Infrastructural 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 Tuki R. Rai.

Speaking on the occasion, executive chairman of SAWTEE Dr. Push 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 know-how 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 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 statues 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 tourists have been encouraged in the last two years, Nepal should also focus on attracting foreign direct investment from China,” he suggested.

China, due to its strict quarantine requirements, “Acreditation 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, Pratap T. Shrestha.

“Air-connectivity, besides road connectivity, is equally important, especially with regard to exporting high-valued products to China,” Shrestha 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 rate of 27.1 per cent with China.