

Infrastructure bottleneck hits trade with China

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Experts have suggested the government to strengthen necessary infrastructure like roads and transport arrangements, customs capacity, container yards, quarantine facilities and better technology to boost exports to China.

Apart from supporting the increased production of identified export-potential products, the government must reduce administrative delays—arbitrary, non-transparent, discretionary and vague policies at the China border, said former senior economic adviser of the Ministry of Finance Tula Raj Basyal presenting the findings of the Nepal-China Trade Study at the Public-Private Dialogue organised by South Asia Watch on Trade Economics and Environment (SAWTEE), in association with the Ministry of Commerce and Supplies, and Nepal Economy, Agriculture and Trade (NEAT) Activity/USAID, here today.

The government's target to

increase exports and reduce deficit flopped miserably, he said, adding that Nepal's export to China has deteriorated at an alarming rate during the past decade. "The government needs to take urgent steps to reverse the trend."

Despite a huge potential of the large Chinese market, the domestic private sector has been unable to reap benefits due to the lack of quality products and less contacts, cooperation and collaboration, he added. The report also features Nepal's top potential products to China, critical trade barriers and supply-side bottlenecks.

Speaking on the occasion, executive chairman of SAWTEE Dr Posh Raj Pandey said that Nepal has not been able to capitalise on China's growing influence in the global economy by strengthening Nepal's trade with China. "Lack of information and knowledge about trade related matters has also been a key challenge," he said, adding that Nepal's widening trade deficit with China needs to be bridged by



Experts at the Nepal-China Trade Study during a Public-Private Dialogue held by SAWTEE.

improving trade capacity.

Meanwhile, former Nepali ambassador to China Tanka Karki attributed the low export to China to 'behind-the-border' factors like massive labour outflow and capital flight. "Buddhism-related goods like statuettes and wooden handicraft products have an extremely high potential in China, besides other products like

flowers and fruits," he said, adding that the proposed railway extension to Nepal border from Shigatse holds immense potential for improving Nepal's future export performance with China.

"Though Chinese tourist arrivals have been encouraging in the last two years, Nepal should also focus on attracting foreign direct investment from

China," he suggested.

Similarly, joint-secretary at the Ministry of Commerce and Supplies Naindra Prasad Upadhyaya argued that besides products exhibiting a positive trend in Nepal's exports to China, special attention should be given to agriculture and primary products like poultry and meat products that are losing the market in

China due to its strict quarantine requirements.

"Accreditation and upgrading of the present lab facilities is key to solving the current problem," he said, suggesting a diversification of the export basket according to China's market demand.

"The trade deficit with China is exacerbated by Nepal's import of high-value goods and export of low-value goods," said vice president of Nepal-China Chamber of Commerce and Industry Pancha Ratna Shakya.

"Air-connectivity, besides road connectivity, is equally important, especially with regards to exporting high value-added goods to China," Shakya added. China's share in Nepal's international export stood at 1.4 per cent and import stood at 11.7 per cent in fiscal year 2010-11.

Between 2003-04 and 2010-11, Nepal's average annual growth rate of trade deficit stood at 21.9 per cent in global trade compared to a growth of 27.1 per cent with China.