

Bangladesh could become new trade destination for Nepal, experts say

Despite tremendous potential, Nepal has failed to fully capitalise on its export opportunities within its immediate neighbourhood due to its limitations in production capacity and supply-side issues as well as various tariff, non-tariff and para-tariff barriers imposed by the destination countries.

Experts emphasised the need to address these challenges in order to boost regional trade—be it merchandise, service or electricity—during a discussion held on Friday by the South Asia Watch on Trade, Economics and Environment (SAWTEE).

The discussion programme titled Nepal's Regional Trade: Prospects and Challenges was part of the seminar on Small State Capabilities: Navigating Competition and Foreign Policy Priorities in Nepal, led by the Asia Foundation.

The deliberation mostly concentrated on Nepal's trade with Bangladesh and India and the prospects of diversifying existing merchandise trade into electricity trade as well.

Nepal's heavy reliance on India for its exports and trade is evident, while its trade activities with countries beyond India remain lacklustre.

A study conducted by SAWTEE on Nepal-Bangladesh trade has found that Nepal's exports to Bangladesh have mainly centred on agricultural products, with lentils making up approximately 90 percent of exports over the past five years.

As Nepal moves closer to graduating from the Least Developed Country (LDC) status, it becomes crucial to explore alternative markets to mitigate the impact of tariff increment in some of its major trade destinations.

In this context, there exists the substantial potential to strengthen bilateral trade ties with Bangladesh, said Kshitiz Dahal, senior research officer at SAWTEE during his presentation.

He argued that while non-tariff barriers do exist, it is the tariff and para-tariff barriers that constrain Nepal's exports to Bangladesh.

Dahal, the author of the report, said that a preferential trade agreement could remove this constraint but there are various challenges.

Rabi Shanker Sainju, former joint secretary at the Ministry of Industry, Commerce and Industry, said Nepal's trade with China via the land route shortens the time and costs. He recommended that the constraints to utilising the land route be addressed.

He said that despite the geographical proximity, trade costs between Nepal and its neighbouring countries are high. The high trade cost remains a barrier for Nepal even though there is substantial

market potential in these countries, he added.

With regard to the prospect of electricity export from Nepal to India and Bangladesh, Dipak Gyawali, former Minister for Water Resources, said that rather than direct export of electricity, Nepal is better off exporting goods by using electricity to power its own factories.

He pointed out that the growing regulatory barriers imposed by India on electricity purchase from Nepal, as well as, Nepal's higher cost of generation do not make electricity export conducive.

Durgesh Man Singh, former Member of the National Planning Commission and former Ambassador to India, highlighted that initiatives at the highest political level between Nepal and India during the 1990s saw bilateral trade and investment flourish.

He suggested that stakeholder consultations between the central government of Nepal and Bangladesh should be mobilised to enhance trade and investment.

Bhawani Rana, former President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), highlighted the shrinking Indian investment in Nepal.

She urged that it's high time that Nepal tapped into the huge market of states bordering India. According to Rana, despite the huge potential for trade, Nepal's exports to China are impeded due to constraints in infrastructure and logistics.

She recommended a coordinated effort from the private sector, government agencies, policymakers, and political parties to enhance trade and exports.

Neeru Rayamajhi Khatri, President of the Federation of Women Entrepreneurs' Association of Nepal, said that there are high-value products with huge export potential produced by women entrepreneurs, mostly engaged in MSMEs, comprising agro-forestry-based products including pickles, snacks, handicrafts, felt, paper, textiles, pashmina, rudraksha, among others.

She suggested that proactive actions from Nepali diplomatic missions are needed to promote Nepali products in the region.