Import and Export Opportunities and Challenges, and Transit System

Jib Raj Koirala
COVERAGE

• Define Export  Import and Transit
• Composition of Nepalese trade
• Export  Import  Opportunities and Challenges
• Policies and findings external /Internal
• Transit Rights Freedom or Facilities???
  ❑ Mode of transit
  ❑ Approaches
  ❑ Challenges
• What Next
Export

- *Export* to send good to another country for Sale ----*Advance Learner Dictionary*

- To send *goods* or *services* across national frontiers for the purpose of *selling* and realizing *foreign exchange*.

http://www.businessdictionary.com/definition/in-ransit.html#ixzz1lVUL2UKn
**Import**

**Import**; to buy or bring in products from another country.---Advance Learner Dictionary

"Imports" consist of transactions in goods and services (sales, barter, gifts or grants) from non-resident residents to residents.

- An import of a good occurs when there is a change of ownership from a non-resident to a resident; this does not necessarily imply that the good in question physically crosses the frontier. Also smuggled goods be included in the import measurement.

[http://www.businessdictionary.com/definition/export.html#ixzz1lVXmxiRL](http://www.businessdictionary.com/definition/export.html#ixzz1lVXmxiRL)
Transit

• *Transit* on the way. *the movement of goods and people from one place to another*--------Advance Learner Dictionary

Transit" **means** that once **goods** leave the **port** (or place) of **loading**, they will be carried to the port (or place) of destination over the usual or most **common route** without undue **delay** or interruption.

: [http://www.businessdictionary.com/definition/in-transit.html#ixzz1lVUL2UKn](http://www.businessdictionary.com/definition/in-transit.html#ixzz1lVUL2UKn)
Types of import

Companies import goods and services to supply to the domestic market at a cheaper price and better quality than competing goods manufactured in the domestic market or Companies import products that are not available in the local market.

There are two basic types of import:
• Industrial and consumer goods
• Intermediate goods and services

There are two broad types of importers:
• Looking for any product around the world to import and sell.
• Looking for foreign sourcing to get their products at the cheapest price.
Compositon of Nepal’s Trade

• Import
• Export
• Major exportable
• Major imported items
कुल आयातको स्थिति

<table>
<thead>
<tr>
<th></th>
<th>आ.व. ०६६१६७</th>
<th></th>
<th>आ.व. ०६७१६८</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(रु. अर्थमा)</td>
<td>%</td>
<td>(रु. अर्थमा)</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>भारत</td>
<td>२९४</td>
<td>५७.००%</td>
<td>२५९६.६६</td>
<td>६५.२%</td>
</tr>
<tr>
<td>समुद्रपार</td>
<td>९६९.५</td>
<td>४३.००%</td>
<td>१३८३६.३७</td>
<td>३४.८%</td>
</tr>
<tr>
<td>कुल आयात</td>
<td>३७५६.६</td>
<td>१००%</td>
<td>३९७५३</td>
<td>१००%</td>
</tr>
</tbody>
</table>
कुल निर्यातको स्थिति

<table>
<thead>
<tr>
<th></th>
<th>आ.व. ०६६१६७</th>
<th>%</th>
<th>आ.व. ०६७१६८</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(र. अर्थमा)</td>
<td>(र. अर्थमा)</td>
<td></td>
<td>(र. अर्थमा)</td>
<td></td>
</tr>
<tr>
<td>भारत</td>
<td>39=9</td>
<td>65=4</td>
<td>42=87</td>
<td>66=4</td>
</tr>
<tr>
<td>समुद्रपार</td>
<td>21=1</td>
<td>34=6</td>
<td>21=69</td>
<td>33=6</td>
</tr>
<tr>
<td>कुल निर्यात</td>
<td>61=0</td>
<td>100</td>
<td>64=56</td>
<td>100</td>
</tr>
</tbody>
</table>
## व्यापार घाटाको स्थिति

<table>
<thead>
<tr>
<th>देश (भाषा)</th>
<th>आ.व. ०६६१६६ (रु. अर्थमा)</th>
<th>आ.व. ०६७६६८ (रु. अर्थमा)</th>
<th>कैफियत</th>
</tr>
</thead>
<tbody>
<tr>
<td>भारत</td>
<td>९७४.४</td>
<td>२९५.३ (६४.९६%)</td>
<td></td>
</tr>
<tr>
<td>चीन</td>
<td>४२२.३</td>
<td>४५५.७ (९३.७३%)</td>
<td></td>
</tr>
<tr>
<td>अन्य (समुद्रपार)</td>
<td>६८.२</td>
<td>७०.९ (२९.३९)</td>
<td>चीनवाहक</td>
</tr>
<tr>
<td>कुल व्यापार घाटा</td>
<td>३१४.७</td>
<td>३३२.९</td>
<td>५.५% ले वृद्धि</td>
</tr>
</tbody>
</table>

स्रोत : व्यापार तथा निकासी प्रवर्धन केन्द्र।
<table>
<thead>
<tr>
<th>नं.</th>
<th>उत्पादन वर्ग</th>
<th>आ.व. २०६६/६७ रु अर्थमा</th>
<th>आ.व. ०६७/६८ रु अर्थमा</th>
<th>Change in %</th>
<th>प्रमुख देश</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>फलाम, स्टिल र तिनका उत्पादन</td>
<td>रु. १०.०१ अर्ब</td>
<td>१०.१२</td>
<td>+ १.० %</td>
<td>India</td>
</tr>
<tr>
<td>2.</td>
<td>पोलिष्टर तथा अन्य धागो</td>
<td>रु. ४.६८</td>
<td>५.५५</td>
<td>+१६.५</td>
<td>India</td>
</tr>
<tr>
<td>3.</td>
<td>ऊनी गलेंचा</td>
<td>रु. ४.२६ अर्ब</td>
<td>४.९२</td>
<td>+१५.६ %</td>
<td>USA, Germany, Netherlands, UK, France, Australia, Canada, Belgium</td>
</tr>
<tr>
<td>4.</td>
<td>तयारी पोशाक</td>
<td>रु. ३.७५ अर्ब</td>
<td>४.०५</td>
<td>+ ५.७ %</td>
<td>USA, Germany, UK, France, Canada, India</td>
</tr>
</tbody>
</table>

स्रोत: न्यायार तथा निकासी प्रबंधन केंद्र
<table>
<thead>
<tr>
<th>सहरा</th>
<th>आ.व. २०६६/६७ रु अर्थमा</th>
<th>आ.व. २०६७/६८ रु अर्थमा</th>
<th>Change in %</th>
<th>प्रमुख देश</th>
</tr>
</thead>
<tbody>
<tr>
<td>५.</td>
<td>टेक्सटाइल</td>
<td>र. ४.१६ अर्ब</td>
<td>३.७०</td>
<td>- ११.९%</td>
</tr>
<tr>
<td>६.</td>
<td>मुसूरोको दाल</td>
<td>र. ३.७४ अर्ब</td>
<td>३.३५</td>
<td>- १०.६%</td>
</tr>
<tr>
<td>७.</td>
<td>अलैँची</td>
<td>र. १.१७ अर्ब</td>
<td>२.०४</td>
<td>+ ७४.४%</td>
</tr>
<tr>
<td>८.</td>
<td>पशिमना सल</td>
<td>र. १.३१ अर्ब</td>
<td>१.६४</td>
<td>+ २४.२%</td>
</tr>
<tr>
<td>९.</td>
<td>चिया</td>
<td>र. १.९९ अर्ब</td>
<td>१.५५</td>
<td>+ ३०.२%</td>
</tr>
<tr>
<td>१०.</td>
<td>छाला</td>
<td>र. ०.६२ अर्ब</td>
<td>०.८०</td>
<td>+ २९%</td>
</tr>
<tr>
<td>वर्गमा स्थानीयता</td>
<td>निर्माणक्षेत्र</td>
<td>प्रमुख वस्तुहरू</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
<td>-------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. ७५.७६ अर्थ</td>
<td>पेट्रोलियम पदार्थ</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. ४२.१७ अर्थ</td>
<td>फलाम, स्टील र तिनका उत्पादनहरू</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. २६.६५ अर्थ</td>
<td>मेशिनरी तथा पार्ट्पुर्ज</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. २४.२३ अर्थ</td>
<td>यातायातका साधन र पार्ट्पुर्ज</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. १९.२९ अर्थ</td>
<td>इलेक्ट्रिक तथा इलेक्ट्रॉनिक पार्ट्स</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. ११.७३ अर्थ</td>
<td>औषधी</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. १०.७२ अर्थ</td>
<td>सून</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. १०.६७ अर्थ</td>
<td>दूरसञ्चार सामग्री</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. ८.०७ अर्थ</td>
<td>सिमेंट लिकड.कर</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- र. ६.३७ अर्थ</td>
<td>पोलिथिन ग्रेन्युल</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Export Opportunities (1)

• Nepal’s own potential
  ➢ Cheap labour.
  ➢ Abundant natural resources
  ➢ Unique Geographical condition.
  ➢ Economy between the two giant economies
  ➢ High possibility in service export.
  ➢ ++++ ++++++++++++

Export Opportunities (2)

- National and International findings
  - Nepal trade and Integration strategy 2010 with 24 Products for export
- A recent study by Felipe, Kumar and Abdon (2010) Among the 96 non-high income countries, Nepal ranks 33 while China and India rank second and third, respectively.
Instruments for Export Promotion

• Three Year Plan
• Trade Policy 2009
• NTIS 2010
• Aid for Trade Mobilization
• Government resource mobilization
Current Three Year Plan

**Long-term Vision**
To help poverty reduction and economic development by developing liberal, competitive and inclusive trade sector through mainstreaming it into national development policy properly addressing the liberalization opportunities and challenges generated from globalization and economic.

**With objectives of:**
- Expand the opportunities of income and employment by promoting internal and external trade.
- To Contribute on poverty reduction by expanding the benefits of trade sector with promoting exportable goods which uses maximum local materials, resources and skills.
Trade Policy 2065 as an instrument for export promotion

Purpose:
• Contribution of commerce sector in economic development and poverty reduction

Objective:
• Creating competitive environment
• Export promotion of value added goods
• Promoting competitive trade to contribute in employment and poverty reduction
• Balance between internal and external trade
Main Characteristics

- Promotion of Role and Entrepreneurial Capacity of Government and Private Sector
- Minimization of Transaction costs of trade
- Development of trade related policies, Institutions and infrastructure
- Promotion and IPR and service trade
- Incentives to export oriented industries
- Increased market access through utilization of multilateral, regional and bilateral opportunities
• Establishment of SEZ for export promotion
• Enhancement of employment and entrepreneurship
• Development of Special Thrust Areas
  ➢ Readyment Garments
  ➢ Carpets and Wool products
  ➢ Pashmina and Silk products
  ➢ Handicrafts
Provision of Special Focused Areas

- Tea
- Vegetable Seeds
- Large Cardamom
- Lentil
- Floriculture
- Ginger
- Medicinal herbs and essential oil
- Hand made Paper
- Wooden Crafts
- Coffee
- Honey
- Orange
- Green Vegetable
Institutional Mechanism

• Board of Trade (chair- Commerce Minister)
• Trade Promotion Institute
• SEZ and SPZ
• Trade Analytical Wings
• Service Trade Promotion Council
• Product Development Fund
What is NTIS?

- **National trade strategy** to enhance 'supply side capacity' for Nepal's space in global market;
- Prioritized strategy launched by PM himself.
- An outcome of analysis & consultation with broad range of stakeholders, but led by the Govern of Nepal.
Salient Features of NTIS 2010

- Adopted in June 2010
- Strategic Document in Trade Sector
- 4 Strategic objectives
- 19 goods & services identified as priority items;
- Plus 5 other goods suggested;
- 10 potential destination markets identified;
- 3-5 years period for implementation;
- SWOT analysis of each of the goods & services;
- Engaging of multiple agencies, i.e., GoN's 17 ministries/agencies as well as business organizations.
Salient Features cont........

• 4 strategies;
  ➢ Strengthening trade negotiation capacity
  ➢ Strengthening NTB related domestic capacity
  ➢ Strengthening supply capacity of "inclusive exports" (Supply Capacity of priority export sectors)
  ➢ Strengthening capacity to manage AfT/TRTAs (Resource mobilization)

• Having 87 cross cutting actions and 171 product/service specific & more than 250 actions to be implemented
## NTIS Priority Export Sectors

<table>
<thead>
<tr>
<th>No.</th>
<th>Agro-food</th>
<th>Services</th>
<th>Other Potential Export Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cardamom</td>
<td>13 Tourism</td>
<td>20 Transit trade services</td>
</tr>
<tr>
<td>2</td>
<td>Ginger</td>
<td>14 Labour services</td>
<td>21 Sugar</td>
</tr>
<tr>
<td>3</td>
<td>Honey</td>
<td>15 IT and BPO services</td>
<td>22 Cement</td>
</tr>
<tr>
<td>4</td>
<td>Lentils</td>
<td>16 Health services</td>
<td>23 Dairy products</td>
</tr>
<tr>
<td>5</td>
<td>Tea</td>
<td>17 Education</td>
<td>24 Transformers</td>
</tr>
<tr>
<td>6</td>
<td>Noodles</td>
<td>18 Engineering</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Medicinal herbs/essential oils</td>
<td>19 Hydro-electricity</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Craft and Industrial Goods</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Handmade paper</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Silver jewelry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Iron and steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Pashmina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Wool products</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Mobilization of Aid For Trade

- EIF Tier 1 (NECTRADE)
- GIZ WTO/EIF Support Program
- USAID (NEAT)
- EC-Nepal WTO Assistance Program

Near Future
- Pashmina Project -(EIF)
- Ginger Project (EIF/STDF)
- SPS & TBT (EC)

Consultation with other DPs (WB, ADB, DFID, Finland, Denmark, Swiss)
Government Initiation

In 2010/11 Nrs. 30 million was allocated.

Major activities carried out:

- Tea and Coffee - Collective Trade Marks
- Large Cardamom - High yielding seeds, Nursery Development & Dryer
- Cold Ware House in TIA
- Lab establishment - Pashmina and Jewelry (Silver & Gold)
In 2011/12 GoN has allocated Nrs. 50m

Major Activities Proposed:

- **Large Cardamom** - High yielding seeds, Nursery Development & Dryer
- **Ginger** - Distribution of high yielding rhizomes to the farmers
- **Medicinal Herbs** – Collection and processing centre establishment
- **Export Promotion** - Trade Fair in Kathmandu, Capacity enhancement for Medicinal Herbs Processing
- **Tea and Coffee** – Collective Trade Marks
- **Small and Cottage Industry** - Product Development (Herbs, Tea, Bee Keeping, Precious stones, Natural fibers, and Bamboo)
- **Lab and Quality Control**
• Development of project proposals (Tier 2) underway.  
  (Ginger ($1.2 m) and Pashmina($2m) are almost in final stage)

• Consultation workshops/meetings held with concerned stakeholders.

• Advocacy for trade development and mainstreaming

• Training for journalist and grassroots entrepreneurs.

• Donor Group was established with the support of DF and 4 DG meetings were held so far.

• Efforts for mainstreaming of trade in DPs' country strategies.

• Expression of Interest (EOI) has been published for Tier 2 projects
Who are the AfT donors of Nepal?

<table>
<thead>
<tr>
<th>Top Donors</th>
<th>Commitments</th>
<th>2008-09 avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>84,358</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>42,128</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>39,469</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td>21,523</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>13,206</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>8,115</td>
<td></td>
</tr>
</tbody>
</table>

Top donors’ share in total AfT: 86.7%

<table>
<thead>
<tr>
<th>Disbursements</th>
<th>2008-09 avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>46,094</td>
</tr>
<tr>
<td>Germany</td>
<td>29,127</td>
</tr>
<tr>
<td>Japan</td>
<td>22,541</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>20,490</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10,875</td>
</tr>
<tr>
<td>Norway</td>
<td>9,055</td>
</tr>
</tbody>
</table>

Top donors’ share in total AfT: 84.2%
EIF/NTIS Implementation Arrangement in Nepal

Technical Committee 1 (TC-1) - Aid for Trade, and Service Trade. Lead by PITCD, Ministry Commerce and Supplies

Technical Committee 2 (TC-2) - Trade Negotiation Capacity Development and Trade Support Institutions. Lead by EPTT Division, MOCS

Technical Committee 3 (TC-3) - Agriculture and SPS. Lead by Ministry of Agriculture and Cooperatives

Technical Committee 4 (TC-4) - Manufacturing, TBT, Investment and IPR. Lead by Ministry of Industry

Technical Committee 5 (TC-5) - Customs, and Trade Facilitation. Lead by Ministry of Finance

Technical Committee 6 (TC-6) - Legal Reform. Lead by Office of the Prime Minister and Council of Ministers
Implementation Status

- Endorsement of NTIS 2010 by Council of Ministers.
- Trade is one of the six strategies of current three year plan.
- Mainstreaming of trade in sectoral plans (e.g. Industry and Agriculture)
- To intensify the mainstreaming process, senior officials of concerned ministries are being re-orientated
- Budget allocated for NTIS implementation (Altogether 8 Crore Rs.)
- Tier 1 project implemented to support NIA in trade mainstreaming actions and AfT mobilization.
- TORs for NIU/Extended NIUs prepared and govt officials and experts appointed for NIU/Extended NIUs.
Challenges for Export (1)

- Our own internal
  - Poor infrastructure network
  - Lack of reliable and adequate power supply
  - Excessive labor unionism, industrial disputes and increasingly high labour cost
  - Lack of raw materials
  - Limited opportunities and avenues to expand business to exploit economies of scale
  - Poor linkages between products in the manufacturing sector (backward/forward)
  - Bureaucratic red tapes

Doing Business 2012, Nepal is ranked 162 out of 183 countries. Moreover, Nepalese exporters have to produce at least 9 documents and it takes 41 days to process them before they are cleared for export. These numbers are one of the highest in the region. Furthermore, Nepal has one of the worst logistics performances and ranks 147 out of 155 countries in the latest Logistics Performance Index ranking, which is also published by the World Bank. Nepal’s logistics ranking is worse than that of Afghanistan.
Challenges for Export (2)

- Poor linkages between products in the manufacturing sector (backward/forward)
- Bureaucratic red tapes

Doing Business 2012, Nepal is ranked 162 out of 183 countries. Moreover, Nepalese exporters have to produce at least 9 documents and it takes 41 days to process them before they are cleared for export. These numbers are one of the highest in the region. Furthermore, Nepal has one of the worst logistics performances and ranks 147 out of 155 countries in the latest Logistics Performance Index ranking, which is also published by the World Bank. Nepal’s logistics ranking is worse than that of Afghanistan.
Challenges for Export (3)

- External Font
  - Less competitive in world market
  - Standard issues
  - Weak commercial diplomacy
  - Trade not becoming priority of foreign mission abroad.
  - Weak negotiation capacity ++++++++
Import Opportunities

• From importers’ eye,
  - Nepal is a importing countries and the X :I ratio is 1:6.1
  - Nepalese economy is still dependent highly on tariff revenue.
  - Nepal imports pretty much all types of goods and services that are consumed in the domestic market.
  - In order to link imports with exports, the government has been offering various facilities such as refund of duties if imported items are used in the production of exported items.

ADB study, has given importers a growing market to cater to in the face of domestic production that is insufficient to satisfy demand.
Causes of increasing import

• Almost imported goods are consumable
• Petroleum products is about 25pc of the total trade.
• Lack of proper industrialization process established in the country.
• The process of development caused increased import.
• Increase in purchasing power of the people
Challenges of Import(1)

**Burden of documentation**

- In terms of challenges to imports, bureaucratic burden and red tapes are the most common problems. This burden applies to import of raw materials for domestic industries as well as import of final goods and services. According to Doing Business Report 2012, it still takes 9 documents, 35 days, and US$2095 per container to import goods to Nepal. These numbers are higher than the average for South Asia and substantially higher than in the OECD average (Table 5.3).
Challenges of Import(2)

Lack of good governance

• In a survey of the business sector, government instability is identified as the most problematic factor of doing business in Nepal. It is followed by inefficient government bureaucracy, policy instability, corruption, inadequate supply of infrastructure, and restrictive labour regulation, among others (Figure 5.1). All these problems affect both exports and imports.
Challenges of Import(3)

**Lack of enabling business environment**

- In the Global Enabling Trade Report 2010, Nepal ranks 118 out of 125 countries in terms of having the enabling factors for fostering trade. The business environment, particularly regulatory environment and physical security, is considered as one of the worst in the world (Figure 5.2). This is a major challenge for the promotion of trade.
Policies for Import

- **Three Year Plan**: Not talks clearly about the import management but stress on the need of trade facilitation and logistics for import including process simplification.

- **Trade policy 2009**: Broader objective is make Nepalese trade sector more competitive in world market. Also trade facilitation and simplification.

- **NTIS 010**: Not specifically, but suggest to analyse value chain of the products.
Transit Mode

Mainly,
- Land (Road and Train)
- Marine (Sea)
- Air.
Approaches to Transit

• **Right based approach** - Hugo Gracious right in open sea, customary law etc.

• **Facilities based approach** - equity and justice, treaties conventions

• **Freedom based approach** - Doctrine of freedom, principle of common heritage.
International Legal instruments

• Mainly,

• Art V of General Agreement of Tariff and Trade (GATT)
  1. Not to hinder traffic in transit by imposing unnecessary delays or restrictions or by imposing unreasonable charges; and
  2. To accord Most-Favored-Nation (MFN) treatment to transiting goods of all Members

• UN Convention on Law of the Sea 1982

• UNCITRAL Rules
Nepalese Perspective

As a LLDC needs access to the sea and also land transit facilities

• Two transit agreement prevails
• Transit Agreement with India last renewed for seven years in 2006
• Transit Agreement with Bangladesh Signed in 1976 but not fully operationalized -Kakarbhitta (Nepal)-Phulbari (India)-Banglabandh (Bangladesh) route. The rail-linked transit route of Singhabad-Rohanpur is yet to be operationalized.
Features of Transit agreement

• The preamble recognizes that Nepal as a land-locked country
• Completely depend on India with 15 boarder points. It also provides for two overland transit routesthe 54-km Kakarbhitta (Nepal)-Phulbari (India)-Banglabandh (Bangladesh) route.
• From Nepal to Bangladesh—the route through Radhikapur (India)-Biral (Bangladesh)
• At present, Kolkata is the main sea-port through which Nepal’s overseas trade is conducted, while Haldiya is also used for imports.
Features of Transit agreement

• Provisions of automatic extension
• Freedom of traffic to transit—mutually agreed
• Security reasons as safeguard
• Traffic-in-transit exempt from customs duties and from all transit duties
• Two sea-ports — Kolkata and Haldiya — designated for Nepal’s third-country trade.
• Arms, ammunition and hazardous cargo not allowed to be transported by road, but there are exemptions: petroleum products
Kakarbhitta (Nepal)-Phulbari (India)-Banglabandh (Bangladesh) route for transit

- Transit to take place over week days at specified times during daylight hours with security escorts.
- Convoys of not more than 25 trucks at a time allowed.
- Transportation only in pilfer proof containers/trucks which can be securely locked.
- Permission only to vehicles registered in Nepal.
- The goods will not be subject to usual customs examination and other checks as long as the seals have not been tampered with or unless there are valid reasons to do so.
Kakarbhitta (Nepal)-Phulbari (India)-Banglabandh (Bangladesh) route for transit

• The insurance requirements for Nepalese cargo-in-transit on this route would be waived provided the Nepal Transit and Warehousing Company Ltd. gives an undertaking to compensate for the possible revenue losses.

• The gross vehicle weight of trucks should not exceed 16.2 tones for conventional vehicles and 19 tones for three or multi-axle vehicles, Drivers/assistants/cleaners traveling with the truck required to hold identity cards issued by GoN,

• Transit not allowed for items on the negative list, including fire arms and ammunition, hazardous cargo, gold and silver bullion, goods prohibited for protecting human, animal and plant life, antiques and similar other objects, and narcotics and psychototropic substances,

• GoN required to appoint authorized agents (declarants) at Panitanki/Phulbari who would represent the importers/exporters for the purpose of liaison with concerned
Treaty with Bangladesh

• An alternative transit routes and sea-ports for its third-country trade,
• Signed Transit Agreement with Bangladesh in 1976.
• It provides movement of the traffic-in-transit. It provides for the use of two sea-ports (Khulna-Chalna port and Chitagong port) and stipulates three entry/exit points on its border with India (Chilhati-Haldibari and Radhikapur-Biral are the two inoperative railway links as there is a railway connectivity gap of five kilometres in the former and gauge incompatibility in the latter.
Challenges in Transit

- Satisfy two sovereign countries
- Complex transit process controlled oriented
- Using the word trade deflection for controlling routes
- Documents higher than specified in treaty
- Authority using their discretionary power
- Three states involves, UP, Bihar and Bengal, makes process more complicated
Challenges in Transit

- Issue of insurance in custom duty
- Congestion
What Next

• Establish transit as Right
• Use multilateral and regional forum
• Mobilize diplomatic missions
• Enhance negotiating capacity
• Develop Nepal as a transit point between India and China
• Active participation in New York LLDC forum and Geneva DDA.
THANKS