Fundamental Transit Policy Issues in Nepal (Priority 1)

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The UNESCAP/UN-OHRLLS/UNECE Euro-Asian Regional Midterm Review of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024

11-12, February, 2019
Bangkok, Thailand
Nepal : Geographical Location

Land Locked-East, West and South : India, North: China
<table>
<thead>
<tr>
<th>Country at a Glance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>1,47,181 sq. km</td>
</tr>
<tr>
<td>Population</td>
<td>30 million</td>
</tr>
<tr>
<td>GDP</td>
<td>US$ 30 billion</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>70 years</td>
</tr>
<tr>
<td>Literacy Rate (15-24)</td>
<td>90%</td>
</tr>
<tr>
<td>HDI</td>
<td>0.558</td>
</tr>
</tbody>
</table>
**Indicators for LDC Graduation**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2014/15</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNI per capita (US$)</td>
<td>778 (1025)</td>
<td>1012 (1230)</td>
</tr>
<tr>
<td>Human Assets Index (HAI)</td>
<td>68.7 (66)</td>
<td>71.2 (66)</td>
</tr>
<tr>
<td>Economic Vulnerability Index (EVI)</td>
<td>26.8 (32)</td>
<td>28.4 (32)</td>
</tr>
</tbody>
</table>

- **Towards a Meaningful and Sustainable Graduation**
  There is overall readiness of the country to graduate meaningfully, smoothly, sustainably and irreversibly. It is on these substantive grounds, and not technical criteria per se, that Nepal lags behind for reasons.
## Major Trading Partners of Nepal, 2017 (million USD)

<table>
<thead>
<tr>
<th>S.N.</th>
<th>Country</th>
<th>Import Amount</th>
<th>% Value</th>
<th>Export Country</th>
<th>Export Amount</th>
<th>% Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>5850.38</td>
<td>65.74</td>
<td>India</td>
<td>396.51</td>
<td>57.12</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>1247.08</td>
<td>14.01</td>
<td>U.S.A.</td>
<td>88.48</td>
<td>12.75</td>
</tr>
<tr>
<td>3</td>
<td>U.A.E.</td>
<td>223.16</td>
<td>2.51</td>
<td>Germany</td>
<td>29.41</td>
<td>4.24</td>
</tr>
<tr>
<td>4</td>
<td>Indonesia</td>
<td>112.47</td>
<td>1.26</td>
<td>Turkey</td>
<td>27.49</td>
<td>3.96</td>
</tr>
<tr>
<td>5</td>
<td>Thailand</td>
<td>110.16</td>
<td>1.24</td>
<td>U.K.</td>
<td>24.66</td>
<td>3.55</td>
</tr>
<tr>
<td>6</td>
<td>U.S.A.</td>
<td>95.44</td>
<td>1.07</td>
<td>China P. R.</td>
<td>18.11</td>
<td>2.61</td>
</tr>
<tr>
<td>7</td>
<td>Japan</td>
<td>84.53</td>
<td>0.95</td>
<td>Bangladesh</td>
<td>12.92</td>
<td>1.86</td>
</tr>
<tr>
<td>8</td>
<td>Argentina</td>
<td>84.28</td>
<td>0.95</td>
<td>France</td>
<td>11.57</td>
<td>1.67</td>
</tr>
<tr>
<td>9</td>
<td>Malaysia</td>
<td>73.27</td>
<td>0.82</td>
<td>Japan</td>
<td>11.22</td>
<td>1.62</td>
</tr>
<tr>
<td>10</td>
<td>Vietnam</td>
<td>68.31</td>
<td>0.77</td>
<td>Italy</td>
<td>10.89</td>
<td>1.57</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>950.08</td>
<td>10.68</td>
<td>Others</td>
<td>62.84</td>
<td>9.05</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>8899.17</td>
<td>100</td>
<td>Total</td>
<td>694.12</td>
<td>100</td>
</tr>
</tbody>
</table>

Trade Deficit = 8205.05

Export Import Ratio = 1:13
Key Means of Transportation

• Airways
  – Upgrade of existing airports
  – Regional international airports (Pokhara and Bhairahawa going to complete soon)
  – Nijgadh International Airport – potential for regional hub (planned)

• Roadways
  – Kathmandu Tarai Madhesh Expressway
  – East-west and North-South Highways
  – Tunnel ways (planned)

• Railways
  – Jayanagar (India)- Janakpur (Nepal)
  – Kerung (Tibet)-Rasuwasagadi-Kathmandu-Pokhara-Lumbini (Planned)
  – Raxaul (India)- Birgunj-Kathmandu (Planned)
  – East-West(Planned)
  – Metrorail, Monorail (Planned)

• Waterways in the Southern part (Planned)
Transit Routes

• South Part is Plain and easier for transit through India (Land Ports: Birgunj, Bhairahawa, Nepalgunj, Dhangadhi, Kakadbhitta etc.)

• North Part is Himalayan Region with High Mountains bordering China (Land ports: Rashuwagadi-Kerung, Tatopani-Khasa, Korala-Tibet etc.)

• For third country transit, through India (Kolkata, Visakhapatnam etc.) and China (MOU in 2018)

• Using some ports of Bangladesh
Nepal has concentrated in Improving Fundamental Transit Policy through:

- Bilateral Agreements
- Regional Agreements
- Multilateral Agreements
- Customs Cooperation
- Harmonization of Standards
Fundamental Transit Policy Issues in Nepal

• Nepal’s Trade Policy 2015
  – Export Promotion
  – Strengthening Supply-side Capacity
  – Increasing exports of value-added Competitive Products and Services
  – Increasing access of Goods, Services, and Intellectual Property to regional and world markets
  – Trade Mainstreaming in sectoral policies, Aid for Trade, etc.
Fundamental Transit Policy Issues in Nepal

Nepal Trade Integration Strategy (NTIS, 2016): enhances Nepal's export competitiveness through seven cross-cutting strategic areas:

- Trade capacity
- Trade and investment environment
- Trade and transport facilitation
- Standards and technical regulations
- Sanitary and Phyto-Sanitary (SPS) measures
- Intellectual property rights
- Trade in services and developing export strategies for selected products
Fundamental Transit Policy Issues in Nepal

- **A New Transit Policy**: in the process of drafting

- **Nepal Trade and Transit Facilitation Committee (NTTFC)**, led by Secretary of Ministry of Industry, Commerce and Supplies (MoICS): addresses the transit policy issues faced by the country.

- **A central-level Board of Trade chaired by the Minister for Industry, Commerce and Supplies** with the participation from the private sector, public sector as well as academicians: provide necessary assistance in trade and transit policy formulation, policy monitoring and inter-agency coordination.
Bilateral Transit Issues

India

• Nepal-India Inter Governmental Committee (IGC) and Inter-Governmental Sub-Committee (IGSC) were formed to discuss issues on trade, transit and cooperation to regulate unauthorized trade.

• Nepal-India Oversight Mechanism - to facilitate implementation of ongoing bilateral projects within defined timeline.

• The latest sixth meeting of the Oversight Mechanism - completion of all bilateral economic and development cooperation projects by addressing the challenges arising during the project implementation such as the cross-border rail projects, Integrated Check Points (ICPs), Terai Road Project, and Cross Border transmission lines, among others.

• An agreement with India to develop inland waterways for cost-effective and efficient cargo movement.
Bilateral Transit Issues

China: Nepal and China signed the Transit Transport Agreement in 2016 and the framework agreement on Belt and Road Initiative with China in 2017,

Trade and Transit Agreement between Nepal and China, 2015,

MOU on Cooperation in Railway Projects, 2018.

Bangladesh: Nepal is using two ports since 1976 and five transit points for Nepali transit cargoes.
Regional/Sub-regional Transit Issues

• Nepal signed the Bangladesh, Bhutan, India, Nepal (BBIN) Motor Vehicles Agreement (MVA) along with Bangladesh, Bhutan and India to further strengthen sub-regional connectivity.

• The operationalization of LLDC Think Tank and the LDC Technology Bank in the recent years has enhanced scope for partnering and receiving relevant cooperation.
Multilateral Transit Issues

- Nepal endorsed the implementation of the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO).
- Nepal acceded to the Revised Kyoto Convention (RKC).
- Playing Active Role in multilateral negotiations on LLDCs matters.
Customs Reforms

- The Department of Customs has installed a total of 18 automated web-based systems (15 are ASYCUDA World, 3 are ASYCUDA++)

- Integrated Check Posts (ICPs) are being built in main border-crossing points between India and Nepal, namely Bhairahawa (Rupandehi), Nepalgunj (Banke) and Biratnagar (Morang). The ICP in Birgunj has also came into operation.

- Nepal also has four Inland Container Depots (ICDs) in operation, namely Bhairahawa, Birgunj, Biratnagar and Kakarbhitta (Jhapa).

- An Electronic Cargo Tracking System (ECTS) was set up at the inland clearance depot in Birgunj.
Thank you

Namaste