

# Non-tariff, supply barriers hindering Nepal's exports to India, experts say

## POST REPORT

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**D**ESPITE India providing duty-free access to almost all Nepali products, Nepal has failed to increase its exports to the southern neighbour due to barriers related to special additional duty, quarantine and infrastructure.

According to a study report prepared by the South Asia Watch on Trade, Economics and Environment (SAWTEE), Para-tariff such as counter veiling duty, special additional duty (scraped recently) and their non-transparent applications were hitting Nepali exports to India hard. The study also identified standard- and value addition-related barriers such as quarantine as top bottlenecks among the non-tariff barriers.

Meanwhile, Nepal has also been failing to produce goods that the Indian market demands—both in terms of quality and quantity—due to poor infrastructure, long power outage hours, poor road condition and poor quality testing infrastructure, according to the study report. “Unskilled resources, low access to finance and poor trade



facilitation measures are other weaknesses,” it states.

SAWTEE Chief Executive Director Ratnakar Adhikari said despite Nepal enjoying one of the easiest market access in the world, it has failed to cash in on this opportunity due to aforementioned bottlenecks. On the one hand, Nepal has failed to produce the required quantity of goods, and on the other hand the exported goods have limited value addition, he said at an interaction here on Friday.

Most of Nepal's exports to India are agriculture products.

With India also lowering tariff for other least developed countries (LDCs), and South Asian nations gearing up for implementing the South Asian Free Trade Agreement (SAFTA), there is little room for Nepal to take advantage from the Indian market as a result of tariff preference, according to the report.

The report has suggested that Nepal may even has to cope with the flooding of cheap Indian agri-

cultural products from next year as the country cannot impose agriculture development fee on Indian agriculture products from 2013 as per its commitment to World Trade Organisation.

To avoid these problems, the study has suggested addressing political instability, solving infrastructure related bottlenecks and making more favourable environment against para-tariff barriers and non-tariff barriers.

The report's other suggestion include negotiating with India for

lowering the value addition criteria to 20 percent from current 30 percent for the next 10 years; India provide Nepal aid for trade to address Nepal's supply side constraints and moratorium on the application of non-tariff barriers. At the interaction, Joint Secretary at the Ministry of Commerce and Supply Naindra Prasad Upadyaya said Nepal will have to review why its exports to India stagnated over the last few years. Exports were good until 2001, got to a moderate level until 2009 and stagnated then after, he said.

Increasing exports to India will be further challenging, as India has been gradually providing duty free market access to many least development countries, according to Upadyaya. Anand Bagaria, executive member of Nepal-India Chambers of Commerce and Industry, stressed on promoting tie-ups with investors from certain Indian states and focusing on the states as markets for Nepali goods.

He asked the government to encourage investors from a certain Indian states with incentives so that they could invest here in joint-venture and promote goods in their states.