Indo-Nepal Dialogue on Trade Facilitation and Commercial Access through Raxaul-Birgunj: Stakeholders Perspective

16 April 2015, Birgunj, Nepal

REPORT

1. INTRODUCTION

1.1 CUTS International, in partnership with Consulate General of India, Birgunj, Nepal has organised "Indo-Nepal Dialogue on Trade Facilitation and Commercial Access through Raxaul-Birgunj: Stakeholders Perspective" on 16 April 2015 at Birgunj, Nepal. The meeting, supported by The Asia Foundation and in association with Birgunj Chamber of Commerce and Industry, aimed at discussing infrastructural, regulatory and procedural barriers to India-Nepal Trade & Commerce through Raxaul-Birgunj corridor and eliciting stakeholders’ recommendations for relevant and specific solutions.

1.2 Participants hailed from academic institutions, think tanks, border administration agencies including customs and security forces, exporter/importer, and media personnel among others.

1.3. The Chief Guest of the meeting was Smt Anju Ranjan, Consul General, Consulate General of India, Birgunj Nepal. The Guests of Honour were Shri Lok Raj Baral, Former Ambassador of Nepal to India and Shri Anuj Bhandari, Assistant Chief District Officer, Parsa, Nepal.
2. KEY REFLECTIONS

2.1. Anju Ranjan, Consul General, India underlined that India and Nepal should renew their relationship by converging on their trade and investment preferences across wide range of sectors/products on the economic spectrum. She stated that in order to reap the benefits of bilateral trade and investment potential the following may be considered:

- Bilateral pacts in agriculture & forest besides quarantine should be considered for standardisation of procedures, levies and testing requirements.
- Mutual Recognition Agreements in custom clearance, testing and other trade related services should be put in place as one of the components to achieve the objective of trade facilitation.
- Protocols on product specific rules of origin should be worked out to replace those with the broad standard definition.

She put emphasis on the need to expedite the process of land allocation and installation of essential equipment for accreditation of four testing laboratories in Nepal by National Accreditation Board for Testing and Calibration Laboratories, India as per the 2009 trade treaty.

Furthermore, she added that Sub Regional Motor Vehicle Agreement among Bangladesh, Bhutan, India and Nepal will prove to be an instrument to decrease time and therefore transaction cost and hence is expected to accelerate trade in both value and volume. Thus it should be signed and made operational sooner than later. Also, if allowed, Indo-China trade through Nepal can fetch substantial revenues to the land locked country, Nepal.

On investment aspect, she noted that there lies a huge investment potential in hydro-power, rail and road infrastructure, information and communication technology and other sectors/products of comparative advantage between India and Nepal.

2.2. S.M Akhter, Consul(Economic), Consulate General of India, Birgunj stressed the need to address regulatory, procedural standardisation deficit besides arguing that Nepal needs to identify clusters of agricultural commodities, manufacturing & industrial products where it can pitch for investments from India to create new production centres and develop regional value chain to supply within and outside the Indian territory. For example, there is investment potential in developing the manufacturing base of medicinal herbs, handicrafts, vegetable and fruits, he stated.

2.3. Omprakash Sharma, Acting President, Birgunj Chamber of Commerce and Industry, reiterated the reality of the downward trend in Nepal’s export share as compared to its gross domestic product. Besides dealing with this detrimental factor for its economy, the government of Nepal should highlight the issues of congestion at the Kolkata port, infrastructural impediments at prominent land routes, and lack of testing facilities on the Indian side for their solution in spirit of generating cross border welfare dividends.
2.4. **Lok Raj Baral, Former Ambassador of Nepal to India,** highlighted that customs clearance and inspection process is not harmonised due to different regulatory systems. There is a need to have periodical joint consultations to gradually harmonise these systems. Lauding the construction of Integrated Check Post, he emphasised that it should be made functional at the earliest so as to minimise non-tariff barriers arising out of lack of coordination among different border administration agencies, warehousing & parking facility, testing and congestion. In the midterm, under cooperative federalism, the Government of India and the State Government of Bihar should pay heed towards transforming Raxaul into a smart city and improving connectivity including air, while making the border hassle free to enhance trade and attract cross border investments.

2.5 **Jagdish Prasad Agrwal, Chairman Nimbus Group,** lamented that issue based consultations have happened quite a number of times, however what has been lacking is reviewing and implementing a reformist plan of action. He stated that problem at the Kolkata port is not a new development as it has been enduring incremental congestion for last fifty years. The issue so far could persist as its capacity constraints was not systematically addressed. The Government of India has suggested several alternative ports including Chittagong in Bangladesh, Kandla, Paradeep and now Vishakhapatnam in India. This level of inconsistency and lack of serious consideration in identification and commissioning of viable ports for access by Nepal needs to be highlighted in the Indo-Nepal government level talks. In addition, he was of the view that stakeholders should be forthcoming on the following points:

- Besides dealing with the existing infrastructure and procedural transit bottlenecks, commercial viable port studies from business perspective should be undertaken and implemented.
- As per the provisions of 1996 protocol of the bilateral trade pact, 30 % value addition is essential for Nepal to further export its good to India in lieu of 50 % tariff reductions since that time. This provision has become irrelevant as tariffs have come down to almost zero but the 30 % value addition remains thus destroying the competitiveness of the Nepalese products into the Indian market.
- The focus should primarily be on advocating agricultural protocol; sector/product specific protocols with time bound specifications. A neutral study can pave the way in that regard.

2.6. Participants noted that herbal and other allied medicinal plants are facing different levels of state levies when entering into India. **National treatment** by India to such products exported by Nepal is strongly sought after. Also, cross-border trade other than the notified routes is not allowed. Nepalese farmers are facing difficulties in supplying their products like sugarcane to sugar mills in the Indian Territory because of that. There is urgent requirement of **special arrangement** for farmers to supply their farm products to the other side. Forest laws of Uttar Pradesh and Bihar are different, thus imposing different restrictions on the imports from Nepal. It should be harmonised to avoid such variation. It was argued that
Nepal forest product should also be entitled for national treatment by India over varied state levies.

2.7. Participants noted that for duty waiver, it is essential to add 30 per cent value on third country origin products, which, due to capacity constraints, is not possible for small and middle enterprises. Other than that, lack of time bound export-import guidelines make the costing and time unfair and unpredictable. Participants therefore urge for time bound export-import & testing guidelines, up gradation of plant quarantine facilities and relaxation in export-import licence requirement.

2.8. Participants also suggested to include overland trade routes in the mandate of Custom Clearance Facilitation Centre as its inclusion of land routes and subsequent implementation will definitely reduce the time and cost of doing cross border trade. Other than this, participants highlighted the need of synchronising holidays and work time of both Indian and Nepalese Customs to smoothen the import export activities and enhanced coordination. They also demanded that dry port of Birgunj should be included in International shipping Map.

2.9. Participants lauded the formation of state division at Ministry of External Affairs, Government of India however surmise that it will evolve by developing an effective coordination framework to oversee cross border trade and investment. In the context of Indo-Nepal trade, it is suggested that the state division could carry out Cross Border Trade and Investment Mapping in and out the bordering states of Uttarakhand, Bihar, Uttar Pradesh, West Bengal and Sikkim to Nepal.

2.10. On the security front, participants urged the need to establish joint security monitoring and review mechanisms, scaling up of the efforts like medical camps, vocational trainings programmes as confidence building measures. Security mechanism should encourage cross border community participation to tackle the issues of crimes and infringement.

2.11. The session titled “Leveraging Open Border to Create Borderless Economy” was appreciated for incorporating a futuristic approach in the Indo-Nepal Economic Cooperation programme to insulate bilateral propositions from the overhyped regional propaganda. In 2014, during Prime Ministerial visit by India to Nepal, both countries have agreed to overhaul the 1950 Treaty of Peace and Friendship into a contextually relevant one; the objective of which, participants urge, could be defined as achieving the borderless economy in the long term.

2.12. The specific recommendations included maximising the usage of open border to create ‘border economic zones’ in line with ‘maritime economic zones’, developing ‘border management law’ and replace all the existing border regulatory frameworks with that. It will also require people’s mentality to be systematically influenced by way of training, exposure, awareness, sensitisation and participation.

3. First Indo Nepal Border Summit: A Report by CUTS Link

**AGENDA**

"Indo-Nepal Dialogue on Trade Facilitation and Commercial Access through Raxaul-Birgunj: Stakeholders Perspective"
16 April 2015, Hotel Makalu, Birgunj, Nepal

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<tr>
<th>Time</th>
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<td>0900-1000</td>
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| 1000-1045 | Welcome Remarks: S.M. Akhter, Consul (Economic), Consulate General of India, Birgunj  
Omprakash Sharma, Acting President, Birgunj Chamber of Commerce and Industry  
Lok Raj Baral, Professor & Executive Chairman, Nepal Center for Contemporary Studies  
Prithwiraj Nath, Policy Analyst & Centre Head, Calcutta Resource Centre, CUTS International  
Address by the Guest of Honour: Anuj Bhandari, Assistant Chief District Officer, Parsa District, Nepal  
Key Note Address by the Chief Guest: Anju Bajracharya, Consul General, India, Birgunj |
| 1045-1100 | Break for Group Photo and Tea-Coffee |
| 1100-1200 | Session 1: India-Nepal Trade through Raxaul-Birgunj Border: Issues and Challenges  
Chair: S.M. Akhter, Consul (Economic), Consulate General of India, Birgunj  
Panelists: Prithwiraj Nath, Policy Analyst & Centre Head, Calcutta Resource Centre, CUTS International  
Shripriya Rao, Consultant, CUTS International  
Gopal Shrestha, Acting Chief Customs Officer, Department of Customs, Birgunj  
Sidhveer Kumar, Superintendent, Land Custom Station, Raxaul  
A.K. Sinha, Associate Professor, Department of Bowny, KCTC College Raxaul |
| 1205-1305 | Session 2: Leveraging Open Border to create Borderless Economy: Challenges and Prospects  
Chair: Lok Raj Baral, Professor & Executive Chairman, Nepal Center for Contemporary Studies  
Co-Chair: S.M. Akhter, Consul (Economic), Consulate General of India, Birgunj  
Panelists: Jagdish Prasad Agrawal, Chairman, Nimbus Group  
Pawan Tewari, Editor, Lok Times Daily, Parsa, Nepal  
Ashok Temani, Former President, Birgunj Chamber of Commerce & Industry |
| 1305-1325 | Open Floor |
| 1325-1330 | Vows of Thanks: Prashant Sharma, Programme Officer, Centre for International Trade, Economics & Environment, CUTS International |
| 1330 | Lunch |
5. MEDIA COVERAGE

प्रतिक दैनिक 2072/1/8

भारत-नेपाल व्यापारसम्बन्धी अन्तर्क्रिया
चालु आवाहन आरोपीको कार्य सम्पन्न हुनु - महाविवाहकृत रजन

भारत-नेपाल व्यापारसम्बन्धी अन्तर्क्रिया कार्य सम्पन्न हुनु, भारत-नेपाल व्यापारसम्बन्धी अन्तर्क्रिया कार्य सम्पन्न हुनु

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