

Indo-Nepal trade to face further challenges

Himalayan News Service

Kathmandu, March 23

Trade between Nepal and India will be more challenging in the days ahead due to preferential erosion, despite a huge demand in the Indian market, according to experts.

"As India has provided similar preferential status to other countries in the South Asian region under the Least Developed Countries category, Nepal has no monopoly in the Indian market," said joint secretary at the Ministry of Commerce and Supplies Naindra Prasad Upadhaya addressing a 'Public-Private Dialogue on Nepal-India Trade and SAFTA-SATIS,' organised by South Asia Watch on Trade, Economics and Environment (SAWTEE) in association with USAID/NEAT here in the valley today.

However, chief executive director of SAWTEE Dr Ratnakar Adhikari recommended to speed up the enactment of the SEZ Bill, expansion of coverage of export incentives scheme, establishment of quality testing labs, enhancing access to credit and refinancing facility to boost exports to India.

"Similarly, the government has to reduce the cost of trading across the border through the timely implementation of the Customs Reform and Modernisation Action Plan, to improve the investment climate to attract investment in sectors with high export potential to India including sectors with intra-industry trade potential,

and start planning for the Comprehensive Economic Partnership Agreement with India apart from addressing the challenges after the 2013 phase out of Agriculture Development Fee," he said, presenting a paper on 'Study on Nepal-India Trade', which he conducted in association with another researcher Chandan Sapkota and the SAWTEE team.

SAWTEE has conducted a study on Nepal-India trade and a diagnostic study on South Asian Free Trade Area (SAFTA) and SAARC Agreement on Trade in Services (SATIS).

The major objectives of the two studies was to assess problems and prospects of trade with India and other South Asian countries, evaluate legal instruments of Indo-Nepal treaties — Nepal-India Trade Treaty, Nepal-India Transit Treaty, Nepal-India Agreement on Cooperation to Control Unauthorised Trade — SAFTA and SATIS and provide recommendations to the government on Nepal's future trade negotiation strategies as well as addressing domestic constraints to trade with India and other South Asian countries.

To ease supply side constraints, the study recommended focusing on infrastructure like hydropower and road network, enhancing human capacity, and controlling political and labour strikes that have been hurting export-oriented industries, banning transport cartel through effective implementation of Competition Law,

and upgrading of the quality testing of infrastructure.

Similarly, an amendment in the treaties has also been recommended by the study that has also suggested on exploiting the nexus between trade and investment to boost exports. "The huge opportunity to access the Indian market has not been exploited," said Adhikari, adding that the country also failed to export high value products and move up in the value chain.

India has a huge demand for products that Nepal has a competitive edge in, but the country has not been able to meet the demand, forcing India to import from a third country, Adhikari added.

"Looking at the products that Nepal exported with comparative advantage in 2010, considering the existing demand and supply, competitiveness and level of protection, and intra-industry trade dynamics between the two countries, the country is under utilising its potential," the study revealed adding that there is a huge potential for intra-industry trade of processed agriculture, light manufactured and heavy manufactured goods.

Earlier, inaugurating the session, National Planning Commission vice chair Deependra Bahadur Kshetri said that foreign direct investment and international trade can propel economic growth and the trade policy should not be seen as an isolated policy but has to be looked at in broader terms.