

National Policy Dialogue Minute

Date of Meeting	22 April, 2018	Meeting Called by:	Nepal Economic Forum
Minutes Prepared by	Nischal Dhungel	Facilitators and PPT Presenters:	Sujeev Shakya and Raju Tuladhar
Notes Taken by	Samridhi Pant and Sajal Mani Dhital		
Attendees:	Name	Organization	
1.	Bratindra Bhattacharya	CUTS International	
2.	Rajan Sharma	Chairperson, Surface Transport and Transit, Federation of Nepalese Chamber of Commerce and Industry (FNCCI)	
3.	Purushottam Ojha	Former Secretary, Ministry of Commerce (MoC)	
4.	Madan Lamsal	Chairman and Editor, New Business Age Group (Media)	
5.	Kailash Bajimaya	Nepal Chamber of Commerce (NCC)	
6.	Manoj Acharya	Under Secretary, MoC	
7.	R.B. Rauniar	MD, Interstate Multi-Modal Transport Private Limited	
8.	Prakash Singh Karki	President, Nepal Freight Forwarders Association (NEFFA)	
9.	Naresh K. Agrawal	Advisor, Land and Sea Committee, NEFFA	
10.	Chandra Kumar Ghimire	Secretary, Ministry of Industry, Commerce & Supplies, Absent	
11.	Madhusudan Adhikari	Secretary, Ministry of Physical Infrastructure and transport, Absent	

12.	Sharad Bickram Rana	Executive Director, Trade Export Promotion Center, Absent
13.	Toyam Raya	Director General, Department of Customs, Absent
14.	Laxman Basnet	Executive Director, Nepal Intermodal Transport Development Board, Absent
15.	Mukti Ram Archarya	Director, Department of Customs, Absent
16.	Keshab Prasad Sharma	Joint Secretary, Ministry of Physical Infrastructure and transport, Absent
17.	Binod Kumar Bhattarai	Ministry of Physical Infrastructure, Absent
18.	Ravi Shankar Sainju	Joint Secretary, Ministry of Industries, commerces & Supplies, Absent
19.	Yogendra Gauchan	Director General, Department of commerce, Absent
20.	Rupnarayan Bhattarai	Director General, Department of Transport Management, Absent
21.	Meena Shrestha	FNCCI, Absent
22.	Rajendra Shrestha	Secretary, Federation of Truck Transport Entrepreneurs, Absent
23.	Dr. Santa Sharma	Chairman, Custom Agent Association

BBIN & Myanmar-Field Finding Nepal Context

Sujeev Shakya	<ul style="list-style-type: none"> ➤ Main objective of the National Policy Dialogue (NPD) is to take findings on “BBIN MVA: Nepal’s Context” to the regional discourse, taking place at New Delhi on 2-3 May 2018. ➤ Due to the clash of events, less number of government officials could participate in the NPD. ➤ Post the regional discourse in New Delhi on BBIN-MVA, NEF will conduct meetings and discussions with ministries on findings of the BBIN-MVA study.
---------------	--

	<ul style="list-style-type: none"> ➤ Laws, rules and articles of the BBIN MVA that override bilateral agreements should be identified. Many people perceive that BBIN is limited to Motor Vehicle Agreement, but it is a larger integration tool to override the integration limitations of the South Asian Association for Regional Cooperation. ➤ Government should resolve the issues and concerns of the private sector by making changes in the protocol of the BBIN MVA. ➤ For seamless vehicle transportation, operational and documentation issues should be resolved. ➤ Liability and insurance issues raised in this discussion will be addressed in the NEF’s report on BBIN-MVA: Nepal Context. ➤ To increase connectivity between the partner countries of BBIN MVA, a hub should be created where all the participating countries can park their custom offices to facilitate cross-country vehicle movement.
<p>Bratindra Bhattacharya</p>	<ul style="list-style-type: none"> ➤ National Policy Dialogue (NPD) is an opportunity to learn, share and to take forward the connectivity in the BBIN+ region. NPD has been conducted to gauge the progress of the study in all regional partner countries. After incorporating the inputs of National Policy Dialogue from the partner countries, it will be forwarded to the regional discourse that is going to be held in New Delhi. ➤ The term ‘connectivity’ in recent years has become a core to development discourse. Discourse is no longer limited to physical infrastructure and time issues but also includes soft infrastructure like schools, institutions and skills that help players take part in the trade as well as digital infrastructure that connect people to the market place at a lower cost. ➤ South Asian integration probably began with the formation of SAARC. Unfortunately, the input connectivity has lingered for years without yielding fruitful result. Nonetheless, the need of input connectivity is still felt. ➤ The introduction of Bangladesh, Bhutan, India and Nepal Motor Vehicle Agreement (BBIN-MVA) in 2015 is an important step of ensuring better regional connectivity. Myanmar is an important bridge between South and South East Asia. It is also going to be a crucial partner for better connectivity in the region and global world. This is the reason why Myanmar has been added in the BBIN-MVA. ➤ BBIN-MVA once implemented will get a major boost in particularly in the landlocked countries, Nepal and Bhutan. The agreement will make it easier for these countries to access ports in India and Bangladesh for intra-regional and extra regional trade.

- MVA will reduce the time taken in transporting goods and people from one country to the other. Agreement also seeks to promote containerization of cargo movement within the region. It will eliminate the need for transshipment of goods from one country's truck to another at the border point. This will not only save time, but also significantly reduce the cost of trade.
- BBIN-MVA is expected to reduce the volume of informal trade. Estimates suggest that while formal inter-SAARC trade is around USD 28 to 30 billion per year; informal trade among these countries can be as high as USD 25 billion. It will enforce and enhance superior movement of cargo and greater accessibilities of each of the markets. It will be easier for partner countries to realize their true potential in the trade of commodities, which have comparative advantage.
- BBIN MVA is expected to help in trade in service sector, specially the tourism sector in partner countries.
- BBIN MVA aligns with some of the major initiatives taken by the Asian Development Bank under South Asia Sub-regional Economic Cooperation (SASEC). An ADB study in 2016 has proposed 10 regional road network as South Asian Corridors out of which seven have been identified in the BBIN region. Wider integration process will make the entire region a gateway to the South East Asia. For Nepal, the study has identified three out of the ten corridors, through which trade is taking place around the partner countries.
- Major challenges:
 - Physical infrastructure, inadequate transit and transport facilities for landlocked countries i.e. Nepal and Bhutan,
 - Soft infrastructure challenges such as complex regulatory procedures from one country to other,
 - Inefficient custom clearance of nations,
 - Digital infrastructure (poor internet connectivity for proper interchange of electronic data and information) and,
 - Political and social challenges.
- The study has tried to evaluate physical solutions to these challenges based on primary information collected from the fields and with various stakeholders.
- The main aim of the study is to understand the ground realities associated with the implementation of the agreement and to facilitate the stakeholders in the BBIN region. Regarding the total travel time taken per km in the Kolkata-Dhaka corridor, the road infrastructure is much better in Petrapole compared to other ports. Thus, export from Petrapole is high leading to congestion. Congestion and corrupt practices

	<p>increase the total time and cost per km in this corridor compared to other corridors. For the implementation of BBIN MVA, new system, new set of rules should be created. The security issues and the well-being of the country should be given due consideration.</p> <ul style="list-style-type: none"> ➤ Phase wise implementation will make the BBIN-MVA more effective. With the broad game plan in mind, improving infrastructure should be the key priority. ➤ About the overriding of rules in treaties, it is not a question of overriding rule; rather it is question of integration between the partner countries. For example, India has FTA with Thailand and ASEAN countries. The schedules of both FTA do not override each other.
<p>Raju Tuladhar</p>	<ul style="list-style-type: none"> ➤ Introduced the topic: Bangladesh Bhutan India Bhutan (BBIN) & Myanmar <p><u>Overview of BBIN & Myanmar</u></p> <ul style="list-style-type: none"> ➤ It comprises 1.5 billion people, GDP of USD 2.5 trillion, GDP growth rate of 5.5%. ➤ India endorsed Motor Vehicle Agreement (MVA) in the 18th SAARC Summit (2014). There was objections from Pakistan. ➤ BBIN signed a framework MVA in 15th June 2015 for seamless movement of passenger and cargo vehicles. ➤ Bhutan has not yet ratified the pact and it has given the consent to other countries to move ahead with BBIN MVA ➤ BBIN is aligned with the basic features of the SAARC MVA. The MVA consists of 17 articles and 63 sub articles <p><u>Significance of BBIN & Myanmar</u></p> <ul style="list-style-type: none"> ➤ Regional connectivity ➤ Standardization and formalization of trade ➤ Economic and developmental significance ➤ Strategic & Diplomatic significance (Gateway to South East and East Asia, Integration with ASEAN market and Counter China’s BRI initiative) <p><u>Goal:</u> To facilitate trade and transit among (BBIN) and Myanmar.</p> <p><u>Objective:</u></p> <ul style="list-style-type: none"> ○ To understand the policy, procedural and political economy hurdles to trade, transport and transit facilitation regime between BBIN countries. ○ To identify time and cost study at trade corridors identified under BBIN MVA.

- To identify the impediments in the three corridors. Seamless movement of the goods from one country to another by removing transshipment.

Trade corridors linking Nepal to Bangladesh and India

- Trade Corridors 1: Dhaka-Panitanki-Kakarvitta-Kathmandu
- Trade Corridors 2: Kathmandu-Birgunj-Kolkata
- Trade Corridors 3: Kolkata-Gorakhpur-Bhairawa-Kathmandu

Research Methodology

- Defining the Target Population
 - There were 11 types of respondents. They are Farmer, Exporter/Importer, CHA, Transporter/Freight Forwarder, Trucker, Support service staff, Labourer, Policy experts/associations, Custom officials, Aggregators, Collectors.
- Questionnaire based Primary Data Collection
 - Field visit three corridors – Focussed Group Discussions (FGDs), Key Informant Interviews (KFI), Consultations with experts and other relevant stakeholders
- Although the research product is not important, for sample, Fruit Juice Based drinks, Gypsum, Pharmaceutical products and par boiled rice were considered for imports. Likewise, Herbal plants and Handicrafts were considered for export. **These products were taken to understand the trading process so that it helps to identify the impediments during the import and export of goods.**

Major Findings

- Livelihood issues (Adverse Impact on- Truckers, Transporters, Laborers, SSPs, Farmers, Low level of awareness of BBIN MVA among those who will be impacted the most, Gender issues–Low female participation in trade activities)
- Infrastructure (Poor road conditions, Parking issues, water and sanitation, Capacity and size of roads and bridges are inadequate (Narayanghat–Muglin), Lack of warehouses and cold storages, Poor quarantine and testing labs, EDI not fully operational & compatibility (ASCYUDA ++ vs. ICEGATE)

➤ Logistic Performance Index (World Bank 2016)

Bangladesh:	2.66
Bhutan:	2.32
India:	3.42
Myanmar:	2.46
Nepal:	2.38

Note: Score on a scale lowest to highest score from 1 to 5.

Comparing Time Cost Distance Cost

	<p>The total time taken (minutes/km) is highest in the Kolkata-Petrapole-Benapole-Dhaka corridor i.e. 19.64. This issue (why the total time taken is very high) was raised in the last discussion. In Kolkata (Petrapole) to cover the distance of 5 km sometimes, it takes even 5 days. This is the reason why the total time take is very high in this very corridor.</p> <p><u>Nepal Constraints</u></p> <ul style="list-style-type: none"> ➤ Delay in clearing (Labor Strike, Delay in transport CONCOR)-high “Demurrage Charge” high “warehouse charge” and “damage of goods ➤ No provision of allotment of railway wagons on priority basis for loading and transportation of Nepal's transit cargo at Kolkata and Haldia ports ➤ Lack of warehouse space available for Nepal at ports ➤ Lack of shipping liners in Nepal – rely on Kolkata port agent ➤ Additional entry and exit fees for Nepali cargos and charges levied by the Indian customs and agents under various headings, like shipping line charges, haulage charges, port handling charges and container clearing charge add to the burden on Nepali traders. ➤ Quarantine and Phytosanitary certifications ➤ Rent Seeking Behavior (security, laborers, custom officials, locals) ➤ Strong network of transport associations in India and Nepal ➤ Issue of Country of Origin (aggregation) <p>Most of the issues raised in the discussion are expected to be addressed in the protocol of BBIN MVA.</p> <p>Transporters of Nepal will be a key player in the implementation of BBIN MVA. They have invested a lot into their business. Transporters are operating like syndicate but they do not accept the very fact.</p> <p>At present, Nepali transporters have to pay higher custom duties and the operating cost is very high compared to the Indian transporter. Only if the charges and cost of the Nepali transporter are same as the Indian transporters, Nepali transporters will be able to compete with their counterpart. If the situation remains same, then Nepali transporters will protest against BBIN MVA.</p>
<p>R.B. Rauniar</p>	<ul style="list-style-type: none"> ➤ The concept of BBIN MVA was incepted by India to centralize India with other partner countries and connect the northeastern part of India with rest of the region. ➤ Nepal has transit treaty with Bangladesh but it is not operative (limited to paper). ➤ Bangladesh through the BBIN-MVA is not only allowing using its ports, but also, it eyes upon to use mainland operators from the Indian ports as well. Currently, they have been using mainland operator in Singapore. ➤ After the MVA, rail services for connectivity in the region will not remain a distant idea. Broad-gauge will cut the operating cost if Nepal is going to have railway service in the future. ➤ Impediments:

	<ul style="list-style-type: none"> ➤ The actual operating cost has not been considered well in the report. The cost of the equipment of each country is not the same. There should be some modality to have equal cost of equipment. Some considerations are required on this matter to reduce the operating cost. There should be either SAARC number plate or duty free in order to adhere to the protocol of the BBIN MVA. ➤ There is no harmonization of axle roads. The axle load for roads in Nepal and India is the same whereas it is different in Bangladesh. ➤ Way Forward: <ul style="list-style-type: none"> ➤ BBIN MVA should work in phases for success, starting with the creation of a hub. The only possible hub between Nepal, Bangladesh and India is Siliguri where goods can be exchanged at a single point. Custom offices of the respective countries can be set up in the hub to facilitate trading and containerization. Multi modal transport can only be successful after creating a hub.
<p>Rajan Sharma</p>	<ul style="list-style-type: none"> ➤ All the bilateral and multi-lateral agreement between Nepal and partner countries has to be addressed while working towards implementing the BBIN-MVA. International rules and regulation of the transportation should be considered in this context. ➤ Document system that covers insurance, liability, transfer of risk, cost, ownership and the title of the goods should be clearly specified. Are we looking at the trade between these regions or handling international cargo along the port region? Nepal has been working with wrong terms and the liability is coming to the logistic providers. ➤ The Nepal government itself agree in the form of the treaty to put a restriction on free movement of passengers and goods through a treaty. Setting up office at Kolkata i.e. consulate general is used to control the goods that are coming to Nepal. How can we have free movements of goods in such situation? ➤ The pool of transporters across the BBIN region should operate through authorised operators while implementing the BBIN MVA. ➤ Need to work on the right document framework that covers all the liabilities and the insurance. Flow of goods, flow of information and flow of finance should be done side by side together with the documents. It is necessary to understand how we are going to remit money during the supply chain operations. ➤ India does not assure security on transit operation. The security aspect should be compulsory recognized in the BBIN MVA. ➤ In Nepal, National Trade Facilitation Committee exists, but it is not functional. India has already formed Logistics Service Provider Committee in collaboration with the private sector and government related issues. Each country under BBIN should have committee either

	<p>under the National Trade Facilitation Committee or as an independent committee. Government needs to take private sector into account while planning on these issues.</p> <ul style="list-style-type: none"> ➤ Building railway line of 50km between the two countries could remove hassle and unnecessary operating cost at the custom points. ➤ There is a need to identify different risks such as illegal trade risks and container risk. ➤ Two things that India could help for the seamless movement of transportation are: <ol style="list-style-type: none"> 1) put an extra private railway operator from Kolkata to Birgunj. 2) India needs to loosen up for the free movement of vehicles between Nepal and Bangladesh without putting much pressure in the chicken neck. ➤ It needs to be figured out whether the Government of Nepal’s policy of leasing ICDs is decreasing or increasing cost. Evaluation needs to done if it is becoming a profit making centre. Management of logistics centre is also very important.
<p>Purushottam Ojha</p>	<ul style="list-style-type: none"> ➤ BBIN can be a game changer for land locked countries and other participating countries. Nepal needs to leverage the provision of BBIN MVA. ➤ Development of different modes of transportation will develop the economy of these countries. Including Myanmar is crucially important to link the South Asia and South East Asia. It enhances the connectivity to the South East Asia region. ➤ The BBIN MVA does not address the need of land locked countries. Differential treatment shouldn’t be done for the least developed and land locked countries. ➤ Providing initial transit services for the land lock countries (Nepal and Bhutan) is important for reducing trade cost. The trade competitiveness of land locked countries gradually increases by uplifting the transit cost. ➤ It is yet to be figured out how land locked countries will participate in the coastal shipping which is the important aspect of transportation connectivity. Digital connectivity is also equally important. ➤ Facilitation of visa is one of the issues in the implementation of BBIN MVA. For example, Asia Pacific region has Asia Pacific Travel Card (APTC). In BIMSTEC, BIMSTEC Business Travel Card can be introduced to facilitate the cross movement of business people across all the member countries. ➤ A comprehensive package should be developed for seamless movement of transportation. Digitization, harmonization of customs, quarantine, currency exchange facilities are other issues that need to be addressed.

	<ul style="list-style-type: none"> ➤ Trade competitiveness is much higher in India compared to Nepal concerning commission to transports, running cost etc. ➤ Simplified process for the seamless movement of cargo is very important between two Inland Container Depot (ICD's). Due to the under capacity of ICDs in Birgunj, it has become difficult to cater the large volume of goods. ➤ Regarding the overlap of agreements between partner countries, traders can have different window of agreements to adhere to, and get the best trading benefit from partner countries.
Prakash Singh Karki	<ul style="list-style-type: none"> ➤ There should be less paper formality for the seamless movement of goods.
Naresh K. Agrawal	<ul style="list-style-type: none"> ➤ For the past three years, Nepal has been discussing transshipment issues with India. However, no outcome has been seen yet. ➤ The security issues and liabilities issues are major concerns that need to be addressed in the BBIN MVA. ➤ The seamless movement of goods is not possible without the systematic form of governance. ➤ Transfer of money from Nepal to India is simple; however, getting refund from India is a cumbersome and tedious process.
Madan Lamsal	<ul style="list-style-type: none"> ➤ Comments on the articles are enlisted below: <ul style="list-style-type: none"> ➤ Article 1: 'Surge of cargo vehicles' needs expansion because it is restricted to the containerized cargo. Inter country cargo in this region mainly consists of agriculture and manufacturing goods which may not be in the containers. ➤ Article 2: No guidance has been provided on the personal vehicle movement. ➤ Article 3: The impact of restriction on free movement of passengers and goods should be assessed. <ul style="list-style-type: none"> ➤ "Goods" is a vague term, it needs proper definition. ➤ There is no clarity regarding intra-country multi entry permit. A single document (BBIN permit) can resolve this issue. ➤ Provision for the illegal movement of the goods should be clearly defined. ➤ Too many fees and charges increase the cost of the trade. This issue should be clearly defined.

	<ul style="list-style-type: none"> ➤ The agreement should clearly define on the safety of the driver, undelivered goods and the responsibility of the importer. ➤ The National Acts of the contract law parties on Motor Vehicle movement must be uniform. ➤ The passenger service has to be on need basis rather than on reciprocal basis. ➤ Authorized operators should be from organized sector. ➤ Agreement on remittance transfer should be provisioned. ➤ Life insurance provision for drivers and the crew members should be clearly mentioned in the agreement for cases of breakdown and accident. ➤ No hindrance related to fees and charges should be created for seamless vehicle movement through different states and/or provinces. ➤ Entry and exit from the same point might jeopardize the commercial viability. ➤ Nepal should have comprehensive transit policy. Transit passage should be the integral part of the agreement to prevent blockade in the future. ➤ Nepal has to lobby for building more warehouses.
<p>Kailash Bajimaya</p>	<ul style="list-style-type: none"> ➤ SAARC is the least integrated region in the world. Integration will be much higher with the implementation of BBIN MVA. ➤ Electronic documentation is necessary while implementing BBIN MVA.
<p>Manoj Acharya</p>	<ul style="list-style-type: none"> ➤ The outcome of this study would be very important for Nepal to formulate policies and plans to enhance its transit connectivity with neighboring countries, India and Bangladesh including Bhutan, if it ratifies the agreement in the future. ➤ As a landlocked country, Nepal is facing hurdles in terms of carrying goods from Indian ports for e.g. Visakhapatnam, Kolkata. ➤ Nepal has transit agreement with Bangladesh since 1976 and has an opportunity to utilize the port of Bangladesh namely, Chittagong and Monga port. However, due to weak infrastructure and India lying in between Nepal and Bangladesh, Nepal has not been able to utilize the ports of Bangladesh. ➤ If BBIN MVA comes into force, it will facilitate Nepal’s transit cargo and enhance the trade relations with neighboring countries. The key concern to be raised is on “Transit is the right of land locked countries”. ➤ Even the Law of the Sea and other conventions including WTO agreement on Trade facilitation article 11 and GATT article 5 has mentioned that, LDC deserves to have transit right with the convenient route from its neighboring transit providing country. It is necessary to respect these agreements. No international agreements allow imposing any fees or charges for providing transit services. For ex: Nepal brings

goods from India via Kolkata. In this case, India is not supposed to charge any transit cost against Nepali cargo.

- **Article 7(3) of the BBIN MVA agreement is not in favor to Nepal.** It states that “All fees and charges for the issue of permit for the vehicle of one contracting party will be levied only at the entry point of another contracting party. The rates and fees of such charges including the fee for vehicle in transit will be decided and notified from time to time by the contracting party and inform to one another.” **If this agreement comes into effect, Nepal has to bear transit cost. It is crucial that this provisioned is amended in the agreement.**

Recently, BBIN secretariat has formulated the draft for the BBIN protocol. Ministry of Commerce, Nepal has also received the protocol. The study and considerations of protocol is taking place. If article 7(3) of the BBIN MVA is not amended, it is going to be disastrous for Nepal. Nepal already has limited trade competitiveness compared to the neighboring countries. On top of that, if transit and other service charges are imposed, cost of trade will be very high. It is also important to note that such fees and charges are totally against the international treaties and conventions.