Minutes of the Meeting of the India-Nepal Inter-Governmental Sub Committee (IGSC) on Trade, Transit and Cooperation to Control Unauthorized Trade

(February 28 – March 1, 2011, New Delhi)

The Meeting of India-Nepal Joint Secretary level Inter-Governmental Sub Committee (IGSC) on Trade, Transit and Cooperation to Control Unauthorized Trade was held in New Delhi on 28 February – 1 March, 2011. The Nepalese delegation was led by Mr. Toya Narayan Gyawali, Joint Secretary, Ministry of Commerce and Supplies, Government of Nepal. The Indian delegation was led by Shri Arvind Mehta, Joint Secretary, Ministry of Commerce and Industry, Government of India. The lists of members of both delegations are at ANNEXURE-I & II. The Agenda of the Meeting as adopted is at ANNEXURE-III.

2. The leader of Indian delegation Shri Arvind Mehta, welcoming the Nepalese delegation stated that India attaches high importance to her bilateral trade relations with Nepal. Mr. Mehta stated that the present round of discussions will help in deepening the special relationship between the two countries. He brought attention to the fact that both countries share close historical, cultural and economic linkages. He emphasised the need to work together to increase prosperity as both countries face similar challenges of poverty and capital requirements for harnessing of economic and natural resources. He wished the delegation a comfortable stay.

3. The leader of the Nepalese delegation, Mr. Toya Narayan Gyawali thanked the Government of India for the generous hospitality extended to his delegation and also for excellent arrangements made for the Meeting. He reiterated that India and Nepal have a cordial and multi dimensional relationship and stated that the aim of the present meeting is to consolidate and expand bilateral relations. He focussed on the fact that India is a major trade partner of Nepal and Nepal has always been willing to welcome Indian investment.

AGENDA ITEM NO. 1
(i) Restoration of Margin of Preference on Import Duty for Indian Goods

Indian side stated that the Government of Nepal reduced the margin of preference (MOP) on import of Indian goods from 20% in 2001-02 to 5% in 2006-07. Currently the margin of preference is 7% on duty rates upto 30% and 5% on duty rates above 30%. However, under SAFTA, the Government of Nepal provides a rebate of 25% or more. This demonstrates that the bilateral rebate provided by Nepal to India does not even match the rebate provided by it under SAFTA. The Indian side has been requesting that the duty concession provided by the Government of Nepal under the Trade treaty should at least be restored to 20 percent level as existed in 2001-02. The Indian side reiterated that,

(a) the MOP should be restored to 20% (2001-02 level);
(b) the high MOP given to the admissible goods under SAFTA should be provided to Indian goods under the Bilateral Treaty also.
It was emphasized that the intention of taking up this issue is to highlight that there has been an erosion in the MOP given to Indian trade and no upward correction has taken place even after the Inter Governmental deliberations on this issue over the past few years. The Indian side emphasized that the restoration of the eroded MOP would help in deepening our special relationship.

The Nepalese side stated that the tariff structure has been reduced substantially in recent times and 7% preference margin has been extended up to 30% of the basic customs tariff. Therefore, it will be difficult to restore the MOP at the level of 20%. The Nepalese side further stated that the preference granted to India is higher than the preference given to any other country.

The Nepalese side agreed to make a conscientious effort to increase the MOP from time to time. Indian side noted that similar assurance had been given during IGC Meeting of January, 2010 and expressed disappointment of no substantial progress made regarding such assurance.

(ii) Abolition of agriculture reform fee on import of primary products from India

The Indian side stated that the Government of Nepal continues to levy Agriculture Reform Fee @ 5% on import of primary products from India. This fee is not levied from any other country. As the Agriculture Reform Fee is not consistent with the Trade Treaty, it should be immediately abolished.

The Nepalese side stated that it has already reduced the fee from 8% to 5% in 2009-10. They further committed to reduce the fee to zero in a gradual manner.

(iii) Affixation of an additional one time lock by Indian Customs on traffic in transit between Kolkata/Haldia Port and Nepal.

The Indian side informed that the proposal for an additional onetime lock for transit traffic had arisen out of concerns related to attempts made to divert the Nepal bound cargo into the Indian domestic market. The advantage of using these locks is that they would be tamper proof and more secure for Indian Customs verifications. The current system of relying on lock put by shippers is susceptible to tampering since there have been instances wherein duplicate locks have been found to be used.

In response to the Indian request for allowing affixation of an additional one time lock by Indian Customs, the Nepalese side has stated that this proposal would increase the cost, time and process and could impede the international trade of Nepal contravening the spirit and objectives of trade and transit facilitation. The Nepalese side further informed that the provisions contained in the memorandum have given enough space to protect the legitimate interest of the transit country and control over the goods in transit. Therefore, they requested that the existing system should continue.

The Indian side reiterated that affixation of the lock is necessary to better detect any possible fraud and would also facilitate quicker movement of transit cargo at the LCS at Indo-Nepal border. Indian side further informed that no extra time is needed for affixation of the lock as this can be done during inspection of the one time lock of the
shipping agent to the Customs official. It was further informed that the cost of additional one-time lock will be approximately INR 50 to 200 only. Therefore, the Indian side emphasized that this long-pending issue now requires immediate resolution.

The Indian side informed that through diplomatic channels, a timeframe would be conveyed when Customs will place one-time lock to secure the legitimate interests of India over the goods in transit.

However, the Nepalese side repeatedly requested the Indian side not to impose one-time lock and to continue existing system as it may create non-tariff barriers and burden to Nepalese traders.

(iv) Cooperation to Control unauthorized trade:

(a) Unauthorised import of Food grains and other items prohibited for export from India being imported through Nepal Customs.

Indian side stated that food grains such as rice, wheat, pulses etc. and other prohibited items such as sugar, fertilizers are imported into Nepal from India through routes other than those specified under Trade Treaty although these commodities are prohibited for export from India. Such illegally imported goods are being cleared by the Nepalese Customs, legitimising the unauthorized trade. The Indian side emphasised that such trade should be stopped immediately. Indian side requested Nepalese side to stipulate mandatory submission of Indian export documents as proof of export before clearing the goods.

The Nepalese side acknowledged the Indian concern and informed that instructions have already been issued to the Customs officers concerned not to clear through Customs such prohibited goods entering into Nepal. Nepalese side further stated that both sides should work together to strengthen the vigilance along the border, to control unauthorized trade.

(b) Unauthorised export of Betel Nuts from Nepal to India.

Indian side stated that Betel nuts are being presently assessed at 108% customs duty in India out of which Basic Custom duty is 100%. In contrast, the Customs duty charged by the Govt. of Nepal is only 20%. Excess import by Nepal is diverted to India on account of the duty differential, which provides a large margin of profit to the unscrupulous traders indulging in such imports. Indian side requested for immediate notification by Nepal side of policy measures such as increase in tariff or imposing a Quota for Betel nuts because such unauthorized trade hurts India's economic interests and also goes against the objectives of the Transit Treaty.

The Nepalese side informed that the Govt. of Nepal has imposed a quota on export of Betel Nut to India. They further informed that the quota is decided based on the production of Betel Nut during the year and domestic consumption. Additionally, Govt. of Nepal also increased the Customs duty from 15% to 20% which has resulted in significant reduction in imports.
(c) Intimation by Nepalese Authorities regarding stolen Indian Vehicles

Indian side stated that vehicles stolen from India are being sold in Nepal and requested the Government of Nepal to develop a mechanism, whereby intimation may be provided to the Embassy of India so that the lawful owner of the vehicle may be traced through inquiry with the manufacturers/ transport/ police authorities for taking suitable measures to claim his/her property.

After discussion, it was agreed that Customs authorities of both sides will immediately inform each other about such stolen vehicles which come to their notice. This shall be informed by e-mail/ fax/ telephone contact (followed by official confirmation).

(v) Unlawful registration of Indian Trademarks by Nepalese companies

Indian side stated that certain Nepalese companies are registering popular Indian brands (in Nepal) in their name which shows a clear and consistent pattern of these companies trying to exploit the brand reputation of the Indian companies in the Nepali market or to extract concessions from the Indian manufacturers. Since this is causing irreparable damage to the interests of the Indian companies and adversely affecting their exports to the Nepalese market, the Nepalese Government was requested to tighten their legal mechanisms to prevent such registration of Indian trademarks.

Nepalese side informed that according to the existing rules, only registered brands are protected.

It was agreed that due diligence would be exercised to prevent unscrupulous copying of well known Indian brands, including those which are already established through exports to the Nepal market.

(vi) Smear Campaign against Indian ventures by Nepalese media.

Indian side stated that several incidents of smear campaign by Nepalese media against Indian ventures have been reported, which result in an irreversible damage to the business interests of these ventures.

The Indian side expressed serious concern at the unethical media practices and requested the Nepalese Government to take suitable measures.

The Nepalese side noted the concern.

(vii) Discrimination in public procurement against Indian companies.

Indian side expressed concern that several instances have been reported about Indian companies being discriminated in the public procurement by some organs of the Government of Nepal either by deliberately incorporating such conditions in the tender documents that will disqualify them or ignoring them even after they emerge as the lowest bidder. For example, in a recent instance involving Sundarijal Water Treatment Project, Hindustan Construction Company of India, after being pre-qualified for the project and having emerged as the lowest bidder, its bid was rejected.
on flimsy grounds. Indian side noted that award of the contract was progressively for a company which submitted a higher bid and was also blacklisted by the World Bank for earlier malpractice.

Several other instances which demonstrate discriminatory tender conditions in the eligibility criteria were also discussed.

Indian side noted that such practices are not conducive to transparency in the bidding procedures, and in fact hurt the commercial interests of both Nepal and India.

Nepalese side informed that it has implemented the Public Procurement Act and Regulations which ensures that the tender procedures are transparent, competitive and fair. The Nepalese side reiterated that the eligibility criteria included in the tenders do not intend to exclude any particular country/company/individual from participation. Nepalese side assured that concerns raised by Indian side would be taken into account in bidding procedures/evaluation of bids.

(viii) **Non Tariff Barrier on import of paper from India.**

The Indian side stated that the import of paper from India is being restrained by Nepal Customs on the grounds of undervaluation. Nepal Customs do not accept the value declared on the export Invoice and instead insist on assessing the goods on a flat value of INR 43 per kg irrespective of quality of paper being imported. However, if the value is more than the bench mark of Rs 43, then, it is accepted as such. Further, central excise duty collected in India on these values is not accepted by Nepal. The Indian side stated that such NTBs are against the provisions of the trade treaty signed between both the countries and therefore should be done away with immediately.

Nepalese side assured that issue raised by Indian side would be examined for suitable redressal. Nepalese side further requested that specific information on this matter may be shared with their Department of Customs.

(ix) **Discrimination against exports to India in INR in the export incentive scheme announced by the Government of Nepal.**

The Indian side stated that the Government of Nepal has made a budget provision in 2010 for a 2% to 4% incentive to exporters on their export earnings in convertible currency. This provision discriminates against exports to India in INR. The Indian side requested the Nepalese Authorities to remove this discrimination.

Nepalese side stated that the above mentioned scheme is yet to be implemented and will be extended to the exports in Indian currency as well, after following the required procedures.

(x) **Non Tariff Barrier in respect of Ayurvedic imports from India.**

The Indian side stated that the Department of Drug Administration of Nepal demands that all Ayurvedic drugs imported should have a COPP Certificate vide WHO-GMP norms. This rule is not applicable to the Ayurvedic drugs manufactured in Nepal. As there are no WHO-GMP norms for Ayurvedic products, requirement of a COPP Certificate acts as a non-tariff barrier for exports of Ayurvedic medicines from India to Nepal.
Nepalese side informed that there are several instances of export of Ayurvedic medicine from India to Nepal with theWHO GMP certificate. Indian side agreed to revisit the issue in consultation with the concerned exporters and share the information with Govt. of Nepal through diplomatic channels.

(xi) Non Tariff Barrier in respect of Pharmaceutical imports from India

The Department of Drug Administration of Nepal has stopped registration of pharmaceutical companies until further notice. As a result no new products can be registered and exported to Nepal. The Indian side emphasized that such NTBs may raise cost of medicines for Nepal citizens.

Nepalese side stated that the stoppage of registration is a temporary measure and registration process would be started soon by the Competent Authority.

(xii) Effective implementation of measures to check circulation of counterfeit Indian currency in Nepal.

The Indian side stated that the ban on notes of denomination of INR 500 and 1000 in Nepal is being violated by Nepalese traders especially in the Terai areas. This creates hindrance in the official efforts to thwart Fake Indian Currency Notes smuggling from Nepal to India. The Nepalese side was requested to take immediate steps to curb such activities.

Nepal side noted the concern raised by the Indian side and assured full cooperation in this matter.

(xiii) Payment of outstanding dues to Indian Companies.

Indian side stated that:

(a) TCE consulting Engineers Limited had prepared ‘Detailed Engineering Design and Preparation of Tender Document’ for Kathmandu Valley Water Supply Demonstration Project. The project commenced in December 2006 with an agreement between Melamchi Water Supply Development Board (MWSDB) and TCE Consulting Engineering Ltd. As on date, an amount of NRs. 29,26,120/- and US$ 12,496 is outstanding against MWSDB. The repeated requests from the company and the Indian Embassy have remained futile. The MWSDB continues to reiterate that they are scrutinizing the old documents and processing the payment.

(b) An amount of Rs. 44,99,047.00 is due from the Hetuada Textile Industries Ltd. (Nepal) to Cotton Corporation of India Ltd. The Hetuada Textile Industries Ltd. is in the process of liquidation. The CCIL had submitted their claim for the outstanding dues along with all relevant documents in August, 2003 to the Liquidator appointed by the Government of Nepal. The payment is still outstanding.

(c) An amount of US$ 1.56 million (US$ 1.45 million + INR 48 lacs) is due from Nepal Telecom to TCIL. TCIL had successfully completed the Ku band VSAT Project of Nepal Telecom in October 2009 and Acceptance Testing was completed in May 2010.
Nepalese side noted the issue and will communicate to the concerned agencies for early settlement.

(xiv) Conclusion of Bilateral Investment Promotion and Protection Agreement (BIPPA).

The two sides have finalized and initialed the text of BIPPA on March 4, 2010. The Agreement has been approved by the Government of India and is pending approval from the Government of Nepal. The conclusion of BIPPA will infuse renewed confidence amongst the Indian investors and will be a positive step in attracting FDI.

Nepalese side stated that the agreement has been submitted to the Cabinet for approval.

(xv) Conclusion of revised Double Taxation Avoidance Agreement (DTAA).

Negotiations to review the DTAA (1987) were held in December 2008 and March 2009. The text of the revised DTAA has been finalised except three paragraphs, which are awaiting approval of the Government of Nepal.

Nepalese side stated that an Inter Ministerial Secretary level Meeting has approved this agreement, which is now expected to be submitted to the Cabinet for approval.

(xvi) Conclusion of Mutual Legal Assistance Treaty (MLAT).

The Indian side stated that the MLAT has been initialed by the two countries and is awaiting final approval from the Nepalese side for signing. Among others, the Treaty has provisions for cooperation in providing mutual legal assistance on crimes relating to foreign exchange, forgery, falsification of documents, counterfeiting of money and their circulation and such illegal activities in the economic field, unauthorized trade in various items and other economic crimes prejudicial to economic, commercial and fiscal interest of either or both the countries. The Treaty will provide legal framework work to effectively tackle offenses such as tax evasion, fraud, money laundering etc and would benefit both the countries.

Nepalese side stated that the agreement is under process of approval.

(xvii) Expansion of Trading Facility by Indian JVs with their parent companies.

The Indian side stated that the existing ‘Foreign Investment and Technology Transfer Act of Nepal’ restricts trading by a Company established with Foreign Investment. This restriction on trading has imposed severe constraints on the Indian JVs in Nepal to introduce new products launched by their parent or group companies to introduce new products launched by their parent or group companies Indian JV cannot exercise direct control over the marketing of these products, which could help expand their market base. If the current trading facility is expanded without any restrictions on the value or time period, it will help the Indian JVs to effectively launch and market new
products in Nepal, which in turn may result in future investments in the manufacturing of these products in Nepal itself.

Nepalese side stated that it has granted 5% of total turnover for launching a new product by the parent company and the scheme is valid for one year. However, on the request of Indian side for widening the limit as well as the time, the Nepalese side agreed to consider it positively.

(xviii) Restrictions on temporary import of used vehicles and equipment for project work in Nepal.

The Indian side stated that the Department of Customs of Nepal has denied granting approval for the temporary import of used vehicles and equipment for undertaking project work in Nepal on the grounds that Government of Nepal had prohibited the temporary import of any used vehicles in the country. Such a measure will have an adverse implication on the cost of the infrastructure projects in Nepal.

Nepalese side clarified that the restriction is only with regard to used vehicles (passenger) and not equipment. Indian side, however, reiterated its request for allowing even such vehicles for a temporary period in respect of infrastructure projects.

(xix) Discriminatory requirements in respect of import of vehicles from India:

(a) Vehicle emission norms documents;

The Indian side stated that GoN has permitted all countries, other than India, to import vehicles through self certified Type Approvals (TAs). Indian vehicles are required to provide TAs from authorized testing agencies like ARAI, Pune. Acquisition of authorized TAs is a long process that at times delays import of vehicles from India. This creates an uneven playing field and is a non-tariff barrier against import of vehicles from India.

The Nepalese side informed that they shall make speedy efforts to resolve this issue in a manner that no discrimination shall be made against export of Indian vehicles vis-à-vis requirements set for export of vehicles by any other country.

(b) Cost of freight valuation;

The Indian side stated that as per Nepal Customs, the cost of freight is charged on actual basis or 5% of the value of the goods imported, on which amount the customs, excise and duties are charged. Indian vehicles are invariably charged freight on actual basis. All other third country vehicles are permitted on C&F valuation basis from Kolkata port to Birgunj at a very low rate of Nrs 10,000/-. As on date, such clearance from Kolkata to Birgunj is at least Nrs 70,000/-. This gives an unfair advantage to third country vehicle importers since the cumulative duties and taxes on passenger vehicles in Nepal currently amounts to 236%.
The Nepalese side stated that they will examine the information provided by the Govt. of India and revert.

(XX) Measures to improve Domestic and Export Competitiveness of Nepalese Industry

The Indian side suggested measures as per Annexure-IV, for consideration of the Nepal side to improve the domestic and export competitiveness of Nepal based industry.

The Nepalese side noted the suggestions and agreed to examine the same in consultation with concerned Government authorities/agencies.

Agenda proposed by the Nepalese side:

Issues on Transit:

1. **Simplification of modalities for Traffic-in Transit between Nepal and Bangladesh through Kakarbhitta-Banglabandh corridor.**

   The Nepalese side requested clarification about the 1997 modalities in respect of tarpaulin covered cargo in the draft LoE.

   The Indian side informed that the same have been incorporated and the final draft will be sent to the Govt. of Nepal after completing the due procedures.

2. **Operationalisation of rail transit facility through Singhabad for Nepal’s trade with and through Bangladesh.**

   The Indian side informed that the revised LOE has been submitted to GoN on October 11, 2010. The concurrence of the Govt. of Nepal is awaited.

3. **Operationalisation of Vishakhapatnam Port:**

   (a) **Amendment in Rail Services Agreement (RSA) for rail transport between Vishakhapatnam and ICD Birgunj.**

   The Indian side informed that the revised LOE has been submitted to GoN on October 11, 2010. The concurrence of the Govt. of Nepal is awaited.
(b) Amendment in Transit Treaty for allowing traffic-in-transit between Vishakhapatnam and Nepal through four road routes and to rail heads on India-Nepal border:

The Indian side informed that the LoE is under examination and the finalised version will be sent to the Nepalese side after completing the due procedures.

4. Review of Railway Services Agreement.

Both sides agreed to consider a proposal submitted by the Nepalese side for comprehensive review of the RSA. It was agreed to hold the next meeting in Kathmandu to review progress on outstanding issues.

Nepalese side requested for fresh set of dates convenient to the Ministry of Railways, Govt. of India. Ministry of Railways agreed to convey the convenient dates.

5. Problems at Kolkata Port

i. Allow carrying of Bulk Cargo by Railways to Nepal Border Customs Points namely Jogbani and Nautanwa besides Raxaul.

The Nepalese side stated that while the Transit Treaty requires only prior intimation to the Indian customs for movement of bulk cargo to any agreed route, in practice, the permission of the Govt. of India is being taken, which is time consuming. Nepal, therefore, requested for allowing transit of bulk traffic through Jogbani and Nautanwa. The Nepalese side also clarified that they would require waiver of the permission particularly for fertilizers and further requested for delegation for authorisation to the Kolkata Customs authorities in this regard to minimise delays in transit.

Indian side agreed to examine the request subject to the consignments being sealed containers and/or full rake loads. The cost of transhipment, if any, will be borne by the consignor/consignee.

ii. Waiving of charge on Nepal bound traffic delayed due to unavoidable reasons.

The Nepalese side stated that the 30 day limit has been allowed for storing peas and other food grains at warehouses in the dock area. Whenever the stipulated time is superseded, Port authority charges more than 3 times the basic charges. The measure applies to transit cargo. Traders are compelled to keep the cargo till the availability of railway rake. Therefore, the charges should be waived.

The Indian side stated that initial license period is 60 days in case the volume of cargo exceeds 10000 MT in respect of dry bulk and more than 5000 MT in respect of all other cargo. The rates for occupation charge in transit sheds in the docks shall always be progressive. So far as availability of railway rake is concerned, there is no delay from Railways.
iii. Haphazard stacking of Nepal bound containers.

The Nepalese side stated that the Kolkata Port Authority should place the Nepalese containers in a dedicated area near the railway yard while unloading the Nepal bound cargo from the vessels.

Indian side stated that with the implementation of Port Community System (PCS), container agents are to give advance container information (COPRAR) through manifest prior to discharge from vessels, indicating the container numbers which are meant for despatch by Railways so that proper stacking can be done.

iv. Collecting all Port Charges from Shipping Company.

The Nepalese side stated that the Kolkata Port has introduced a system for collecting all port charges from the Shipping Company instead of Customs House Agents vide its notification F.15/15/B dated 9th December 2010. Due to this, Nepalese importers are being charged unusually high port charges by some shipping companies and sometimes, they have to pay detention charges to shipping lines for not having sufficient amount of bank balance in the shipping lines account to pay the port charges on time. The Nepalese side stated that there should not be any monoplastic agency in collection of port charges. It wants either the previous system to be restored in respect of Nepalese cargo or both Shipping lines and clearing agents to be allowed to collect the charges.

The Indian side stated that keeping in view the mode of recovery followed by all other container terminals, cargo related charges on containerized cargo is being recovered from container agent/main line operator/container freight station operator/inland container depot operator, by Kolkata port with effect from December 10, 2010. Since this is a policy decision, it is being applied uniformly across all ports.

v. Priority to Nepalese cargoes by the Eastern and South-Eastern Railway.

The Nepalese side stated that the Nepalese transit cargo moves through Kolkata Port and Haldia Port. Usually, the movement of cargo is smooth but sometimes due to unavailability of rakes, Nepalese traders are not able to move the cargo in time which leads to detention charges. Nepalese side stated that there should be a mechanism to ensure perpetual availability of rakes for Nepalese cargo.

The Indian side informed that perpetual availability of rakes would not be possible due to infrastructure constraints. Govt. of Nepal may, however, hold a meeting with concerned officials of CONCOR to resolve outstanding issues of movement of transit cargo. Further, on the request of Nepalese side that private rail operators should be allowed, the Indian side advised that a proposal to this effect may be forwarded to Govt. of India for examination.
6. Waiver of Additional Duty of Customs on all export items.

The Nepalese side stated that the Additional Duty of Customs (ADC) at the rate of 4% was imposed by Govt. of India in 2006. The Nepalese side had handed over a list of additional 217 items at the last IGC meeting for waiver from ADC. Government of India vide Notification No. 29/2010-Customs dated 27th February, 2010 has exempted, besides other categories of goods, ready-made garments falling under Customs Tariff Headings 61 and 62.

The Indian side agreed to examine this issue. Indian side also informed that regarding its own request for MOP to be restored from 7% to 20%, no progress has been made by the Nepal side and it is difficult to unilaterally continue giving concessions without adequate response from Nepal side on issues of concern to the Indian side.

7. Import of Cotton Yarn.

Nepalese side requested Indian side to allocate 5000 MT of cotton yarn annually to Nepal.

Indian side informed that country-wise allocation is not made in normal course of trade.

8. Issues related to supply of petroleum products.

(a) Waiver of Excise Duty on petroleum products in case of an accident in Indian Territory.

The Nepalese side stated that in case a tanker carrying POL Products from a refinery in India meets with an accident in the Indian territory and the consignment is lost, the Nepal Oil Corporation (NOC) has to pay excise duty on the consignment because Indian authorities regard it as consumption in India because the same has not been exported. If the NOC insures the consignment for a value, inclusive of excise duty, the insurance premium goes up.

The Indian side stated that as per the existing rules, the specific relaxation being sought is not possible.

(b) Duty drawback for export of POL products via Bhitemod.

The Nepalese side stated that the supplies of POL products by Indian Oil Corporation to Nepal Oil Corporation are eligible for duty drawback for exports only through land customs stations at Panitanki, Raxaul, Jogbani, Sunauli, Rupedya, Gauripahanta and Dharchula. During June 2008 to February 2010, as Customs Duty on crude oil was made nil by the Government of India, the benefit of duty drawback was not applicable. During this period, NOC started bringing some supplies from IOC’s Barauni terminal for their
The Indian side informed that the issue is under examination.

9. Implementation of New Treaty of Trade:

a. Duty Refund Procedure

The Indian side assured that the necessary notification in this regard is expected to be issued shortly.

b. Operationalisation of Additional Customs Points

The Nepalese side informed that they have already issued all the notifications to operationalise the agreed 4 Customs points as well as air routes and requested the Indian side to operationalise the same.

The Indian side mentioned that the proposal for 4 additional Customs points as well as air route is under examination and it is expected that the additional Customs points will be operationalized shortly, after due process by Department of Customs of their manpower requirements and related infrastructure.

c. Trade related Technical Assistance

The Nepalese side informed that Nepal Bureau of Standards and Metrology (NBSM) and D/o Food Technology & Quality Control (DFTQC) are ready to apply for accreditation to NABL (India) in respect of 4 laboratories (Food, Textiles, Chemicals and Metrology). They requested for a consultative team from India to visit these labs and check for deficiencies, if any.

The Indian side suggested that the Nepalese side may go ahead and apply directly to NABL for accreditation.

d. Harmonisation of Standards and Regulation

The Nepalese side informed that the draft SAARC Agreement on implementation of Regional Standards will be submitted to Inter-Governmental Experts Group during its Meeting to be held on 13-14 March, 2011 in Dhaka. Subsequently, the approved Agreement will be signed during the 17th SAARC Summit to be held in Maldives this year.

The Indian side noted the same.
10. **Problems faced at Panitanki LCS:**

a. **Lack of food laboratory at Panitanki**

The Indian side informed that the cost of setting up of a food laboratory needs to be justified on the basis of relevant trade traffic. The Indian side further informed that a facilitation circular was issued in January, 2011 which allows consignments (except those on the sensitive list) to move with or without random samples being drawn if the first few similar consignments are cleared by the relevant food laboratories.

b. **High Laboratory fee of plant quarantine**

The Indian side informed that the inspection fee is only Rs. 75/- per tonne over and above 1000 kg. in case of pulses, it is only Rs. 30/- per tonne. It was further informed that the fee collected does not even cover 10% of the costs being incurred by the plant quarantine agencies.

c. **Invoice certification valued more than one lakh at the office of Assistant Customs Commissioner at Siliguri**

The Indian side informed that it will explore the modalities for expediting the certification so that the delays are minimized. Mechanisms shall also be explored to convey approvals through electronic means.

d. **Lack of appropriate physical infrastructure at Panitanki border Customs**

The Indian side informed that subject to availability of land, the physical infrastructure requested for by Govt. of Nepal will be considered.

11. **Issues of supplying third country LP Gas through private sector agency in Nepal**

The Nepalese side requested for provision of storage and permission to mix Propane and Butane to produce LPG at IPPL, Haldia and transport the same to Nepal.

The Indian side agreed to allow the use of terminal facilities of IPPL, Haldia by private companies of Nepal, subject to commercial terms and conditions to the extent of 2000 MT per month for a period of one year. The arrangement will be reviewed after one year. Responding to Nepalese request for more quantity and for a period of at least 3 years, the Indian side suggested that the Nepalese side can send a suitable proposal for examination.

12. **Any other issues:**

(a) **Escorting fee at Phulbari Land Custom Station**

The Nepalese side informed that the recent notification issued by Phulbari LCS dt. 22.12.2010 mandated payment of escort fee by Nepalese exporters and importers not according to a convoy but according to Customs Transit Declaration (CTD) which
implies that the fee to be paid becomes receivable and is not in consonance with Article 4 of Treaty of Transit and Operating Modalities, 1997. Further, the notification also stipulated that the fee should be paid with retrospective effect from 1998.

The Indian side agreed to refer it to the Customs authorities to examine the reasonability of the charges.

(b) Provision of approval of authority to sign as Customs Siree on CTD form to Nepal Transit and Warehousing Company Limited (NTWCL).

The Nepalese side informed that the Govt. of Nepal is still awaiting the response from Kolkata Customs regarding its request to provide approval of authority to sign as Customs Siree at CTD form to 3 officials of NTWCL, who possess valid Customs House Agent license.

The Indian side noted the request.

The Meeting was conducted and concluded in a warm and friendly atmosphere.

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