Chinese red tape negating zero-tariff facility: Report

REPUBLICA
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For long officials beleived zero-tariff facility pledged by China for 4,000 Nepali goods would boost the country's export to the northern trading partner, but a latest study has reckoned that letter of exchange (LoE) that Nepal signed with China in 2010 itself has turned out to be a major barrier to export growth.

"Under the LoE, Nepali exporters are required to stringently comply with all relevant domestic procedures if they want to export their goods under duty-free facility. This has subjected Nepali traders to a vast bureaucratic maze, constraining our exports growth," reads the report.

The report based on a study conducted by South Asia Watch on Trade, Economics and Environment (SAWTEE) says that under the Chinese rules, only goods having local value addition of 40 percent in manufacturing country (Nepal in this case) can enjoy zero-tariff facility.

"The existing list of duty-free exportable items included in the bilateral agreement includes only one-third of Nepal's exportable items to China. And unfortunately, even they are facing trouble in getting the facility," says the report. The report even notes that the Chinese government, despite all promises of favorable trading environment, has been imposing multiple tariff and non-tariff barriers.

The report lists out a number of hassles faced by the Nepali exports. Of them, major barriers to export are lack of information sharing, lengthy procedures, multiple paper works, and the lack of recognition of the Nepali quarantine certificates by Chinese authorities.

The report, which analyses Nepal-China trade keeping it in a bigger framework of the Nepal's international trade, says that Nepal's performance on trade with China is far worse than the country's overall international trade.

For instance, Nepal's export to import ratio in 2003/04 was 39.7 percent, while China's was 22.2 percent. But by 2010/11, these fell to 16.3 percent and 2 percent respectively.

The report also sheds light on the flip side of bilateral trade with China and says that import from China was also not healthy for the economy, raising question over the quality of Chinese products.

The trade balance with China is not in favor of Nepal as the government has not been able to work efficiently even when it comes to following up on implementation of bilateral agreements.

"Even though existing bilateral agreement on Mutual Recognition asks the Chinese authorities to recognize food and other goods quality certification issued by Nepali labs, China has largely overlooked this provision," says the report.

Interestingly, the report also highlights poor road conditions and transport syndicates as another major hurdle to giving impetus to exports to China. It urges the government to take immediate steps to scrap transport syndicates.

The report also asks the government to work out a formal payment modality for bilateral trade and push China to include more items of Nepal's export interest in the facility list, among others.

The report has identified 20 goods possessing high export potential in the Chinese market. They include vegetable, iron and steel, tea, juice and lentils. The report has suggested to the private sector to make serious efforts toward tapping potential of those products.

It has suggested to the private sector to brand products and urged the government to construct dry ports along the northern customs points to facilitate bilateral trade.