# Recommendation for the upcoming
# Secretary (Commerce) Level Inter Governmental Committee (IGC) meeting
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# Joint-Secretary (Commerce) Level Inter Governmental Sub-Committee (IGSC) between Nepal and India on Trade, Transit and Logistic Issues


**Presented by**

**Nepal India Chamber of Commerce and Industry (NICCI)**

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**Recommendation for the upcoming IGSC and IGC meeting between Nepal and India**

**on Nepal-India Trade Transit and Logistics Issues and Changes in Trade and Transit Treaties and Agreement to control Unauthorized Trade**

| Ongoing Issues | Solutions / Relaxation Sought | Justification | Remark |
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| **Review of the Trade Treaty between Nepal and India, 2009** | According to the consensus reached at the high political level (Prime Minister and Ministerial level), the Trade Treaty between Nepal and India, 2009, is in the process of being reviewed and revised. For this, three technical review meetings (Joint Secretary Level) have been completed so far.<br><br>(New Delhi in August 2018, Pokhara in February 2019 & Jan 2023 during Inter Governmental Committee meetings).<br><br>**Issues raised by Nepal:**<br>1. Non-reciprocal arrangements on imports of primary products such as rice, wheat, fruits, and vegetables, timber and resin, fisheries, and minerals<br><br>2. Technical assistance to enhance Nepal's capacity for compliance with technical and regulatory requirements in India, particularly related to standards and certifications.<br><br>3. Abolition of fixed quotas (tariff rate quotas) on products such as acrylic yarn, copper utensils, vegetable ghee and zinc oxide.<br><br>4. Review of the Most Favored Nation (MFN) provisions.<br><br>5. Relaxation in the rules of origin (RoO) to qualify for preferential market access to the Indian market<br><br>6. Nepal has highlighted the need for appropriate alignment of trade-related infrastructure at border points to ensure smooth and efficient movement of goods.<br>7. Nepal has advocated for the establishment of a structured and effective Dispute Resolution Mechanism (DRM) to ad<br><br>8. 8Addition of new routes for mutual trade in Protocol Schedule "A". | • Based on official trade data, it is clear that Nepal is facing challenges of galloping trade deficit since 2002. One of the reasons for the trade deficit is the restrictive provisions introduced during the renewal of the Treaty in 2002 by tying up preferences of duty exemption for primary products with principle of reciprocity. RoO requirement of 30% value addition originating from contracting parties and inclusion of fixed quota for selected articles while entering into India under preferences. (For 1 & 3)<br>• Relaxing the reciprocity provision could help level the playing field for Nepalese farmers and promote fair trade between the two countries. (For 1)<br>• Trade Related Technical Assistance (TRTA) from India to Nepal to implement the spirit of the Article I, so far, has been least materialized or inadequate. Nepali has proposed to engage competent authorities of SPS and TBT in respective countries for regular consultation and communication at the central or regional levels. Additionally, Nepali has requested Indian to support developing standards, quarantine and testing facilities of Nepali laboratories such as DFTQC, NBSM, Department of Drug Administration, Customs labs, Plant and Animal Quarantine related laboratories. (For 2)<br>• The Trade Treaty between the two countries has included an Annexure 'C' | • Presently the Indian government has provided more than 8 types of subsidies to the agriculture sector. Hence Nepal could not compete with Indian Agriculture Products<br><br>• Trade statistics with India is attached herewith |

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| | 9. Permission to re-export third country products from each other's territory.<br><br>10. National treatment for Nepali products in public procurement in India.<br><br>11. In the third technical meeting Nepal has submitted draft of the revised treaty based on three meeting completed. Nepal is waiting for comments and suggestions from India on draft submitted. | with the provision of fixed quota for four products manufactured in Nepal to entry into India. In India's Trade Treaties with neighbouring countries including Bhutan, Bangladesh and Sri Lanka no such quantitative restriction in effect. Given this fact, TRQs does not comply with the provision of Article III (b) of the Trade Treaty. Due to this fixed quota provision coupled with stringent operationalization modalities, Nepali exports are subjected to multiple hassles. This has resulted in the sharp decline in production and export to India. (For 3)<br>• The provision in the Article III of Treaty of Trade between Government of Nepal and the Government of India is "Both the contracting parties shall accord unconditionally to each other treatment no less favorable than that accorded to any third country with respect to (a) customs duties and charges of any kind imposed on or in connection with importation and exportation and (b) import regulations including quantitative restrictions." This provision has limited Nepal's position in negotiation on FTA/PTA with any other country. Hence, Nepal has requested India to review this provision during comprehensive review of the Trade Treaty. (For 4)<br>• Nepal requests to amend the Article V, clause 1, (b), (ii) of Protocol to the Treaty of Trade, to make a provision of maximum 75 % of the non-originating materials or parts instead of 70% of the Free on Board (FOB) price of the articles produced. As per qualifying criteria as stated in the | |

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| | | referred Protocol 1(b) (i) and (ii) with reference to Article V of the Treaty, two criteria apply. Nepali has requested to make applicable any of the two criteria in order to qualify under the RoO criteria. (For 5)<br>• Development/Upgradation of Land Ports bordering Nepal and Shifting of Immigration Facilities to these Ports, specially re-establish the immigration facility at Panitanki border point would enhance its border management capabilities, facilitate trade, and improve the overall experience for travelers. (For 6).<br>• Incorporating a robust dispute settlement mechanism into the Treaty of Trade, Nepal and India can enhance their ability to resolve trade disputes efficiently and effectively, promoting a more stable and predictable trade environment (For 7).<br>• The existing treaty between Nepal and India specifies specific national highways/routes for trade between tow countries. While this provides clarity, it can also create challenges in case of disruptions, such as natural disasters or political unrest. By adding new route Nepal can mitigate the risks associated with disruptions in the existing routes and ensure the smooth flow of goods. (For 8)<br>• The Article III of Agreement of Cooperation between the Government of Nepal and the Government of India to Control Unauthorized Trade has prohibited re-export to the territory of the other | |

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| | | contracting country of the goods imported from third countries without manufacturing activity. Presently, most to the multinational companies have created supply hub in different part of India. For Nepalese importers importing third country goods from India would be cheaper compared to importing from parent countries. Besides, exporting third country goods to India from Nepal is very costly due to very high transportation cost. Hence, Nepal requests the Government of India to amend provision of this Article and allow re-export of third country goods to contracting country. (For 9) | |
| **Apply Electronic Cargo Tracking System (ECTS) to cargo coming from third countries.** | • Electronic Cargo Tracking System (ECTS) was initially started on a pilot basis on 1 August 2018 from Vishakapatnam Port and 15 February 2019 from Kolkata/ Haldia Port.<br>• Presently the Electronic Cargo Tracking System has been used in the third country cargo of Nepal imported through gateway port of India via rail route as provisioned in the "**Transshipment of Cargo to Nepal under Electronic Cargo Tracking System Regulations, 2019**".<br>• As provisioned in Treaty of Transit, 2023, Nepal can use multimodal transportation, utilizing inland waterways and road routes with sealed movement of the cargo under an ECTS seal.<br>• Nepal has already shared a LoE on "Amendment to the Protocol to the Treaty of Transit between the Government of Nepal and the Government of India for the movement of traffic-in-transit of Nepal through road and rail, from the entry and exit points in India and vice versa, using transshipment procedure using ECTS".<br>• This LoE has been finalized after a couple of discussions between officials of both countries and shared by Nepal with India<br>• Nepal should request India for inclusion of this provision in the Transit Treaty between Nepal and India through the LoE. | Use of ECTS has substantially decreased the processing and document requirements in movement of import cargo from third country to Nepal.<br>Nepal has underscored the importance of simplified trans-shipment modality using electronic tracking system and proposed Government of India for early conclusion of the LoE related to ECTS for ensuring transshipment modality in transit cargo of Nepal. | |

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| **Smooth operation of the Biratnagar and Sunauli-Nautanwa route rail service** | • The Treaty of Transit between Nepal and India, 2023 has already provisioned operation of railway service via Jogbeni/Biratnagar and Sunauli/Nautanwa for third country cargo.<br>• The railway links up to Biratnagar has been already inaugurated jointly by the Honorable Prime Ministers of Nepal and India handed over to Nepal.<br>• These routes have not been operationalized due to lack of coordination between CBIS and Indian Railway in following activities:<br>○ Furnishing of the customs office in the Nepal India boarder<br>○ Installation of safe and high-power internet lines in the office.<br>○ Appointment of authorized operator as per the provision of Railway Service Agreement between Nepal and India, to work as custodian to operate the consignment movement<br>○ Publication of Public Notice by the custom office of gateway Port and Jogbeni Custom Office. | Presently Nepal has only one railway link in Raxaul/Birgunj in operation for cargo movement. Railway links in Biratnagar and Sounali will enhance the seamless movement of the third country cargo in eastern and mid-western Nepal. It will also reduce the transportation costs. | |
| **Extension of railway line up to Inland Clearance Depot (ICD) Kakadbhitta, Integrated Check Post (ICP) Bhairahawa, Nepalgunj and Dodhara-Chandani ICP.** | • ICP in Nepalgunj is already in operation and ICPs in Bhairahawa and Dodhara-Chandani are in construction phase.<br>• Nepal should request Government of India to extend the railway link up to these ICPs for smooth movement of cargos which will boost international trade of Nepal. | It will strengthen the connectivity in mid and western Nepal and help in reducing time and cost | |
| **Provision to use alternative national highways/route in traffic-in-transit** | • The Transit Treaty between Nepal and India, 2023 has specified the national highway/routes for traffic-in-transit for Nepal.<br>• If these routes are blocked due to some disaster, it is necessary to get separate permission from the concerned authorities for the movement of traffic-in-transit cargo.<br>• Hence, Nepal should request for provision of alternative routes for traffic-in-transit, especially in Jharkhand and Bihar | It will enhance efficient movement of traffic-in-transit cargo for Nepal. | |

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| **Transshipment in air cargo via rail/ road** | • The transshipment in air cargo via rail/road is not provisioned in Transit Treaty.<br>• Presently the transshipment in air cargo is operating on an ad hoc basis. It is creating problems in cargo movement from time to time due to absence of clear provision<br>• Hence, Nepal should request to include this provision in Transit Treaty. | Provision of movement of air cargo by rail/road from Kolkata Airport to Nepal by adding such provision in the Protocol to the Treaty of Transit will enhance smooth movement of cargo to Nepal | |
| **Facilitate operationalization of Inland waterways** | • As provisioned in the Transit Treaty 2023, Nepal can use multimodal transportation, utilizing inland waterways and road routes with sealed movement of the cargo under an ECTS seal.<br>• Nepal to use inland waterways of India via Sahibgunj, Kalughat and Vanarasi.<br>• These routes have not been operationalized. | Utilization of these route will help smooth movement of the cargo of Nepal, and it will reduce transportation cost also.<br><br>The concerned authority of India should facilitate for smooth operation of Inland Waterways for Nepal. | |
| Inland Clearance Depot **(ICD) Automation and accept copies in customs clearance for issuing Customs Transit Declaration (CTD).** | • Nepal has requested Government of India for introduction of automated customs clearance system in entry port and land customs station and accept scanned copies/copies of the required documents | This provision will enhance paperless trade and increase efficiency in smooth movement of cargo to and from Nepal. | |
| **Clarification on the provision of Sensitive Goods movement.** | • Clarification of the provisions and timely intimation of the list of sensitive goods so as to appropriately disseminate the same to concerned stakeholders | | |
| **Upgradation and maintenance of roads and other infrastructures connecting borders**. | • Nepal should request Government of India for periodic upgradation and maintenance of the road and other infrastructure connecting the border especially at Jogbani, Raxaul, Nautanwa, Nepalgunj Road, Gauriphanta and Dodhara-Chandani. | Upgradation and maintenance of roads and other infrastructures connecting borders would substantially decrease the time and cost of the cargo movement and increase smooth movement of the cargo. | |
| **Development/Upgradation of Land Ports bordering Nepal and Shifting of Immigration Facilities to these Ports.** | • Nepal should request Development/Upgradation of Land Ports bordering Nepal and Shifting of Immigration Facilities to these Ports; specially re-establish the immigration facility at Panitanki border point | This will facilitate the export promotion of Nepal | |

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| **Land Custom Station (LCS) at Dharchula (motorable bridge site)** | • Nepal should request Government of India to establish Land Customs Station (LCS) at Dharchula. | It is necessary to facilitate trade in remote hilly areas of western Nepal | |
| **Establishment of Food Testing Labs at or near border areas customs points.** | • Nepal should request for the establishment of Food Testing Labs at or near border areas specially at Panitanki, Jogbani, Nautanwa, Nepalgunj Road and Banbasa customs points. | Establishment of Food Testing Labs at or near border customs points would facilitate the export trade of Nepal. | |
| **Reduction of time in testing in Labs in India** | • The extended lead times required to send samples to designated testing laboratories in Kolkata, Lucknow, and other locations significantly increase business costs, rendering products less competitive in terms of pricing. Additionally, these delays contribute to quality degradation and the spoilage of perishable items. | This would decrease time and cost of export trade of Nepal | |
| **Establishment of Quarantine Office at Indian side.** | • Establishment of Quarantine Office at Indian side specially at Sonbarsa-Malangwa, Bhittamode-Jaleshwor, Bhimnagar-Bhantabari, Khunwa-Suthauli would enhance the smooth export trade of Nepal. | This would reduce both the time and cost associated with Nepal's export trade. | |
| **Issues regarding transit cargo from Bangladesh** | The following are the major issues to be addressed:<br>• Removal of weight restrictions in Kakarbhitta-Banglabandha via Phulbari: The current weight restrictions is 16.2 tons for conventional vehicles and 19 tons for multi-axle vehicles.<br>• Alternate provision instead of the existing convoys for traffic-in-transit along Phulbari/Banglabandha – Kakarbhitta route<br>• Facilitate import by Nepali trucks from Banglabandha ICD, Bangladesh and develop parking yard in Phulbari.<br>• Railway operation through Rohanpur-Singhabad to Biratnagar and Birgunj | Bangladesh is one of the emerging consumption economies in South Asia. These issues have been significantly hindering the smooth movement of the cargo movement to and from Bangladesh. Early solution of these issues would enhance the trade between Nepal and Bangladesh. | |
| **Movement of all kinds of bulk cargo** | • The Treaty of Transit 2023 permits the movement of only Cement, Coal, Clinker, and Fertilizer through the Kolkata to Biratnagar/Jogbani and Kolkata/Visakhapatnam (Vizag) to Sunauli/Nautanwa railway routes. Nepal should request the inclusion of additional items, such as steel wire, Hot Rolled (HR) coils, iron bars and sheets, food grains, iron ore, gypsum, and similar goods, under the definition of bulk cargo. | This will substantially reduce the transportation cost of the raw material import in Eastern and western Nepal and enhance the industrial development of these areas | |

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| **Additional gateway port for Nepal** | • In the Second Round of Discussions for the Comprehensive Review of the Nepal-India Treaty of Trade on 7-8 February 2019 and subsequent meetings with officials of the Government of India it is agreed to include additional ports in the Treaty of Transit between Nepal and India.<br>• Hence Nepal has requested to include additional two Ports: Dhamra and Mundra.<br>• On 27 January 2021, the Ministry of Port, Shipping and Waterways of India has recommended Ministry of Industry and Commerce of India to include all the east coast port of India for Nepal India Transit Treaty.<br>• The Ministry of Port, Shipping and Waterways of India is still in process to recommend western ports for Nepal. | Use of these additional gateway port would increase connectivity, diversify routes, reduce transportation costs, improve Nepal's competitiveness in global trade, and foster economic cooperation and regional stability.<br>. | |
| **Additional issues** | India has imposed anti-dumping duty on jute and jute products exported from Nepal. Government of India has been requested to remove the said Anti-dumping Duty through various mechanisms, meetings and correspondence from the Government of Nepal. | This will enhance the export of jute product to India from Nepal | |
| **Clarification on the provision of Sensitive Goods movement** | | The Nepali delegation raised concerns about the excessive amounts demanded by the Customs Authority in Kolkata. These charges are calculated as the difference between the market value of goods in India and their Cost, Insurance, and Freight (C.I.F.) value, plus Indian customs duties, in cases where edible oil shipments fail to reach Nepal. Despite the submission of appropriate First Information Reports (FIRs) to the Indian police and documented evidence from insurance surveyor reports, incidents such as accidents, thefts, and other contingencies were not considered when imposing these excessive charges.<br><br>Nepali side also requested for timely intimation of the list of sensitive goods to appropriately disseminate the same to concerned stakeholders | |

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| **Acceptance of Online Certificate of Origin (CoO) issued under Nepal National Single Window System (NNSWS)** | Nepali has requested Indian side to accept online copy of Certificate of Origin (CoO) issued by competent authorities under the Nepal | This will reduce the cost and time to export the goods from Nepal | |
| **Pharmaceuticals product export to India** | Nepali has proposed for the Mutual Recognition Agreement between the drug regulatory bodies Department of Drug Administration of Nepal (DDA) and Central Drug Standard Control Organization of India (CDSCO) of both the countries. | This will enhance the pharmaceuticals industry in Nepal. | |
| **Non-tariffs measures restricting Nepali exports e.g., Bureau of Indian Standards (BIS)** | India should be requested to expedite the issuance of BIS certificates to Nepali manufacturers of products for which India has made obtaining BIS certification mandatory.<br><br>An agreement to fast-track the processing of applications for BIS certification filed by Nepali producers within a stipulated time should be sought.<br><br>A mutual recognition agreement covering select goods—with the coverage expanded over time—should be sought such that certificates issued by relevant authorities of Nepal are accepted by Indian authorities at the customs. | Reduced uncertainty for Nepali producers and exporters.<br><br>Increase in exports from Nepal to India. | |