

Trade & Transit Facilitation: Nepal's experience

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Outline

- Background
- Nepal's initiative
- Nepal's implementation efforts and status
- Some effect of COVID and remedial measures
- Issues and challenges
- Ways ahead

Background

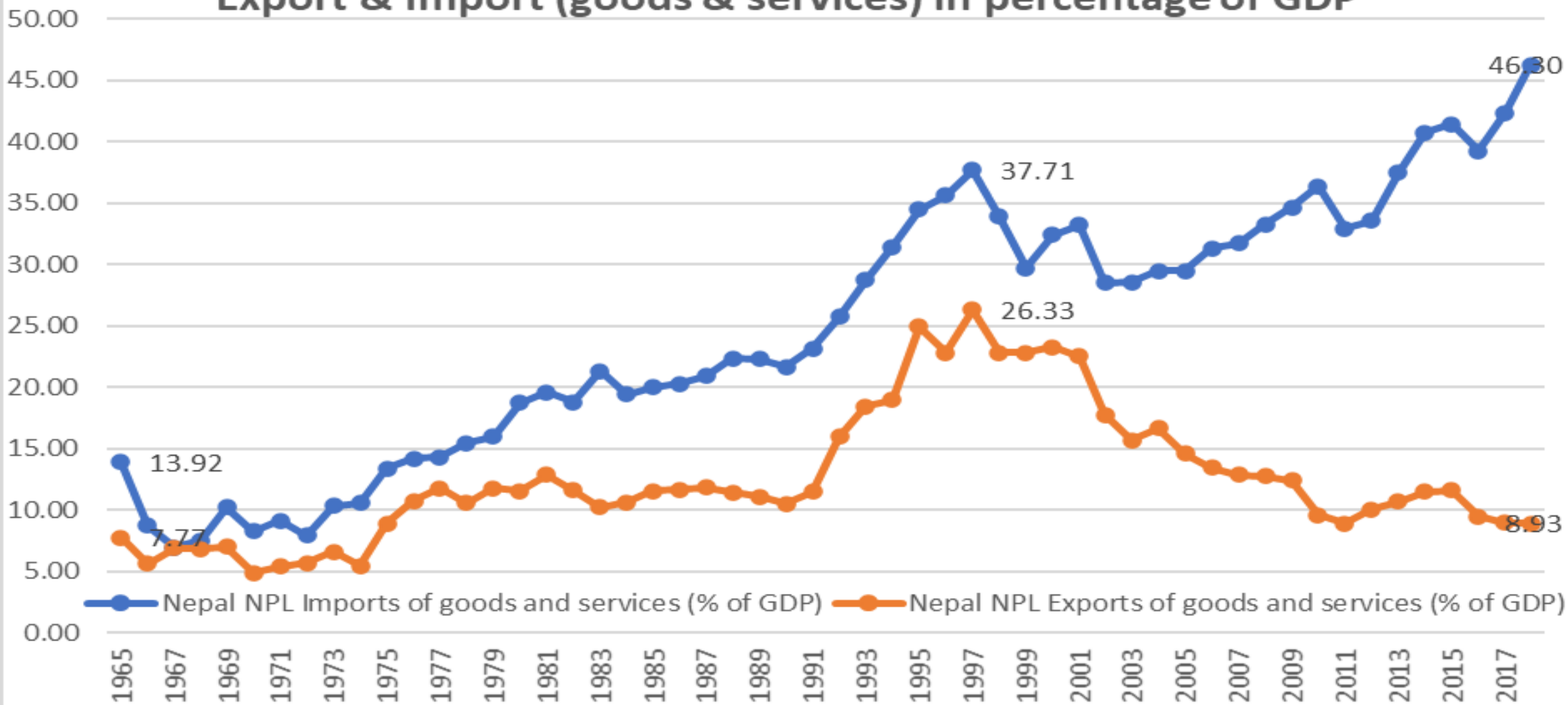
- Trade and transport facilitation: key to enhancing productivity & export competency
- Nepal located between India and China as a landlocked country
- Transit facility through the territory of India since long back
- Nepal's trade with neighbouring countries (India and China) covers about 76% which reflects the constraints of transit facilitation
- The share of LLDCs' exports fell from 1.19% in 2014 to 0.98% in 2018
- Average distance to a seaport: 1,370 km
- LLDCs' trade cost: 50% higher than coastal countries' (World Bank)
- Nepal's share of export (2019) 0.005% vs population 0.37% of world
- Landlocked has some implication in geopolitics which mostly hinders smooth functioning of those governments

Trade performance of Nepal (FY 2019/020, TEPC Nepal)

Overall scenario	
Export:	97.71 billion
Import	: 1196.80 billion
Total trade:	1294.51 billion
Trade deficit:	1099 billion
Export Import Ratio	1:12.2

Top trade partners					
Countries	Export	Import	Total trade	Trade balance	Share of total trade
India	70.11	735.3	805.41	(665.19)	62.2
China	1.19	181.9	183.09	(180.71)	14.14
United States	9.44	23.5	32.94	(14.06)	2.5
Indonesia	0.125	30.8	30.925	(30.675)	2.4%
UAE	0.222	18.1	18.322	(17.878)	1.4%
Total of top 5	81.087	989.6	1070.687	(908.513)	82.7%

Export & Import (goods & services) in percentage of GDP



Source: Developed from the data available on <https://data.worldbank.org/indicator?tab=all>

Nepal's transit facilities

Transit Via India:

- Gateway Ports (Kolkata/Haldia and Visakhapatnam Ports)
- 27 Border Crossing points/15 Transit Routes

Transit Via China (in the process of operationalization)

- Four sea ports: Tianjin, Shenzhen, Lianyungang and Zhanjiang
- Three land ports: Lanzhou, Lhasa and Shigatse and six border points for transit routes

Transit via Bangladesh (not yet operationalized)

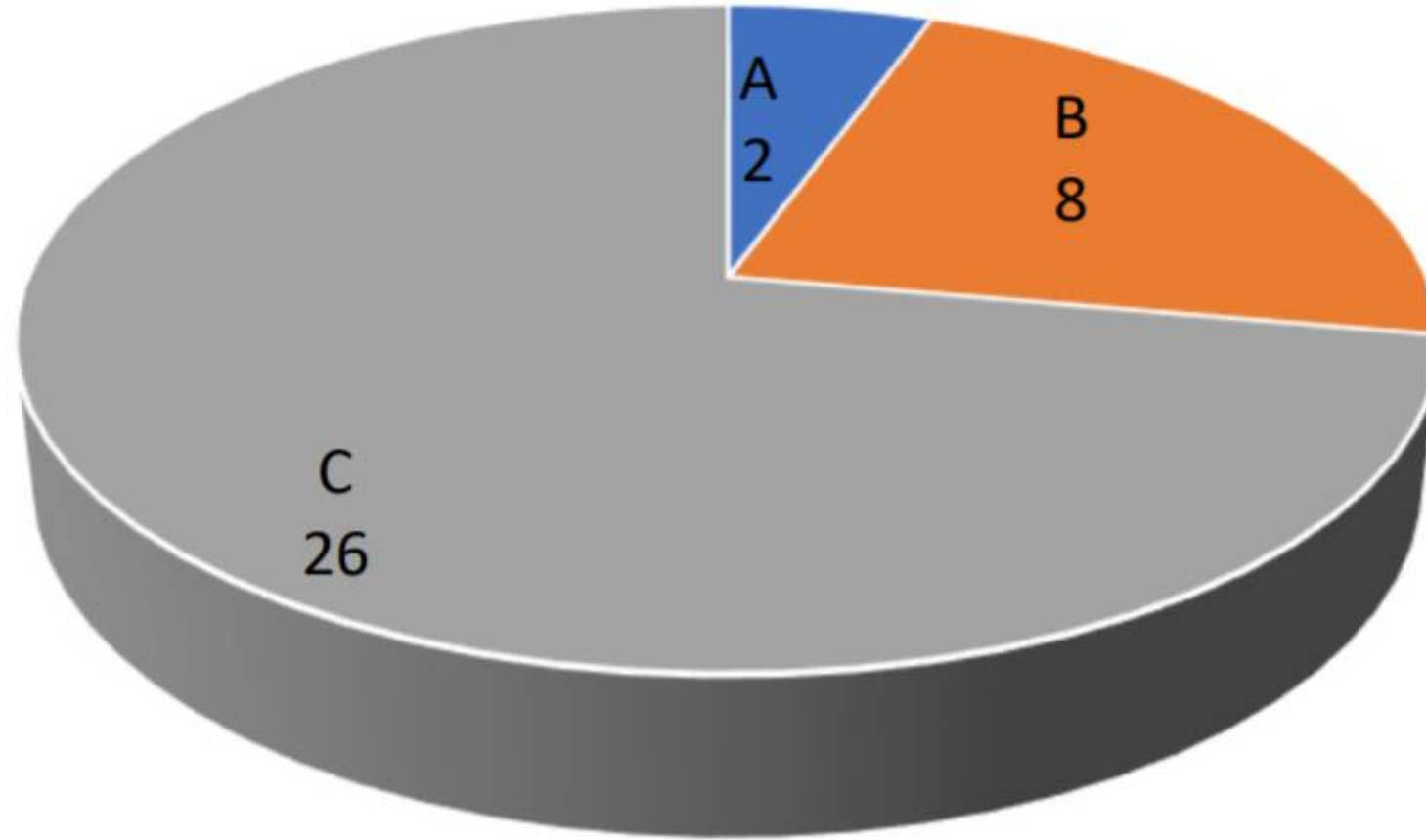
- Mongla and Chittagong Ports (no transit traffic moved yet)
- Kakarbhitta-Phulbari-Banglabandh route (only used for bilateral trade)

Nepal's initiative in trade facilitation

- **Nepal Trade and Transport Facilitation Committee in 1997**
- Reconstituted in 2012, and adjusted as per the requirement of the WTO TFA
- Active involvement in TFA negotiation and conclusion as LDC coordination
- Ratification by the parliament before enforcement of the WTO TFA, & RKC
- Some provisions under SAFTA and BIMSTEC
- Working Groups under SASEC
- Bangladesh, Bhutan, India and Nepal (BBIN) initiative
- Need assessment to identify category of provisions

Nepal's implementation
efforts of TFA and status

Nepal's notification of different categories of TFA measures



Definitive date of category B implementation

Provision	Heading/description	Definitive date for implementation
Article 1.1	Publication	31 December 2023
Article 1.4	Notification	31 December 2023
Article 2.2	Consultations	31 December 2023
Article 5.2	Detention	31 December 2024
Article 6.1	General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	31 December 2022
Article 7.9	Perishable Goods	31 December 2025
Article 10.2	Acceptance of Copies	31 December 2024
Article 10.8	Rejected Goods	31 December 2025

Some progress in implementation of TFA

Legal reforms:

- New customs bill as per the requirement of WTO TFA, RKC and others, New Import Export Bill to facilitate trade, Information Technology Bill submitted to the parliament for final approval

Customs and border processing reforms:

- DoC's CRMSAP 017-022: improving measures 1.3, 2.2, 5.2, 6.2, 6.3, 10.7, 10.8, 10.9 & others
- Publication of TRS of Mechi, Biratnagar & Bhairawa posts: alignment with measure 7.6
- National subheading of goods, advance ruling, valuation automation and others
- Nepal National Single Window being developed: 41 agencies to be integrated
- National workshop on cross border e-commerce in customs, and WTO TFA implementation
- Improvement in status of doing business ease: cross border trade 60th with 85.1 score

Some progress in implementation of TFA..

Trade logistics and coordination

- Transit diversification, and further interventions in railways, roads, highway tunnels, international airports and inland waterways
- Trade logistic infrastructure being strengthened both at borders & Kathmandu
- Electronic Cargo tracking system in transit (import) from Kolkata and Visakhapatnam
- Interagency coordination: NTTCF and other mechanism
- 99.9% trade through ASYCUDA system

Art. 23.2 National Committee on Trade Facilitation

National Trade and Transport Facilitation Committee

Main objectives

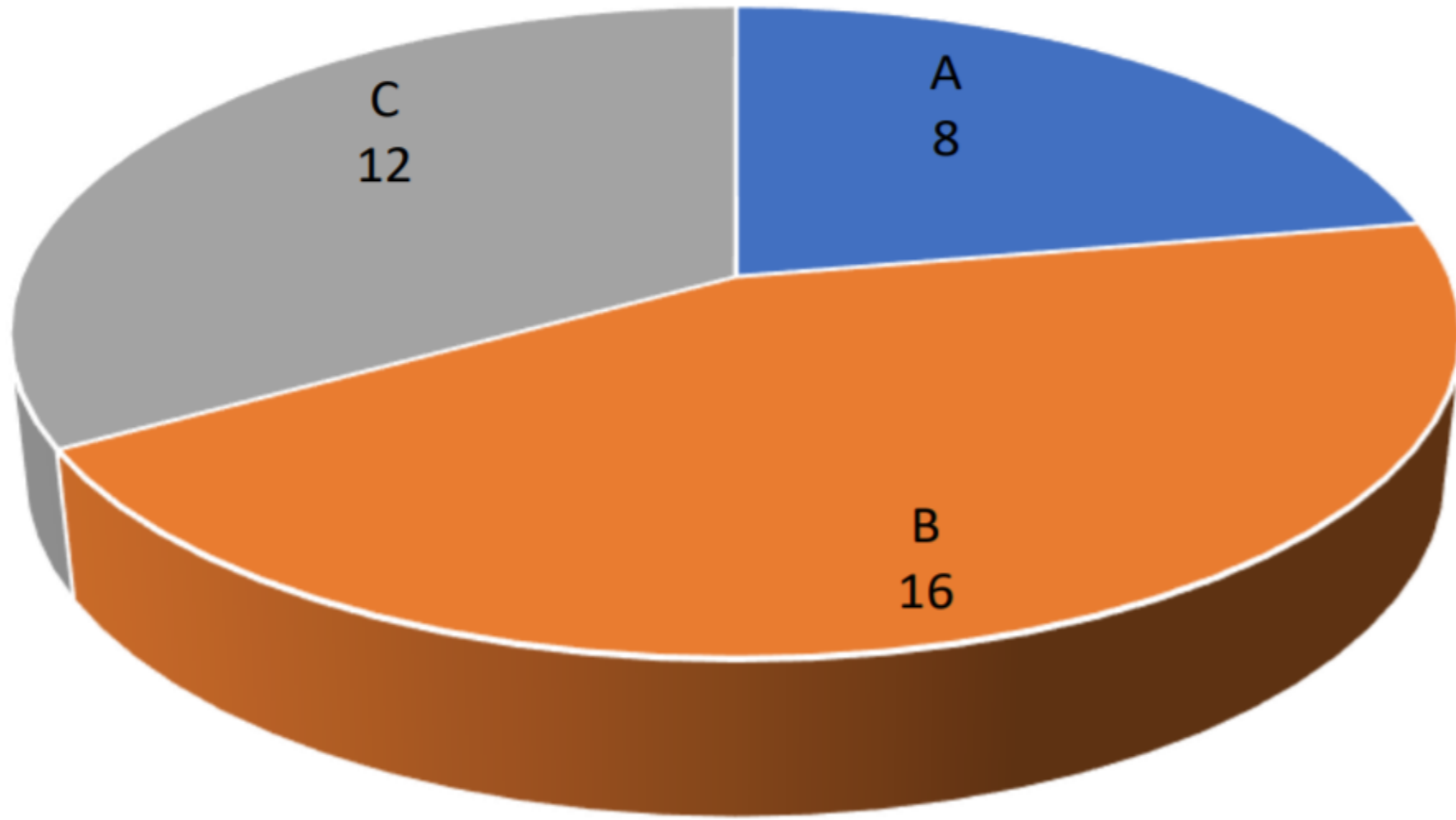
- to provide a high level public private consultation forum at a national level on issues of trade, transport and transit in Nepal
- to decide & provide guidance on key policies, regulatory & development program
- to suggest on the policy reforms on Trade and Transit matters
- to assist in implementing such reforms in various trade related sectors
- to coordinate public and private sector for the trade promotion of Nepal

SN	Agency/Organization	Designation	Status
1	Ministry of Industry, Commerce and Supplies	Secretary	Chairperson
2	MoICS (MTTCD)	Joint Secretary	Member
3	MoICS (BRTD)	Joint Secretary/NPD	Member
4	MoICS (IIPD)	Joint Secretary	Member
5	Ministry of Finance	Joint Secretary	Member
6	Ministry of Agriculture and Livestock Development	Joint Secretary	Member
7	Ministry of Physical Infrastructure and Transport	Joint Secretary	
8	Ministry of Urban Development	Joint Secretary	Member
9	Department of Commerce, Supplies & Con. Protc.	Director General	Member
10	Department of Customs	Director General	Member
11	Trade and Export Promotion Centre	Executive Director	Member
12	Nepal Intermodal Transport Development Board (NITDB)	Executive Director	Member
13	Nepal Warehouse and Transit Company Ltd.	Executive Director	Member
14	Nepal Rastra Bank	Executive Director	Member
15	Federation of Nepalese Chambers of Commerce and Industries (FNCCI)	President	Member
16	Confederation of Nepalese Industries (CNI)	President	Member
17	Nepal Chamber of Commerce (NCC)	President	Member
18	Nepal Freight Forwarder Association	President	Member

Functions of the NTTFC

- i. **Advice on regulatory reform:** review of the existing legal framework related to trade, transit and transport and advise with a view to facilitating domestic and international trade;
 - ii. **Monitoring & coordination** function:
 - iii. **Capacity enhancement** functions; capacity building, training and skill development of the public & private sector institutions
 - iv. **Research and development** function; managing research on trade, transit and transport facilitation and provide policy input to the GoN
- **4 Sub-Committees** in place to handle sectoral issues

WBG TFA Gap Assessment, 2019 (draft)



Some effects of COVID and remedial measures

Situation

- International trade reduced from Nrs 5 B daily to Nrs 1 B at initial stage
- Lockdown & other restriction in economic activity impacted reduction
- Supply chain disruption both domestic and international level
- Delay in receiving cargo at customs resulted congestion at border
- Problem in smooth flow of goods, information and documentation

Initiatives

- Necessary safety measures adopted in customs procedures & remained open always
- Trade facilitation through virtual meeting at regional (SAARC) and bilateral levels
- Border processing based on soft copies of documents and quick response team (24 H)

Issues and challenges

- Insufficient trade related infrastructures including ICT (at border & inside)
- Coordination in development/maintenance of transit transport infrastructure and harmonisation of policy, regulatory and administrative instruments
- Slow process of customs cooperation at the regional or sub-regional level
- High trade cost linked with trade (export) reducing effect causing negative impact on economic growth and unable to fully harness its potential
- Low product diversification, low value addition, & limited trade partners
- Condition further severe as landlocked least developed country

Ways ahead

- Timely and effective implementation of the Vienna Programme of Action (VPoA) and WTO TFA
- Nepal's efforts to be complemented by international support measures (huge infrastructure gap & digital divide)
- SAARC and BIMSTEC: to be platforms for multidimensional regional connectivity and increase intraregional trade
- Nepal towards integrating to global & regional value chains, and to transform from a 'land-locked' to a 'land-linked' country

Ways ahead

- The corridor approach: support from coastal countries and development partners required
- Greater utilization of ICT and other technology (support from DP expected)
- Economic integration and interdependency between Nepal and its neighbours: support from DP in dire need
- Partnership for innovation and technological capacity building for LLDCs
- Institutionalizing LLDC Group at the WTO: Transit facilitation sub-committee,..

THANK YOU

Namaste

