

**Meeting of Nepal-India Inter-Governmental Committee (IGC) on Trade, Transit and
Cooperation to Control Unauthorized Trade held at Kathmandu on
26-27 April 2018**

Major Points in Agreed Minutes

1. Nepal-India Inter-Governmental Committee Meeting on Trade, Transit and Cooperation to Control Unauthorized Trade was held on 26-27 April 2018 in Kathmandu. The Nepali Delegation was headed by Mr. Chandra Kumar Ghimire Secretary (Commerce and Supplies), Ministry of Industry, Commerce and Supplies, Nepal. The Indian Delegation was headed by Ms. Rita Teatota, Commerce Secretary, Government of India.
2. Delivering opening remarks, the leader of the Nepali delegation Mr. Chandra Kumar Ghimire, extended a warm welcome to the Indian delegation to the IGC meeting and expressed hope that the meeting will help both sides to review the implementation status of the decisions taken in previous IGC meetings as well as to consider all pertinent issues associated with the bilateral trade, transit, investment, among others. Highlighting cordial, friendly and multi-dimensional relationship in economic, trade and other spheres between Nepal and India, Mr. Ghimire called upon the Indian side to cooperate Nepal in reducing trade deficit which has posed challenges to the economy of Nepal. He outlined the need to enhance Nepal's export trade to reduce ever-growing trade deficit through removing tariff, para-tariff or non-tariff measures. He also expressed hope that the meeting will also be able to identify steps that help resolve barriers and hassles at the border and to unlock immense potentials lying between Nepal and India. Despite having noble provisions in our bilateral trade and transit treaties, implementation of those sometimes hindered by cumbersome procedures and has constrained Nepal's export trade to India. In view of many changes taking place around the globe following the technological advancement and emergence of new initiatives in the arena of international trade and transit, making timely revisions of the existing trade, transit, rails services related treaties is essential to keep pace with time and context.
3. The leader of the Indian delegation Ms. Rita Teatota, in her opening remarks thanked the Nepali side for the warm hospitality extended to the Indian delegation. She appreciated the detailed discussions on a variety of issues in the IGSC meeting held on 24-25 April 2018. She suggested that the bilateral meetings should be held at regular intervals so that the issues may be discussed expeditiously for resolution. While noting the trade deficit between the two countries, she expressed India's willingness to cooperate with Nepal in identifying and resolving issues, to the extent possible, to facilitate market access for Nepal's products. She suggested that a comprehensive review of the Treaty of Trade may be undertaken to modernize and align it with the current requirements of trade. She also reiterated India's commitment to facilitate Nepal's transit trade under the Treaty of Transit. She sought Nepal's co-operation in synchronous development of cross border trade infrastructure, including development of future ICPs and close coordination between India, Nepal and Bangladesh for early operationalization of BBIN MVA. She highlighted that harmonization of standards and SPS requirements would strengthen the economic relationship between India and Nepal

leading to development of value chains. She recalled the agreement in the previous IGC meeting on establishment of India-Nepal Joint Business Forum, and suggested that both sides should constitute the Forum and schedule its first meeting at the earliest.

4. The IGC meeting endorsed the IGSC Meeting's Decisions held on 24-25 April 2018.

Upon adoption of the agenda, both sides discussed in following agenda items.

5. Enhancement of the bilateral trade relations

Nepali side stated that Nepal and India being close neighbors having open borders, share a close and multi-dimensional friendly relationship in trade, transit, investment and other economic spheres. Trade and transit, among others, are core elements that bind these two countries strongly and closely. India is not only the largest trading partner with its share of almost 65% in total trade of Nepal, it is the largest export market for Nepali goods consisting of almost 57% of its total export. Similarly, Nepal's imports of merchandise goods from India stands at almost 65.5%.

Mentioning that Nepal's trade deficit significantly rose after the revision of the Trade Treaty in 2002 which removed some of the flexibilities given to Nepali products by the Treaty of Trade of 1996, Nepali side called upon Indian side to extend cooperation for reducing trade imbalances between the two countries. In this regard, Nepali side also outlined the need of revising the Trade Treaty of 2009.

It was mentioned that trade and transit relations are regulated through Trade Treaty, 2009, Transit Treaty, 1999, Rail Services Agreement, 2004 and Agreement on Cooperation to Control Unauthorized Trade, 2009. All these instruments, despite providing solid foundation to regulate bilateral trade, transit, rail services, require changes and modifications to keep pace with time.

The Indian side stated that the bilateral trade between India and Nepal increased from US\$ 3.6 billion in 2012-13 to US\$ 5.9 billion in 2016-17, and has further increased in 2017-18. The importance of upgradation of border trade infrastructure to facilitate efficient movement of goods was emphasized. While appreciating Nepal's concern on the trade deficit, it was mentioned that Nepal enjoys an extremely generous market access to Indian market but India is willing to cooperate with Nepal in identifying and resolving issues, to the extent possible, to further facilitate Nepal's access to the Indian market. Other than merchandise trade, trade in services and mutual investments also need to be facilitated for multi-faceted trade and economic relationship between the two countries.

Both sides agreed that there is a tremendous potential to enhance the trade further, and efforts from both countries are needed in this direction. In this regard, Nepali side stated that measures are necessary to address Nepal's trade deficit with India.

6. Comprehensive Review of Treaty of Trade

The Nepali side mentioned that one of the reasons for trade deficit is the introduction of additional provisions made during the renewal of the Treaty of Trade 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, multiple qualifying criteria on rules of origin, change in classification of tariff heading and inclusion of fixed quota for the selected articles while entering into India under the preferences. Besides, in agriculture, more severity in trade deficit was observed after 2002 compared to pre-2002 period. In manufactured items, similar situation appears after 2002. Similarly, due to MFN duty applied to perfumes and cosmetics, ambiguity in the primary product list, among others, have constrained Nepal's export to India. In addition, launching of Duty Free Tariff Preference (DFTP) Scheme by India, with more than 96% of India's total tariff lines duty free for all LDCs' products has eroded the preferential tariff margin to export items of Nepal. All of these have caused huge trade deficit to Nepal. In view of this, Nepali side requested that both countries may carry out a comprehensive review of the Treaty of Trade.

The Indian side noted that under the bilateral Treaty of Trade, while India has granted zero duty access to almost all Nepali products, India has been granted concession in the chargeable customs duty on MOP of 5% of applicable tariff rate of up to 30% and 3% of applicable tariff of more than 30%. Such concession is not applicable to the goods attracting specific duty. It was observed that tariff concessions provided by Nepal to India under the bilateral Treaty of Trade are less beneficial than the concessions provided by Nepal under SAFTA. The Indian side also noted that the introduction of GST in India has also necessitated certain amendments in the Treaty of Trade and its Protocol.

After discussions, both sides agreed that a comprehensive review of Treaty of Trade is required to be carried out considering all facets. It was agreed that such a review should be jointly initiated within a period of three months.

7. Harmonization of standards, including MOU on the recognition of each other's inspection, testing and certification and other Measures

Both sides agreed that different technical and SPS standards are creating certain impediments to bilateral trade.

Nepal stated that Department of Food Technology and Quality Control (DFTQC), Nepal has forwarded a draft MOU regarding the recognition of each other's inspection, testing and certification on 18th May 2017 to Indian Side for entering into agreement between DFTQC Nepal and Food Safety and Standards Authority of India (FSSAI), India. On the same date, DFTQC has forwarded another draft MOU to Indian Side regarding the recognition of each other's inspection, testing and certification to be concluded between DFTQC Nepal, and Export Inspection Council (EIC), India. Response of Indian side on a draft MOU between DFTQC Nepal and FSSAI India as well as DFTQC Nepal and EIC India is yet to be received. Nepali side also reiterated its earlier request to materialize the issuance of notification by FSSAI for the recognition of certificate of test analysis report

issued by Central Food Laboratory of DFTQC, which has accreditation on ISO 17025 by NABL, India.

Recalling that FSSAI has already permitted acceptance of such certificate of test analysis for 21 Food Products issued by BSTI (Bangladesh Standards and Testing Institution), Nepali side requested to accord similar facility to Nepal-accredited labs.

The Indian side highlighted the adverse effect of differential standards also on India's export of some products to Nepal. While some work is being carried out under the aegis of SARSO, the Indian side suggested that both countries could examine the possibility of harmonizing their own standards at least for specific identified products, which are of export interest.

The Indian side agreed that trade will be facilitated through speedy clearances upon mutual recognition of inspection, testing and certification. In this regard, the Indian side informed that subsequent to the signing of MoU between Bureau of Indian Standards (BIS) and Nepal Bureau of Standards and Metrology (NBSM), the work plan for future course of action has been shared by BIS with Nepali side. It was requested that it may be examined and finalized early so that the steps related to standardization and conformity assessments may be expedited. It was further noted that the response on a paper provided by India during the last IGC meeting, relating to regional harmonization of SPS/TBT measures which can be taken up at the SAARC forum, may be provided at the earliest.

The Indian side also informed that FSSAI has recently provided a response on the draft text of its proposed MoU with DFTQC, Nepal. It was requested that the amended draft text of the MoU may also be examined and comments be provided expeditiously. It was further informed that Export Inspection Council (EIC) had a preliminary discussion with DFTQC in 2011-12 on the possibility of executing a MoU between the two organizations. In January 2014, DFTQC expressed interest in the MOU and EIC shared a copy of the existing MoU between EIC and BAFRA Bhutan as a reference document. However, no further comments have been received from Nepali side. The Indian side requested that the Nepali side may provide a copy of the draft text of the MoU mentioned as having been shared in May 2017 so that it can be examined expeditiously.

The Nepali side clarified that the draft MoU from the FSSAI received on April 24, 2018 is under active consideration.

8. Issues in export of Fresh Ginger to India

The Nepali side raised the issue of restriction imposed by India on the import of fresh ginger from Nepal. Due to this imposition, Nepali exporters have been facing problem at Indian LCSs adjoining to Nepal to export fresh ginger. The Nepali side stated that this provision is not in the spirit of Articles II and IV of the Treaty of Trade which provide for assurance of free and unhampered flow of goods across the border with exemption from basic customs duties and from quantitative restriction. Nepali side requested India to reconsider issuing a new notification removing the restriction.

The Indian side reiterated that general restrictions on MFN basis are in place on import of fresh ginger. It was, however, informed that efforts are being made to resolve the issue.

11. Antidumping duty on Jute and Jute related products

Nepali side stated that Government of India has imposed Anti-Dumping Duty ranging from US \$ 6 to US \$ 36 per MT for export of jute and jute related products from Nepal. Theoretically, Anti-dumping duty is applied against the products when the price of an item is artificially suppressed. However, in the case of Nepali jute, it does not enjoy any privileges so as to suppress its price in both Nepali and Indian markets. Nepali side informed the Indian side that Nepali Jute Industries imports almost 70% raw material of jute from Indian farmers and Nepali Jute Industries have taken ISI certification from the competent authority of India which is one of the major requirements for supplying jute bags to Food Corporation of India (FCI).

Nepal further stated that Jute import order issued by the Office of the Jute Commissioner of India, Kolkata dated 18th September 2015, specified formalities (apply registration, submit monthly report, local traders who buy from importers has to register their firm etc.) has discouraged the Indian importers to import from Nepal.

Additionally, the order of Office of the Jute Commissioner of India dated 14th January 2016 states that commodities are required to be packed in jute packaging material manufactured in India which restricts the supply of such materials to FCI. Furthermore, Nepali side mentioned that currently, if there is short supply of jute bags, the FCI floats legal tender for procuring plastic bags to fulfill such gaps. In view of Nepal's growing trade deficit with India, Nepali side requested India to remove the Anti-Dumping Duty imposed on Nepali Jute and jute related products.

As Nepal imports about 70% of jute raw material from India, it requested India to facilitate import of Nepali jute and jute related products to India by removing such conditions for mutual benefit in the spirit of Treaty of Trade. Nepali side also requested to accept jute products imported from Nepal in legal tender of FCI.

The Indian side informed that the Anti-dumping investigations are carried out by the Directorate General of Anti-Dumping (DGAD) through quasi-judicial proceedings and, therefore, there is little scope for the intervention of Government in the process. However, it was informed that even though the DGAD considers a review generally after two years, affected Nepali exporters could seek review of the levy of Anti-Dumping duty by providing updated and comprehensive data to DGAD.

On the issue related to utilization of Nepal's jute and jute related products by FCI, the Indian side mentioned that to protect the interest of persons engaged in the production of jute in India, regulations have been enacted to provide for compulsory packing of specified products from jute packaging material manufactured in India from raw jute produced in India.

However, the Indian side took note of the request.

12. Market access of Nepali Pharmaceuticals product to India

Nepali side stated that as per the Indian Drug and Cosmetic Act, 1940 and its regulation, Nepali exporters need to authorize Indian citizens with power of attorney as their agents for export of pharmaceutical products to India. Testing of samples of pharmaceutical products from each consignment entering into Indian market through Customs points is required by Central Drugs Standardization Control Organization (CDSCO), a national regulatory authority of GoI. The sample needs to be sent to a CDSCO approved Government laboratory e.g. Central Drug Laboratory (CDL) Kolkata or similar other authorized government Laboratories. This process is very cumbersome and takes more than 8 months. By the time report arrives, 80% of the shelf life (remaining expiry period), as required by Indian regulatory authority will not meet. Hence, this cumbersome procedure for sample testing effectively leaves no space for Nepali exporters to export pharmaceutical products to India.

Nepali side further mentioned that the above procedure restricts effective market access for Nepali Pharmaceutical products to India. In view of this, Nepali side requested Indian side to simplify the procedure and recognize the test certificates issued by Nepali manufacturer and/or from laboratories approved by the Department of Drug Administration of Nepal for facilitating market access.

The Indian side stated that the concerned Authority would be requested to examine the issue.

13. Amendments to the Rail Services Agreement (RSA)

Nepali side informed that it had forwarded to India a LoE on 6th September 2016 for the amendments to the Rail Services Agreement (RSA), 2004. Subsequently, the GoN received comments on the draft of LoE from the Indian side via a letter dated 10th March 2017. On 18th April 2018, Nepali side proposed a revised draft LoE after incorporating its views as well as addressing comments as received from the Indian side for the amendments to the RSA. To this end, Nepali side requested to the Indian side for early conclusion of the revised draft LoE.

Considering that Comprehensive Review Meeting as provisioned in the RSA has not taken place since long, Nepali side proposed to convene the meeting at the earliest.

The Indian side stated that the comments have been received recently and the same would be examined by the Ministry of Railways.

Both sides agreed to convene the next comprehensive review meeting at the earliest.

14. Additional Alternative Port Facilities for Nepali Cargoes

Nepali side mentioned that facilitating export-import trade of Nepal, there is a growing demand amongst traders for utilizing additional port facilities in Eastern as well as Western coastal ports of India. Nepali side is keen to conduct a feasibility study so as to request for concurrence of GoI.

The Indian side agreed to convey the request to the concerned Ministry for consideration.

15. Tri-lateral Transit Arrangement among Bangladesh, India and Nepal

Nepali side highlighted the need of a tri-lateral Transit Arrangement among Bangladesh, India and Nepal in view of enhancing trade to and through Bangladesh. Nepali side informed that as per the agreement between Nepal and Bangladesh, Bangladesh has provided two ports since 1976 and five transit points for Nepali transit cargoes. However, at present Nepal has been utilizing one land route only. It stated that tri-lateral transit arrangement would enable Nepal to fully utilize the Fulbari-Banglabandha route.

Nepali side further mentioned that potential of inland waterways in this sub-region is another avenue which is yet to be harnessed for common prosperity.

To this end, Nepali side proposed to initiate negotiation on the issue concerning tri-lateral transit arrangement among India, Bangladesh and Nepal through the means of rails and inland waterways.

The Indian side stated that the issue has been raised for the first time and once a detailed concept note is received, it would be examined in consultation with the appropriate ministries.

16. Review of the Treaty of Transit

i. Review of Transit Treaty

Since the existing Transit Treaty between Nepal and India was signed in 1999, many changes have taken place in the transit system due to technological developments. Nepal emphasized on reviewing the Treaty with a view to further facilitating transit trade.

The Nepali side further stated that as some of the provisions of the Treaty such as the Sensitive list; number of documents to be submitted; requirement of submission of documents by posts etc. have lost their relevance in today's changed context. It is, therefore, essential to bring substantial changes in the existing Treaty to keep pace with time as per changing context. In view of this, Nepali side requested the Indian side to have a comprehensive review of the Treaty.

The Indian side reiterated their support for facilitating the transit movement of Nepal's trade with third countries, through Indian territory. The Indian side, however, requested

Nepal to share a concept note on the proposed changes in the Treaty of Transit for examination.

ii. Incorporating procedures for movement of cargo through Inland waterways

The Nepali side mentioned that during the visit of Rt. Hon'ble Prime Minister of Nepal to India on 6-8 April, 2018, both Prime Ministers recognized the untapped potential of inland waterways to contribute toward overall economic development of the region taking cognizance of their geographies and noting the development of inland waterways in both countries. Both PMs took the landmark decision to develop the inland waterway for the movement of cargo, within the framework of trade and transit arrangement, providing additional access to sea for Nepal. In order to facilitate the movement of traffic-in -transit, the two leaders directed their respective officials to formulate and mutually agree upon the requisite procedures and modalities for including inland waterways as an additional means of transport in the Protocol to the Treaty of Transit between India and Nepal.

The Nepali side requested the Indian side to engage in formulating and agreeing upon the requisite procedures and modalities for including inland waterways as an additional means of transit transport in the Protocol to the Treaty of Transit between India and Nepal that would enable Nepal to use inland waterways for its transit cargo.

The Indian side mentioned that movement of Nepal's transit traffic through inland waterways would require the establishment of trans-shipment facilities at some points in India, which are in various stages of construction. Suitable amendment of the Treaty can be carried out on the operationalization of these trans-shipment points.

iii. Simplifying Existing Transit Procedure for Seamless Movement of Cargo Vehicles by Implementing ECTS

Keeping into account the potential advantages resulting from ECTS, which is now at pilot implementation, Nepali side requested the Indian side to consider introducing the similar system on pilot basis at Vishakhapatnam to facilitate Nepal-bound transit cargo. It was also added that the Treaty of Transit would require to be suitably amended to incorporate the simplifications in procedure enabled by ECTS.

The Indian side agreed to examine the proposal to pilot ECTS through Vishakapatnam expeditiously. It was also agreed that amendments to the Treaty of Transit would be required for regular implementation of ECTS.

iv. Letter of Exchange on Movement of Bulk Cargo

Nepali side emphasized that it is a pre-requisite to expedite industrialization process in Nepal by availing industrial raw materials in three major industrial corridors apart from Birgunj-Simara corridor via Kolkata/Haldia and Vishakhapatnam connecting Biratnagar

via Jogbani, Sonuauli via Nautanwa, Nepalgunj via Nepalgunj Road. Government of Nepal has forwarded to the Government of India on 19th April 2018 a draft LoE related to the amendment to the Protocol to the Treaty of Transit with reference to Article VI clause 1 Note (ii) (c). The Nepali side requested for early finalization of the said draft LoE.

The Indian side stated that a revised draft LoE for movement of bulk cargo which has been shared recently by Nepal, is being examined on priority. The Indian side also mentioned about the long pending LoE pertaining to the movement of Indian traffic through Nepal.

Both sides agreed that suitable amendments in the treaty would be needed to operationalise these matters.

The Indian side suggested that the draft text of the LoE, consolidating all the existing LoEs which has already been shared with Nepal, may be examined expeditiously by Nepal with an aim to sign it during the sidelines of the upcoming high level bilateral visit in early May 2018.

17. Electrification of Railway Line up to ICD Birgunj

Nepali side mentioned that currently the electrification of railway line has been installed only up to Muzaffarpur, India. As the electrification facility is not available after that point up to Birgunj ICD which is about 135 KM, it takes a long time and excessive delays in transferring of locomotive from electricity to diesel. In view of this, Nepali side requested Indian side for the electrification of railway line up to ICD Birgunj to facilitate the transfer of cargo and container directly from Kolkata/Haldia or Vishakhapatnam.

The Indian side agreed to refer this matter to the competent authority.

18. Handling of Dirty/Dusty Cargo

Nepali side mentioned that Nepali importers have been relying on Raxual yard for handling of dirty/dusty cargo e.g. clinkers, gypsum, fly ash, and coal. According to the Rail Service Agreement (RSA) and the Treaty of Transit between Nepal and India, rail movement from Kolkata/Haldia and Vishakhapatnam is allowed only up to Birgunj ICD or Raxual Railways yard. Due to resistance of local people in the Raxual area, Indian Railways has imposed restriction on berthing of clinkers with effect from Dec 2017. As a result, Nepali importers, mainly cement industries, have been facing difficulties and thereby acute shortage of clinkers.

Nepali side further mentioned that the existing capacity of handling clinkers at Birgunj ICD is limited and it is already over congested owing to ever growing flow of other cargoes. GoN has seriously taken up a new initiative to find out appropriate solution and develop new ICD for dirty/dusty cargo in Nepal in an expeditious manner. In view of this, Nepali side requested the Indian side to facilitate berthing of clinkers and other dirty

cargo at appropriate nearby areas in India until new ICD for dirty/dusty cargo comes into operation in Nepal.

The Indian side noted the request of Nepali side.

19. Banking and Miscellaneous

a. Exchange of demonetized IC 500 and 1000 denomination notes held by banking system and general public in Nepal

Nepali side mentioned that Nepal had been allowing the general public to carry and exchange demonetized currency notes of INR 500/- and INR 1000/- denominations, subject to a limit of INR 25,000 based on the circular number 63 dated January 22, 2015 issued by the Reserve Bank of India. Following the demonetization policy adopted by the Government of India, Nepal had also banned such notes for exchange from the same date i.e. 9th November 2016. There was a stock of INR. 7.8461 crores in the possession of Nepali Banking System along with Nepal Rastra Bank at that time. Nepal Rastra Bank has already collected INR 4.80255 crore out of INR. 7.8461 crore. As the same issue of Bhutan was resolved by Dec. 31st 2017, Nepali side requested the Indian side to facilitate the exchange of the demonetized currency notes held in the Nepali banking system and by general public at the earliest in accordance with already agreed modality with NRB.

The Indian side stated that the facility of exchange/deposit of demonetized currency (Specified Bank Notes) held outside India is not provided to foreign nationals/institutions under the provisions of the Specified Bank Notes (Cessation of Liabilities), Act, 2017 and subsequent Gazette Notifications issues under the above Act.

While recalling the prevailing system between Nepal and India before the demonetization that guaranteed the exchange of the value of the currency notes to the bearers by the GoI, the Nepali side reiterated its request for the exchange of the demonetized currency notes held by both Nepali banks and general public.

The Indian side noted the request.

b. Allowing presence of Nepalese remittance companies in India

The Nepali side mentioned that Nepali workers working in India are facing various difficulties in remitting money to Nepal. If licensed Nepali remittance companies are allowed to operate their branches in India, it will be easier to address this issue and make the remittance process easy. In view of this, Nepali side requested Indian side to allow Nepali Remittance Companies to operate in India.

The Indian side noted that the issue has already been discussed in the IGSC meeting on 24-25 April 2018.

The Indian side stated that interested remittance companies need to approach the Foreign Exchange Department of Reserve Bank of India for necessary permission, which is examined as per FEMA Regulations and the merits of the case.

20. Sub-regional Arrangements:

BBIN MVA

The Indian side stated that the unhindered movement of cargo vehicles within the region would also go a long way in easing the impediments in bilateral trade. It was emphasised that BBIN Motor Vehicle Agreement has the potential to significantly enhance the regional and bilateral trade. It was suggested that both India and Nepal should coordinate for expeditious implementation of the agreement by India, Nepal and Bangladesh.

Nepali side stated that it is committed to the sub-regional initiatives. Nepali side has received a proposal from the Indian side to consider concluding a LoE among the four countries for an early implementation of the BBIN MVA among Bangladesh, India and Nepal. The matter is under consideration of the GoN.

21. Investment Promotion

The Indian side mentioned that in the last meeting of the IGC, both countries had agreed to discuss investment related issues also under the framework of IGSC and IGC. It was further mentioned that economic relationship between India and Nepal will be strengthened through investment linkages and would also lead to development of value chains through such enhanced investment relationship. It was highlighted that even though India is the largest investor in Nepal, certain impediments are being faced by the Indian investors in Nepal which relate to repatriation of funds, restrictions on employment of expatriates, duty structure, taxation etc, which has been elaborately discussed in the IGSC meeting held on 24th-25th April 2018. The Indian side requested Nepal for resolution of such issues, which will further facilitate Indian investments in Nepal for mutual benefit. Early conclusion of a bilateral investment treaty would also facilitate investments. The Indian side also requested Nepal to provide the comments on the Bilateral Investment Treaty, a draft for which has already been shared with Nepal.

Nepali side mentioned that existing legislation of Nepal provides sufficient facilities including protection and repatriation facilities to foreign investors. In order to further improve investment climate, GoN is committed to build industrial zones and special economic zones in different parts of the country. Priority has been given to ensure adequate facilities such as electricity, roads, banking, security etc. along the industrial corridors. Nepal has been encouraging Indian investors to come to Nepal and utilize the facilities given to foreign investors and to capitalize on the virgin investment climate. Nepali side further suggested that both sides can undertake study and discuss on strengthening new investment linkages and developing new areas of value chain activities in the future.

Regarding the draft Bilateral Investment Treaty, Nepali side stated that it is reviewing the draft and will provide its comments to the Indian side as early as possible.

22. Synchronized up-gradation of Border Trade Infrastructure

The Indian side underlined the importance of synchronised development of land border infrastructure for optimal benefit to both countries. It was stressed that the success of ICPs hinges on the simultaneous development of infrastructure on both sides of the border. It was also mentioned that in the case of ICP at Raxaul-Birgunj and Jogbani-Biratnagar, the delayed development of infrastructure at Birgunj and Biratnagar led to a situation where the ICPs at Raxaul and Jogbani could not be utilised optimally, even after completion. The Indian side sought Nepal's cooperation in synchronous development of ICP infrastructure at identified future locations.

It was also suggested that both sides may identify Land Customs station of high bilateral importance, other than those identified for upgradation to ICP, for synchronised upgradation.

Nepali side expressed that it will extend its full cooperation on the early implementation of the ongoing ICP projects. Nepali side further requested the Indian side to expedite works on the remaining ICPs such as Biratnagar-Jogbani, Sounauli-Bhairahawa and Nepalgunj-Nepalgunj Road (Rupadiah). The Nepali side further requested Indian side to expedite the process for development of ICP at Banbasa-Dodhara Chandani.

23. Constitution of Joint Business Forum

The Indian side recalled the agreement in the IGC meeting held in June 2016 on establishment of India-Nepal Joint Business Forum, and that modalities may be worked out for the constitution of the forum. It was mentioned that Indian side has taken internal approval for constituting the Forum. It was proposed that the Forum may consist of 10 business members from each side with a Co-Chairperson each from Indian and Nepali side. It was further proposed that the names of the Co-chairperson and the members may be decided by each country within a period of one month, and communicated to the other side. The Indian side shared the proposed Terms of Reference for the Forum with the Nepali side. It was mentioned that both sides may also decide the trade chamber/industry body for providing secretarial support for the Forum. It was also suggested that the first meeting of the Forum may be scheduled at the earliest.

Appreciating the earlier decision to constitute a Joint Business Forum, Nepali side stated that it will examine the proposal, including the draft ToR shared by the Indian side and will revert back soon.

24. Any other business

Charge of Agriculture reform fees

The Indian side mentioned that Nepal levies Agriculture Reform fees (at the rate of 5% and for some products at 8%) on a number of primary products, when such products are imported from India even though full exemption is provided on the levy of Customs Duty. It was mentioned that such levy of fees acts as para-tariff and effectively denies the tariff exemption provided to India under the bilateral Treaty of Trade. It was also noted that levy of such fees on imports from India may not be WTO compliant. The Indian side requested Nepal to consider removal of Agriculture Reform fees on the import of primary products from India.

The Nepali side mentioned that this issue was already discussed in the IGC meeting, 2013 and both sides agreed to drop this agenda permanently, hence, no need for further consideration.

The Indian side stated that the issue is being raised again as some stakeholders in India have informed that the agriculture reform fee is hindering market access for Indian agricultural products in Nepal and on the basis of the legal principles brought out in the above paragraph, the need for early consideration of the request by the Nepali side, was emphasized.

25. The meeting was conducted and concluded in a warm and friendly atmosphere.
26. It was agreed that the next meeting of the IGC would be held in India at a mutually agreed date to be decided through diplomatic channels.