

Nepal-India Treaty of Trade

South Asia Watch on Trade, Economics and Environment
Thursday, 6 April 2023

Background Note

The Nepal-India Treaty of Trade governs formal trade between Nepal and its largest trade partner. From the most liberal treaty of 1996 in terms of market access conditions for Nepal to the 2002 revision notable for its introduction of trade restrictions to the 2009 revision that included a provision for the mutual recognition of standards-related certificates, Nepal-India trade agreements have witnessed considerable changes since the first such agreement with independent India was signed in 1950. A constant feature of the bilateral trade relationship in the last two decades has been a galloping trade deficit facing Nepal. Nepal's merchandise exports to India are under 30 percent of their potential.

The 2009 treaty was automatically renewed without any changes in 2016. According to Article XII (b) of the treaty, it shall remain in force for a period of seven years and shall be automatically extended for further periods of seven years at a time, unless either of the parties gives to the other a written notice, three months in advance, of its intention to terminate the treaty. This treaty may be amended or modified by mutual consent of the contracting parties. In 2023, there is an opportunity for Nepal to negotiate revisions to the treaty to safeguard its trade and development interests.

Against this backdrop, South Asia Watch on Trade, Economics and Environment (SAWTEE) is organizing a roundtable discussion to seek inputs from relevant stakeholders regarding the required amendments to the treaty in order to further develop trade between Nepal and India for mutual benefit. A report containing recommendations based on the discussions will be submitted to the Ministry of Industry, Commerce and Supplies, Government of Nepal. The discussion is expected to revolve around topics such as, but not limited to, Nepal's trade deficit with India, the impact of reciprocal tariff-free access to primary agricultural products on Nepal's agricultural sector, non-tariff barriers, connectivity constraints, trade facilitation issues and the way forward to make the trade relationship more development oriented.

Program Details:

Date: Thursday, 6 April 2023

Time: 2:00 pm- 5:00 pm, followed by Hi-Tea

Venue: The Malla Hotel, Kathmandu

Moderator: Dr. Posh Raj Pandey, Chairman, SAWTEE

Chief Guest: Mr. Madhu Kumar Marasini, Secretary, Ministry of Industry, Commerce and Supplies (MOICS)

Special Remarks: Mrs. Shreejana Rana, President, Nepal-India Chamber of Commerce and Industry (NICCI)