

## Regional Consultation on Deepening Economic Cooperation in South Asia



On the eve of the 18th SAARC Summit, SAWTEE in collaboration with Government of Nepal, Federation of Nepalese Chambers of Commerce and Industry (FNCCI), GIZ, CUTS International and Indian Council for Research on International Economic Relations (ICRIER) organized the regional consultation on Deepening Economic Cooperation in South Asia on 23-24 November 2014.

Chief Guest, Mahendra Bahadur Pandey, Minister of Foreign Affairs, stated that the SAARC has long dreamed of deeper regional cooperation for economic growth and prosperity, and has undertaken initiatives to facilitate trade and investment, and improve regional connectivity. However, several constraints, including financial and investment-related, largely affect the efficient implementation of trade and transport facilitation measures. Thus, he expressed hope that SAARC would undertake necessary steps to promote intra-regional investments and attract foreign direct investments (FDIs).

He also stated that through the effective implementation of the SAARC Agreement on Trade in Services (SATIS), SAARC could see higher growth in the services sector. Expressing dissatisfaction over the fact that most countries in the region have failed to meet the Millennium Development Goals (MDGs), he emphasized that the SAARC Development Goals should be aligned with the Sustainable Development Goals in line with the post-2015 development agenda. Further, he highlighted the necessity to take mitigation and adaptive measures to address the threat of climate change, which is going to impact, among others, food security of the region. Strengthening of regional cooperation on this front is essential, he added. He expressed hope that the 18th SAARC

Summit would be able to send across a strong message that SAARC leaders are ready to revitalize and implement all past initiatives undertaken by SAARC to deepen regional integration.

Prof. Dr. Govind Raj Pokhrel, Vice Chairperson, National Planning Commission, Government of Nepal,

highlighted the immense economic potential of the region, and stressed on improving trade facilitation to boost intra-regional trade. He also stressed on the potential of regional energy cooperation. The recent efforts undertaken by Nepal to promote energy cooperation with India are a step in the right direction, which could further

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## SAARC Chamber in the 18th SAARC Summit



SAARC Chamber of Commerce and Industry, an apex private sector organization of the South Asia region, participated in the 18th SAARC Summit, which was held in Kathmandu on 26-27 November 2014. In its history, this is the first time that the SAARC Chamber has ever participated in the Summit. The SAARC Chamber delegation was led by the Senior Vice President Mr. Suraj Vaidya. Vice Presidents from Bangladesh, Bhutan, India and Pakistan- Ms. Monowara Ali Hakim, Mr. Karma Lotey, Mr. Ramesh Kumar Mutha and Mr. Iftikhar Ali Malik respectively were the member of the SAARC Chamber delegation along with Dasho Ugen Tsechup Dorji, Mr. Annisul Huq, Mr. Vikramjit Singh Sahaney, Past Presidents of the SAARC Chamber were also a part of the delegation. FNCCI President Mr. Pradeep Jung Pandey also participated in the SAARC Summit.

During the Summit, the delegation led by Sr. Vice President Mr. Vaidya also held meetings with the Prime Minister of Bhutan

Mr. Tshering Tobgay, Prime Minister of Nepal Mr. Sushil Koirala and Roads and Urban Development Minister of Iran Mr. Abbas Ahmad Akhoundi.

Meanwhile, SAARC Chamber also presented 'SAARC CCI Key Recommendations for Regional Connectivity' to the Prime Minister of India Mr. Narendra Modi. It stated that the private sector of the South Asia region envisions a plan to increase the intra-SAARC Trade from present 5% to 8% in next three years; and private sector is ready to play its due role in tapping energy resources. It also recommended establishing South Asian Clearing Union, SAARC Development Bank to promote cross border trade and investment. Furthermore, the SAARC Chamber recommended involving the private sector at the policy formulation level of the SAARC. It also suggested ensuring direct flights to all capital cities of the SAARC countries to increase air connectivity within the region.

**Publication of Information Package on Taxation System in Nepal**

During the Tax Week 2014, Finance Minister Dr. Ram Sharan Mahat launched an information package on taxation system in Nepal produced by the FNCCI. The information package was prepared to enhance the knowledge and understanding of small and medium enterprises on Nepalese tax system. It was prepared with the support from the GiZ INCLUDE.

**Interaction with the Youth CA Members and Young Political Leaders**

FNCCI in cooperation with the National Democratic Institute (NDI) Nepal organized a talk program on "Youth Parliamentarians and Politicians" on 19 Nov. The program was chaired by the FNCCI President Pradeep Jung Pandey. The program was participated by the youth constitutional assembly members and political leaders of the different parties.

Country Director of NDI/Nepal Kenza Aqertit gave a brief introduction on the activities of the NDI Nepal and shed light on objectives of the program. Former Member of New Brunswick Legislative Assembly of Canada Elizabeth Weir shared her experience on the role of youth parliamentarians and politicians in the country's economic development.

FNCCI Vice President Shekhar Golchha gave private sector's perspective on the economy while FNCCI DG Dr. Hemant Dabadi gave an overview of Nepalese economy.

**National Business and Economic News**

**18th SAARC Summit: Leaders Commit to South Asian Economic Union**



The 18th SAARC Summit was concluded with the 36 points Kathmandu declaration. The SAARC leaders renewed its commitment to achieve the "South Asian Economic Union" in a phased and planned manner through a free trade area, a customs union, a common market, and a common economic and monetary union.

The leaders expressed strong determination to deepen regional integration for peace, stability and prosperity by intensifying cooperation in trade, investment, finance, energy, security, infrastructure, connectivity and culture. They vowed to implement projects and programmes in a prioritised, result-oriented and time-bound manner.

Amid structural constraints that have resulted in weak productive capacity affecting the trade competitiveness, the leaders committed to enhance support to least developed and landlocked member states in their development efforts with a view to ensuring equitable benefits of free trade arrangements.

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**Major Outcomes of the bilateral component between Nepal and India during 18<sup>th</sup> SAARC Summit**

1. MoU on Motor Vehicle Agreement and flag off of Kathmandu-Delhi bus service 'Pashupatinath Express'
2. MOU on National Police Academy, Panauti
3. Line of Credit of US\$ 1 Billion
4. MoU between Ministry of AYUSH, GOI and Ministry of Health & Population of Government of Nepal for Cooperation in Traditional Systems of Medicine
5. MOU on Tourism between the GOI and GON on Cooperation in the field of Tourism
6. MoU on Twinning arrangements between Kathmandu-Varanasi, Janakpur-Ayodhya and Lumbini-Bodh Gaya as sister cities
7. MoU between India and Nepal on Cooperation for Youth Affairs
8. Signing of PDA for the 900 MW Arun-III Hydropower project by Satlaj Jalvidyut Nigam (SJVN) and Investment Board Nepal, GoN

**Talks on Motor Vehicle Agreement**

Government of Nepal and Government of India held talks at Kathmandu on October 30, 2014 to finalize the Motor Vehicle Agreement and other matters related to road, transport and infrastructure. The Nepalese Delegation was led by Mr Tulasi Prasad Situala, Secretary, Ministry of Physical Infrastructure & Transport and the Indian Delegation was led by Mr Vijay Chibber, Ministry of Road, Transport & Highways.

In the talks, it was decided to finalize, after due approvals from the respective Governments, a Motor Vehicle Agreement which is designed to facilitate unhindered and seamless movement of people through passenger vehicles of Nepal and India across the border. The Agreement proposes to start regular bus service on three routes viz. Kathmandu - Bhairahawa - Sunauli - Gorakhpur - Lucknow- New Delhi;

Kathmandu - Bhairahawa - Sunauli - Azamgarh - Varanasi; and Pokhara - Bhairahawa - Sunauli - Gorakhpur - Lucknow- New Delhi.

This agreement also intends to simplify the procedure for movement of private vehicles across the border. The Agreement is expected to be finalized within the month of November, 2014. One of the bus routes is expected to be flagged-off soon after mutual agreement. It was also decided by both the sides to assist the proposed India-Nepal Friendship Car Rally on the route of Puri-Kathmandu-Delhi.

Indian side shared their experience in construction of roads in India through Public Private Partnership and Engineering Procurement and Construction (EPC) model. Nepalese side appreciated the offer from Indian side to impart technical training and capacity building of the Nepalese Highway Engineers at Indian Academy of Highway Engineers.

Both sides decided to prepare Detailed Feasibility Report for three motorable bridges on Mahakali river at Mahendra Nagar, Jhulaghat, Darchula and a suspension bridge at Shirsha VDC at Dadeldhura district.

(Courtesy: Indian Embassy at Kathmandu)

## Alternative Transit Route to Raxaul / Birgunj

The transit route designated as per the Nepal-India Trade and Transit Treaty from Kolkata to Raxaul/Birgunj customs point has been 'dysfunctional and restricted for heavy vehicles owing to the condition on Mokamah Bridge and Gandhi Setu leading to the delay of traffic-in-transit of Nepalbound cargo'.

In this regard, as per the discussion between the Customs House, Kolkata and the Consulate General of Nepal as per the 'Provision of the Protocol to the Treaty of Transit between Nepal and India, an alternative transit route to Raxaul/Birgunj has been designated.

The alternative route is:

Road connecting in Kolkata - Dunlop Bridge - Barrackpore - Krishna Nagar - Malda - Raigunj - Dalkola - Purnia - Araria - Forbesganj - Narpatganj - Jhanjharpur - Sakri - Darbhanga - Muzaffarpur - Motihari - Raxaul.

## Nepal asks for Ease in Quarantine Restrictions

Nepal has requested India to relax quarantine restrictions on 16 agricultural products to facilitate exports. The Ministry of Commerce and Supplies requested the Indian government to grant recognition to quality certification issued by Nepal.

The farm products for which the ministry has asked for easier market access are tomato, cabbage, cauliflower, strawberry, large cardamom, ginger, green tea, fresh and dry vegetables, chilli and oil cake, among others.

Nepali traders have long been complaining about a number of non-tariff barriers including tough quarantine rules that have been impeding exports. They said that they obtain domestic quality certification for their exports but India requires that they be tested by laboratories in India. This has discouraged exports of Nepali agro products as certification takes a lot of time and costs a lot of money.

During the Inter-Governmental Committee (IGC) meeting held last year, the Indian government agreed in principle to consider Nepali certification for exporting agro products to India. Purushottam Ojha, a former commerce secretary, said the quarantine issue was the main problem in exporting agricultural goods. According to him, almost all the countries require quarantine tests before allowing entry to agro products. Ojha stressed the need to improve the quality of local products to increase exports. He added the Nepal-India commerce agreement signed in 2009 also states that India should allow Nepali products to be sold in the Indian market. "However, the poor quality has been hindering the export of farm products."

As per official records, exports of agro products have been increasing in recent years. Ginger, large cardamom, oil cake and vegetable, among others, are major exportable farm products.

# International News

## World leaders adopt ambitious 10 year action-plan for LLDCs

The United Nations General Assembly today adopted a 10 year action-plan aimed at accelerating sustainable development in the world's 32 landlocked developing countries (LLDCs). The Vienna Programme of Action with six clearly defined priorities encapsulates a unified stance by the international community on a broad array of crucial issues, from concrete steps toward the structural transformation of LLDCs' economies and infrastructure development to improving international trade and bolstering regional integration and cooperation.

The 23-page outcome document was described by the Secretary-General of the Conference Gyan Chandra Acharya as an important milestone in promoting the development agenda of LLDCs.

The document, for instance, expresses an unambiguous commitment by all governments to ensure greater emphasis on reducing transit time, promoting infrastructure development and maintenance, ensuring trade facilitation measures in an accelerated manner, besides linking them with the promotion of economic diversification, structural transformation, connectivity to global value chains and regional integration. This holistic approach together with a clear call to ensure coherence with the global processes is expected to enable the LLDCs to achieve sustained and sustainable economic growth and ensure their meaningful integration into the global economy.

The meeting saw a flurry of activity with four high-level interactive thematic round-tables and 18 side events organized by various stakeholders in the margins of the meeting on a wide-range of issues relevant to the LLDCs, transit transport development, trade capacity enhancement and further integration into the regional and global markets. The events gathered Heads of State, Deputy Prime Ministers, Ministers, United Nations Secretary General, President of the General Assembly and Heads and senior representatives from international organizations who shared their views and experiences on how to enhance LLDCs' economic diversification and competitiveness through strengthened investments and policy measures in the areas of transport, infrastructure development and trade facilitation, sustainable energy and sustainable transport, through partnerships on vocational training, through increased regionalization of aid for trade, and particularly for landlocked least developed countries, through effective implementation of the Enhanced Integrated Framework. Other topics covered by side events were climate-smart agriculture, connectivity challenges, the role of migration and the special challenges of mountainous LLDCs.

A day-long Business and Investment Forum brought together business leaders, government officials from landlocked countries and transit countries, as well as development partners. Delegates attending the Forum agreed on the importance of the role of the private sector in the promoting infrastructure and development objectives of LLDCs and the related Sustainable Development Goals. Participants reiterated that the private sector was encouraged by the UN and International Chamber of Commerce to collaborate further and move this agenda forward. They stressed private sector investments as key in enabling LLDCs to diversify and grow their economies, while calling for government to ensure better enabling environment and for the private sector to pursue responsible business practices. Particular emphasis was placed on promotion of SMEs, linkages between private sectors and public private partnerships.



## WTO clinches first global trade deal in its history

GENEVA: The World Trade Organization adopted the first worldwide trade reform in its history on Thursday, after years of stalemate, months of deadlock and a final day's delay following an eleventh-hour objection.

The agreement means the WTO will introduce new standards for customs checks and border procedures. Proponents say that will streamline the flow of trade around the world, adding as much as \$1 trillion and 21 million jobs to the world economy.

"It's all agreed," a WTO official said outside the closed-door WTO meeting in Geneva, after trade diplomats applauded the end of their 19-year wait for a deal.

Still, the agreement is just a fraction of the original Doha Round of trade talks begun in 2001, which eventually proved impossible to agree on. The WTO cut back its ambitions and aimed for a much smaller deal.

Even that was blocked by a four-month standoff caused by India, which had vetoed adoption of the reform package as the original deadline passed at midnight on July 31.

India demanded more attention be given to its plans to stockpile subsidised food, in breach of the WTO's usual rules. A compromise on wording reached by the U.S. and Indian governments broke the deadlock.

The reform package adopted on Thursday was agreed at a WTO meeting in Bali in December last year. Its passage is widely seen as opening up progress towards further global negotiations, the content of which is due be laid down by July 2015.

That should reassure smaller nations in the 160-member WTO. Many had feared India's tough stance would prompt the United States and the European Union to turn their backs on the WTO and concentrate on smaller trading clubs instead, ending hopes of trade reforms benefiting all.

Thursday's deal had originally been due for agreement on Wednesday, but an objection by Argentina forced its postponement for 24 hours. (Courtesy: WTO)

**Regional Consultation contd...**

facilitate regional energy cooperation, he said.

President of FNCCI Mr. Pradeep Jung Pandey provided an account of the barriers faced by the business community when conducting trade within South Asia, and stressed the need to go beyond trade in goods and also look as how to exploit the untapped potential of the services sector. More important, Mr. Pandey pointed out the need for greater economic as well as people-to-people connectivity in the region, and argued that normalized trade relation between India and Pakistan is necessary for SAARC to move forward.

Speaking as the Chair of inaugural session, Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, mentioned that despite the existence of SAARC, progress in deepening regional integration has been frustratingly slow and gains have only been modest. Therefore, what is needed to move SAARC forward is political will and sincere commitments at the highest level. He stated that informal trade in the region being substantially higher than formal trade is testimony of policy-induced trade barriers, which need to be overcome to make SAARC a truly economically integrated region. Importantly, he stressed the need to reinvent the regional development paradigm with

inclusiveness.

More than 60 participants, including researchers, policy makers, private sector representatives and media, among others, from different South Asian countries are participating in the regional consultation. Over the next two days, they will deliberate on issues such as trade and transport facilitation, and transit; non-tariff barriers; trade, gender and technology transfer; India-Pakistan trade relations; intra-regional investment cooperation; and regional cooperation for energy security.

(Courtesy: New Spotlight News Magazine)

**18th SAARC contd...**

The leaders have directed the SAFTA Ministerial Council and the SAFTA Committee of Experts to accelerate free trade in goods and services in the region putting into operation simplified and transparent rules of origin, implementing trade facilitation measures, harmonising standards relating to technical barriers to trade and sanitary and phyto-sanitary measures.

Simplifying customs procedures, elimination of non-tariff and para-tariff barriers and smooth and efficient transit and transport facilities were among the measures the leaders have vowed to implement.

They agreed to strengthen the social window of the SAARC Development Fund and operationalise its economic and infrastructure windows at the earliest for

effective implementation of regional and sub-regional projects.

The heads of state welcomed the significant progress towards the finalisation of the SAARC Motor Vehicles Agreement and SAARC Regional Railways Agreement, and agreed to hold a meeting of transport ministers within the next three months to finalise the agreements for approval. The leaders renewed their commitment to substantially enhance regional connectivity in a seamless manner through building and upgrading roads, railways, waterways infrastructure, energy grids, communications and air links to ensure smooth cross-border flow of goods, services, capital, technology and people.

In the agriculture sector, the member states agreed to boost investment and promote research and development, facilitate

technical cooperation and apply innovative, appropriate technologies to enhance productivity to ensure food and nutritional security. The leaders directed to eliminate the threshold criteria from the SAARC Food Bank agreement so as to enable the member states to avail food grains, during both emergency and normal food difficulty. They also urged for early ratification of the SAARC Seed Bank agreement and directed to constitute the Seed Bank Board, pending completion of ratification by all member states.

To boost tourism, the leaders agreed to make South Asia an attractive common tourist destination. They directed relevant bodies to effectively implement SAARC Action Plan on Tourism (2006) particularly through initiating appropriate public-private collaboration. (Courtesy: The Kathmandu Post)



SAARC CCI Delegation meet Rt. Hon'ble Narendra Modi, Prime Minister of India

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