

**Opening Remarks by Commerce Secretary and the Head of Nepali  
Delegation Mr. Chandra Kumar Ghimire  
at Nepal India Inter-Governmental Committee Meeting  
(26-27 April 2018, Kathmandu)**

---

**Your Excellency Ms Rita Teatia, the Head of Indian Delegation &  
Secretary for Commerce, Government of India,  
Excellency Mr. Manjeev Singh Puri, Ambassador of India to Nepal  
Distinguished Members of the Indian Delegation,  
Distinguished Representatives of the Nepali Delegation  
Ladies and Gentleman!**

Namaskar and Good Morning everybody!

I fell greatly honoured and very delighted to welcome the distinguished delegation from India headed by Excellency Ms **Rita Teatia, Secretary for Commerce** to the Nepal-India Inter-Governmental Committee (IGC) Meeting being held in Kathmandu on 26-27 April 2018. At the outset, I would like to extend very hearty greetings and warm felicitation to Your Excellency and all distinguished members of the Indian delegation. I also wish to express my sincere gratitude to the Government of India, in general, Ministry of Commerce and Industry and Ministry of External Affairs, in particular, for extending us best cooperation to convene this IGC meeting in Kathmandu, the city of great heritage. For being always very supportive to Nepali concerns, my unconditional thanks go to

Excellency Mr. Puri, Ambassador to Nepal, who has paid his countless efforts so far to make this IGC a great success. I am really proud of you. In this series, I am always indebted to Mr Sudhakar Dalela, who is a true Nepal lover, both emotion and action wise.

The IGC, an unique fora envisaged by the Trade Treaty 2009 and its respective Protocol, is indeed for the candid exchange of views between Nepal and India so as to boost up their bilateral trade, transit and investment. Hence, organization of the IGC meeting on regular basis helps both sides to come closer and help address key issues through mutual dialogue and consent. Still a valid question may arise whether to attain short term or long term fruits. To attain long and sustainable fruits, we should be considerate enough about each other.

When it comes to the relation between our two countries, we no need of any flowery words to explain its bilateral relation. The countries do enjoy very friendly, cordial and multidimensional relations since time immemorial in our history. We share our civilization. We share our emotion. We share our times of happiness and sorrow. It is a solid fact that our bond is well cemented over innumerable centuries with geographical proximity, linguistic, religious, and cultural similarities and interdependencies of economy to each other. The innate and unique economic and social fabrics that do exist between Nepal and India are simply incomparable with any other country in the world. Who can deny that our bilateral relations

are as strong as the Himalayas. Who can ignore that our bilateral relations are as deep as the Indian Ocean.

Excellency,

To further consolidate our relations to a paramount height, over the times, we have jointly articulated a certain instruments in the forms of Agreements. Let me here recall two of them, i.e. Treaty of Trade 2009 and Treaty of Transit 1999. The former aimed, as its Preambles do commit, at developing the two economies for their several and mutual benefits. However, by now, as data show, Nepal's economy couldn't be much developed as anticipated with the Treaty. Ironically, our exporters are still experiencing at borders hassles of tariff, para-tariff and non-tariff in nature. When a fresh morning, our newspapers get filled up in their banner lines 'Nepali Fresh Ginger not allowed to enter India', we suddenly find ourselves in a bizarre situation and instantly do recall the Article II, III, and IV. All of them strongly assure of free and unhampered flow of goods, accord unconditionally to each other treatment no less favourable than any third country in terms of customs duties and import regulations and, finally & most importantly, exempt primary products from customs duties and quantitative restrictions. Despite, I salute those men and women who utilized their best of the best wisdom while articulating such noble provisions in these Treaties for sake of our bilateral relation. Let me little candid here. Then, question arises why do we

some time fail in their implementation? Why do we some time challenge the efficiency of our own Treaties by non-compliance.

### **Excellency,**

Let me take little data help. Nepal has been the 13<sup>th</sup> largest importer from India and the 79<sup>th</sup> largest exporter to India in 2017. A long time-series data seems to be unpleasant that between 1990/91 and 1994/95 the share of India in total Nepal's trade deficit had been on an average 48.88%. In the meantime, our Treaty of Trade got amended in 1996 that ushered in the principle of Non-Reciprocity in preferences as well as very historical 'RoO' criteria in export from Nepal. The following years till 2002/03 as a result of the 1996 the India's share in Nepal's trade deficit sharply reduced to average 38.62% in a short span. As we all know, 2002 was the year again our Treaty was amended and reversed the 1996, as consequence, the level of India's share between 2002/03 and 2016/17 again steeply climbed to on an average 61.3%. No doubt, in many forthcoming years this negative trend is likely to continue unless a disruption takes place. No one else brings in the disruption in the growing trade deficit of Nepal with India. It is 'we' who could and should jointly and deliberately induce the disruption. It gives me pleasure to recall PM Mr Modi's call upon, during the Nepali PM's last India visit, for coming up with a road map how this alarming trade deficit can be curved down.

The boon of open imports is allowance of imports at possible cheapest prices from wherever it is possible and that is for sake of

consumer's interests. That definitely works so long as economy can afford the amount of imports. So far as Nepal's current trade deficit is concerned, it has gone beyond Nepal's limit. Now the time has come to review of both implementation and Treaty itself so that wherever and whatever structural problems persist in our Treaties can be corrected. For this reason, Excellency, this should be the premise of this time of IGC Meeting. If it so happens, the IGC will mark as a monumental and illustrious times ahead. I fully trust, either side should have no disagreement on it. Hence, I humbly request both sides to invest our full energy in the two days so that we could make a desirable disruption in our Treaties and their implementation too.

**Excellency,**

India is not only Nepal's largest trading partner, but also an important transit providing country for its third country cargo. Indeed, we are very grateful to India for its generosity in providing us two important gateway ports namely Kolkatta/Haldia and Vishakhapatnam. Taking cognizance of availability of inland waterways for Nepal to access to sea as well as of new advantages following the introduction of Electronic Cargo Tracking System (ECTS), the Treaty of Transit per se is calling for its timely revision and adaptation. By doing so, we could accommodate newer opportunities in the existing Transit Treaty. It is more important at a time the entire world is assertively working out on how to cut down the cost of transit to become more competitive. As compared to other

parts of the world, our transport cost is pretty higher which always handicaps our competitiveness while standing in the world market.

During the Rt. Honb'le Prime Minister's visit to India in April 2018, both sides had the symmetric concerns to jointly work for reducing the Nepal's widening trade deficit with India. In this context, this IGC meeting itself is an opportune time for reviewing the Treaties and assessing the implementation of Agreements held. That may assist Nepal in future to increase its export trade to Indian market. That may signify the importance of our bilateral mechanism like this IGC.

We do have Rail Services Agreement and Agreement of Cooperation to Control Unauthorized Trade. In addition, we have a number of protocols, letters of exchange and so on. All these instruments do provide solid foundation to regulate our bilateral trade, transit, and rail services, however, require some changes and modifications to keep pace with the time and context changed. It is an imperative since these Treaties and Agreements were made almost a decade ago or even more and bilateral, regional and global trade dynamics have changed to a great extent.

**Excellency,**

Once in the past our Large Cardamoms were not permitted to export to India. The reason given was our products did not meet required standard. Let me share my own feelings. Rather than stopping the primary products, honouring the provisions of Article I

of the Treaty of Trade, we should explore and undertake all possible measures, including technical cooperation ensuring the free and unhampered flow of goods as Article II of the same Treaty embodies.

The Trade Treaty between Nepal and India accords Nepali products preferential market access to Indian Market provided these products meet at least 30% value addition. These have supported Nepali industries to penetrate in Indian market. We are appreciative of India for this generosity. However, with the launching of Duty Free Tariff Preference (DFTP) Scheme for all LDCs by India, effective from 2012 and now with more than 96% of India's total tariff lines duty free has **eroded the preferential tariff margin to export items of Nepal**. This has posed severe challenges to Nepali products in competing with the other supplying countries of similar manufactured and agro-based items in Indian market. In order to ameliorate this situation, we would like to request India to reduce value addition threshold to 25% for Nepali products in line with the WTO Nairobi Ministerial decision on Preferential Rules of Origin and provide technical support to increase our TBT/SPS capacity so as to meet required standards.

Excellency,

As a landlocked country, Nepal's trade and transit cost is excessively high lowering its trade competitiveness. Poor customs facilities and inadequate trade infrastructures at major cross-border points have created many impediments in our bilateral trade leading

to thickening border and fattening transaction cost. In view of this, we call upon Indian Government to modernize major land customs stations that stand between us. In this regard, construction of Integrated Check-post in major customs points between the two countries is an important step towards facilitating trade and slimming down the cost of trade. We are immensely thankful to GOI for completing ICP in Birgunj which was jointly inaugurated by Rt. Hon'ble Prime Ministers of both countries from Delhi on the 1<sup>st</sup> week of last April. We are optimistic that on account of relentless efforts of Your Excellency Mr Manjeev Singh Puri, Ambassador, the rest 3 ICPs i.e. in Biratnagar, Bhairahawa and Nepalgunj also will be completed within their stipulated time frame.

In view of reducing transaction and transport costs of Nepali cargoes, it is an area we should and could work out to reduce them to their lowest that mostly happen at border points, transit corridors, and ports and beyond. Further, it is highly needed to extend railway services to all Nepal's major four ICDs located in Birgunj, Biratnagar, Bhairahawa and Nepalgunj from gateway ports. As Birgunj Dry port is already linked with Railway track, we call upon, Excellency, your side to positively consider linking other 3 ICDs with railway track so that cargoes from & to Kolkata or Vishakhapatnam can be directly dealt. To this direction, GoN has extended to GoI a draft LoE for allowing bulk cargo from the gateway ports to the 3 new entry points where industrialization process is on rapid rise.

These are just some tips of the iceberg - not the exhaustive list for our discussion of today and tomorrow. However, such areas do require disruptive intervention of ours. In the upcoming sessions, as we will be dealing with each and every agenda at length, I am not going to explain them in details.

**Excellency,**

After completing political agenda and concluding long political transition, now Nepal has been an enthusiast in the journey towards full blown peace, prosperity and socio-economic transformation. Just like Mr Modi says, 'Sabka Saath, Saabka Bikas', Rt Hon PM of Nepal Mr Oli says, 'Sambridha Nepal, Sukhi Nepali'. Here it is relevant to note that we have set a target of our graduation from the LDC constituency by 2022 and will be joining the middle income club by 2030. For this, we have integrated Sustainable Development Goals (SDGs) in our development policies and plans and allocated resources, accordingly. We have put forward export trade as a catalyst to this end. As an LDC, we always expect and welcome support from our development partners including India that enables Nepal to meet its trade goals and development needs.

I hope that IGSC meeting at Joint Secretary Level concluded yesterday, have discussed several pertinent issues and come up with fruitful recommendations. I hope, endorsing those salient recommendations and ideas from this meeting, and ensuring

conducive environment to get implemented those ideas, would help Nepal to improve its poor export performance in the years to come.

Against this backdrop, I am confident that this IGC meeting will remain a great success in making the most desired disruptions. Another note, Nepal never is a competitor of India. Once we are enabled and supported to optimize our possibility in trade sector, we definitely could and should complement to India's further prosperity in various ways. Keeping all these thrust in mind, over the next two days, we will be exploring new avenues and vistas that help address Nepal's key concerns of reducing Herculean trade deficit to a reasonable level. Let us offer our people a better platform for better future between the countries.

Finally, Excellency, we wish you and your entire distinguished team members to have a pleasant and memorable stay in Kathmandu.

Thank you!