshi counterpart Mr. Mosharraf Hossain signed a memorandum of understanding on Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to taxes on income. The MoU was signed following the Cabinet nod from both the countries.

“The agreement concluded today aims at providing settlement between the tax claims of the Government of Nepal and the Government of the People's Republic of Bangladesh. It would also eliminate double taxation, promotion of bilateral trade, persons, services and capital investment,” the Finance Ministry said in a statement.

The DTAA is a tax treaty between two countries that avoids double taxation on the income earned by a person in another country. The DTAA ensures that investors, employees and students can deduct tax amount they paid in one country in another.

Once the tax treaty comes into effect, the investors and traders in Nepal and Bangladesh will be exempted from paying taxes twice after showing the verified documents of tax clearance in either of the countries.

Amid growth in trade and investment between Nepal and Bangladesh in recent years, the government expects the tax treaty will serve as a milestone in furthering the economic relations between the two countries, which is also expected to attract investments from Bangladeshi investors.

Source: <http://kathmandupost.ekantipur.com/news/2019-03-06/test-20190306072136.html>, 06.03.2019.

US to scrap trade privilege for India

United States President Donald Trump looked set to open a new front in his trade wars with a plan to end preferential trade treatment for India that allows duty-free entry for up to US\$5.6 billion worth of its exports to the US.

The move comes as trade tensions between the US and India mount. The US is trying to rework pacts with a number of other countries as well, including China. Trump has said weak deals have cost millions of American jobs and has vowed to cut US trade deficits.

India played down the impact, saying it was keeping retaliatory tariffs out of its talks with the US, but the opposition could seize on the issue to embarrass Prime Minister Narendra Modi ahead of general elections this year.

Trump has repeatedly called out India for its high tariffs, and US trade officials said scrapping the concessions would take at least 60 days after notifications to Congress and the Indian government.

India is the world's largest beneficiary of the Generalized System of Preferences (GSP), which dates from the 1970s, and ending its participation would be the strongest punitive action the US has taken against the country since Trump took office.

"Discussions are on with the US, and given cordial and strong ties, (we are) keeping retaliatory tariffs out of it," Commerce Secretary Mr. Anup Wadhawan said in New Delhi.

The preferential treatment brought India an annual "actual benefit" of just US\$190 million, he told reporters.

Of the 3,700 products covered, India used the concession for just 1,784, Mr. Wadhawan added.

"The benefit to industry is low, US tariffs are already low," said another government official, who spoke on condition of anonymity. "GSP is more symbolic of the strategic relationship, not in value terms."

Still, some expect the move to ratchet up pressure on India to address US concerns.

Source: <https://www.reuters.com/article/us-usa-trade-india/trump-plans-to-end-indias-preferential-trade-treatment-idUSKCN1QM007>, 05.03.2019.

ANNOUNCEMENTS

Call for applications: 12th CGE Training Programme

Application is now open for this year's CGE Training which is going to be held in Cox's Bazar, Bangladesh. [Click here](#) to check out the eligibility.

Call for papers: 12th South Asia Economic Summit (SAES)

Twelfth South Asia Economic Summit (SAES) invites papers on the topic of Shaping South Asia's Future in the Fourth Industrial Revolution (4IR). SAES XII will take place on 26-27 September 2019 in Colombo, Sri Lanka. [Click here](#) for more information.

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