CHAPTER IX: CASE STUDY OF NEPAL

A. Country profile

Nepal, together with Afghanistan and Bhutan, is one of three landlocked least developed countries in South Asia. Like Bhutan, Nepal is bound by India to the south and the Tibet Autonomous Region of China to the north. Nepal covers an area of 147,181 square kilometres, with a length of 885 kilometres east to west and a mean width of 193 kilometres from north to south. Nepal is divided into three ecological zones, ranging from the plains of the Terai in the south to the central mountains and the Himalayan region in the north. The altitude ranges from 305 metres to 8,848 metres above sea level. The high mountain ranges, including the Himalayas, which run through the breadth of Nepal, hinder access to the more remote parts of the country and define the contours of its major transport routes.

Most of Nepal’s economic activities, excluding agriculture, occur either in the Kathmandu valley or along its long border with India. However, the overwhelming majority of the population relies on subsistence farming and lives in rural areas where poverty is widespread. The ratio of population to arable land is among the highest in the world. It has been estimated that some two fifths of the population of Nepal live in poverty due to slow growth in agriculture, poor social services delivery, and poor infrastructure. Linking the large number of scattered villages, particularly in mountainous areas, to the national transport grid so as to integrate them into the national market remains a significant task.

Nepal has, nevertheless, made encouraging progress in development. Although the population, currently estimated at around 23.6 million, has been growing at approximately 2.3 per cent annually, GDP per capita increased at an average annual rate of 2.6 per cent between 1990 and 2000. More recently, however, the global economic slowdown and social instability have contributed to slower growth as revenues from exports and tourism declined. In particular, the agricultural sector, which accounts for around 80 per cent of employment, has seen its contribution to GDP fall to just over 39 per cent, little more than the contribution of the services sector. Value added in industry has also declined somewhat and the sector currently contributes around 22 per cent of GDP.

As a landlocked country with a low level of development, Nepal has found it difficult to expand merchandise exports. Revenue from tourism used to dominate Nepal’s relatively modest level of export earnings until the mid-1980s when the country entered the market for labour-intensive manufactured goods such as woven carpets and ready-made garments and, more recently, pashmina. Rapid export growth followed and export earnings amounted to over 25 per cent of GDP until the recent economic slowdown lowered this figure to around 23 per cent. Imports as a percentage of GDP have also declined to around 32 per cent, following a period of rapid growth due to trade liberalization. Since Nepal relies on imported capital goods, as well as its imported oil for energy, imports have consistently exceeded exports, leading to substantial deficits in Nepal’s merchandise trade balance. Earnings from tourism and remittances from migrant workers remain significant contributors to export earnings but have not been sufficient to offset the imbalance in merchandise trade, and the current account deficit has remained in the order of 5-6 per cent of GDP in recent years.

Nepal has essentially a free trade regime with India, and the Indian rupee also circulates freely in the country. Trade with India is, however, sometimes affected by sales taxes and other restrictions imposed by states, as well as by other measures such as quality control tests and quarantine certificates. The Treaty of Trade between His Majesty’s
Government of Nepal and the Government of India, signed in December 1991 was renewed in March 2002 for a further period of five years after prolonged negotiations to address Indian concerns on rules of origin and safeguards.\textsuperscript{58} Exports to India have grown very rapidly, and around 28 per cent of total Nepalese exports by value (in US dollars) have gone to India in recent years. Unofficial exports may add to this figure. However, exports to India have fallen back in the current fiscal year following the imposition of quotas of some duty free exports from Nepal. With concomitant trade liberalization in both countries, commodities exported to India have been diversified somewhat as re-exports of goods to that country declined dramatically. However, an important potential export – hydroelectric power – remains undeveloped so far. According to the Nepal Rastra Bank, during the first five months of fiscal 2003, pashmina accounted for nearly a quarter of total exports to India, followed by vegetable ghee, toothpaste, jute goods and soap.\textsuperscript{59} India has been the source of approximately 34 per cent of imports by value (in US dollars) into Nepal, on average. Major imports from India into Nepal were cotton fabrics, medicines, rice, machinery and parts and chemicals. Nepal’s trade deficit with India is a very significant part of its total deficit, and unofficial imports are likely to widen this figure.

Among other countries, the United States of America is a principal market for exports from Nepal, taking on average 31 per cent of total exports by value (in US dollars) in recent years. Countries in the European Union (EU), particularly Germany, are other major export destinations. Exports to these countries have benefited from quotas under the Multifibre Arrangement (MFA) and the generalized system of preferences (GSP). In general, exports to third countries have focused narrowly on higher value-added, manufactured goods, namely, garments, carpets and pashmina, which is somewhat worrying as the trends in the exports of these products have been on the decline. Garments and carpets accounted for one half and one third respectively of Nepal’s exports to third countries in early fiscal 2003. Pashmina, gold, silverware and ornaments and handicrafts accounted for the rest. Major imports from countries other than India during this period were petroleum products, gold and silver, threads, machinery and parts, transport equipment and chemical fertilizers. Imports of raw materials needed for the manufacture of products affected by the Indian quotas have, not surprisingly, declined. Countries in East and South-East Asia are the principal sources of manufactured imports. In particular, imports from China have increased very rapidly in recent years and currently account for approximately 13 per cent of total imports by value (in US dollars).

Nepal has a relatively open economy, which is partly the result of its relationship with India and partly a reflection of the policy of import liberalization pursued under the Structural Adjustment programmes of the World Bank. Non-tariff barriers have been largely eliminated and tariff levels are low for a developing country. The establishment of the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement (SAPTA) is expected to lead to further liberalization. The country is currently an observer at the World Trade Organization (WTO) and is in the process of accession to that body. In this context, Nepal is expected to restructure its import tariff bands from five to four, with a maximum rate

\textsuperscript{58} In particular, the concerns related to hydrogenated vegetable oil (vegetable ghee), which is made of palm oil imported from Malaysia that faces negligible duties in Nepal as compared to heavy duties in India. Quotas have now been placed on the duty-free export of vegetable ghee, acrylic yarn, copper wires and zinc oxide from Nepal to India. The text of the Treaty of Trade is available at http://www.tcpnepal.org.np/tagree/main.htm (14 June 2003).

of 35 per cent, and to convert the exceptional tariff rates on vehicles to excise taxes. While the import liberalization measures will have benefited consumers, they will also have increased cost pressures on domestic producers, particularly as the increased import demand has not been matched by strong export growth. The range of exports also remains narrow. The outlook for Nepal’s commodity exports is further conditioned by the scheduled ending of the MFA in January 2005. The country will then be forced to compete with other low cost producers in third markets on an equal basis and may find itself at a disadvantage as a result of its landlocked nature. While earnings from invisibles such as tourism and remittances can be expected to grow, greater integration with subregional and regional economies by encouraging increased investment targeting markets in neighbouring economies, including developing and maintaining infrastructure such as transport and energy, could be a way forward.

B. Transit transport infrastructure and facilitation

1. Transit transport infrastructure

(a) Land transport

The principal mode of transit transport between Nepal and India takes place by road. The road network in Nepal has grown rapidly over the past fifty years. The total length of road was approximately 640 kilometres in the mid-1950s, but by 2000 the figure was nearly 16,000 kilometres. Between 1993 and 1998, in particular, Nepal’s road network experienced one of the highest rates of growth in the region, expanding at an average annual rate of 4.6 per cent. Out of 75 districts in the country, 65 are accessible by roads that can be used by motor vehicles. As of July 2001, the number of cargo vehicles registered with the Department of Transport Management was 21,580, approximately 7 per cent of the total number of registered vehicles. The classification of the road network in 2000 by region is given in table IX.1. Just fewer than 30 per cent of all roads are paved, and those that are not paved are frequently washed away in the rainy season. Hill and mountain trails are often the only means of access for villages in remote areas, and are suitable only for pedestrians and pack animals.

Table IX.1. Nepal road network, 2000

<table>
<thead>
<tr>
<th>Region</th>
<th>Classification</th>
<th>Total</th>
<th>Of which per cent paved*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NH</td>
<td>FRN</td>
<td>FRO</td>
</tr>
<tr>
<td>Eastern</td>
<td>670</td>
<td>185</td>
<td>0</td>
</tr>
<tr>
<td>Central</td>
<td>749</td>
<td>462</td>
<td>117</td>
</tr>
<tr>
<td>Western</td>
<td>486</td>
<td>415</td>
<td>29</td>
</tr>
<tr>
<td>Mid Western</td>
<td>580</td>
<td>390</td>
<td>25</td>
</tr>
<tr>
<td>Far Western</td>
<td>489</td>
<td>197</td>
<td>0</td>
</tr>
<tr>
<td>Total Nepal</td>
<td>2,974</td>
<td>1,649</td>
<td>171</td>
</tr>
</tbody>
</table>


Notes: NH = national highways; FRN = feeder roads major; FRO = feeder roads other; DR = district roads; UR = urban roads.

* Bituminous pavement.

Fifteen national highways and 51 feeder roads, some of which are currently under construction, amounting to a total of roughly 4,800 kilometres, make up the Strategic Road Network, which forms the main network of national importance. Of this, a Core Network of 1,692 kilometres has been identified, consisting of the following routes:

- East-West Highway (1,024 km);
- Tribhuvan Rajpath (Birgunj-Katmandu, excluding the overlap with the East-West Highway; 162 km);
- Prithvi Highway (Naubise-Pokhara, 174 km);
- Mugling-Narayanghat (36 km);
- Siddhartha Highway (Bhairahawa-Pokhara, 183 km); and
- Kodari Highway (Katmandu-Kodari, 113 km).

While the basic road infrastructure network for transit trade through India is in place, the condition of the infrastructure is poor in places, particularly in the feeder roads, at bridges and at transshipment facilities at border crossings. The slower speeds necessitated by the poor condition of the roads and the breakdown of vehicles are also seen to be a contributing factor to the pilferage and theft that takes place along the transit route.

The only border point with China is by road through Kodari, 110 kilometres northeast of Kathmandu, and the road to Kodari was constructed with aid from the Chinese government. While cargo flows are limited at present, Nepal could become an important transit country between India and China with the extension of the Asian Highway, route AH42, to Lhasa, China.

In terms of rail transport, Nepal has a 42-kilometre narrow gauge railway from Jaynagar to Jaleshwore. With grant assistance from the Government of India, a 5.4 kilometers broad gauge railway track was completed in March 2001 between Raxaul (India) and Birgunj, where an inland clearance depot (ICD) has been built. When operational, the route will connect to the Indian Railways’ Raxaul-Calcutta link. A 3.65-kilometre road link has also been built connecting the Birgunj ICD to the main Kathmandu road.

(b) Air transport

Due to its topography and geographic location, the Government of Nepal has made efforts to develop domestic and international air transport. At present, domestic air transport plays a significant role in the transportation of goods and passengers to the remote areas of the country. However, the high costs of construction and maintenance has meant that this sector still carries a relatively small proportion of Nepal’s traded cargo. As of 2001, Nepal had 50 airports, of which nine had paved runways. Only one, the Tribhuvan International Airport in Kathmandu, is an international airport. Air-air transport, and air-sea transport are current alternatives to land-sea transport for high-value cargo. In the case of air-sea cargo, items are shipped by air to Bangkok or Singapore, and then transshipped onward to their final destination.
(c) **Inland clearance depots (ICDs)**

With assistance primarily from the World Bank, three Inland Clearance Depots (ICDs) have been completed at three points close to the border with India, at Birgunj in the centre, Biratnagar to the east and Bhairahawa to the west. All three are linked by road to Kathmandu. As mentioned above, the ICD at Birgunj also has rail connections laid by Indian Railways. It is expected that the finalization of negotiations between India and Nepal on bringing the Birgunj ICD into operation will greatly facilitate the movement of Nepalese transit cargo and promote a modal shift to rail (see below).

(d) **Transit port facilities**

Kolkata Port Trust (KPT), which comprises the Kolkata Dock System (KDS) and Haldia Dock Complex, remains the dominant port of entry and exit for Nepal’s transit cargo. In the last two years, Haldia’s share of containers to and from Nepal has increased more than tenfold and now stands at just under half of total container imports, and approximately 70 per cent of container exports. Goods in containers are loaded on to feeder vessels, which then travel to Singapore and, in some cases, to Colombo, for transshipment to destinations in Europe, the Middle East, East Asia and the Americas. A breakdown of Nepalese transit cargo, both imports and exports, through KDS and Haldia is given in table IX.2.

**Table IX.2. Nepal transit cargo handled at Kolkata Port Trust**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th></th>
<th></th>
<th>Exports</th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KDS</td>
<td>Haldia</td>
<td>Total</td>
<td>KDS</td>
<td>Haldia</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>1998-99</td>
<td>404</td>
<td>147</td>
<td>551</td>
<td>31</td>
<td>6</td>
<td>37</td>
<td>588</td>
</tr>
<tr>
<td>1999-00</td>
<td>588</td>
<td>242</td>
<td>830</td>
<td>25</td>
<td>10</td>
<td>35</td>
<td>865</td>
</tr>
<tr>
<td>2000-01</td>
<td>404</td>
<td>155</td>
<td>559</td>
<td>23</td>
<td>8</td>
<td>31</td>
<td>590</td>
</tr>
<tr>
<td>2001-02</td>
<td>311</td>
<td>384</td>
<td>695</td>
<td>5</td>
<td>11</td>
<td>16</td>
<td>711</td>
</tr>
<tr>
<td>2002-03*</td>
<td>290</td>
<td>297</td>
<td>565</td>
<td>3</td>
<td>18</td>
<td>21</td>
<td>586</td>
</tr>
</tbody>
</table>

*Source: Kolkata Port Trust.*

Note: *April 2002-January 2003.*

The table shows that the throughput of Nepal’s transit cargo has fluctuated, peaking in 1999-2000 and then declining sharply. Figures for 2001-02 indicate a notable revival of some 21 per cent, and the available figures for April 2002 to January 2003 indicate further growth of nearly 13 per cent as compared to the same period a year earlier. The growth of imports through Haldia is particularly notable, surpassing imports through KDS in 2001-02. The principal imports passing through KPT and in transit to Nepal are vegetable oil, fertilizer, rapeseed and steel. As can be seen from the table, the volume of Nepal’s exports through Kolkata is very low compared with imports.

Since 1976, Chittagong and Mongla ports in Bangladesh have also been used for routing Nepal’s third country trade. However, the use of these ports is currently very limited due to a number of factors, including longer distances, as compared with Kolkata.
2. Legal framework

(a) Bilateral arrangements between Nepal and India

Transit transport through India is carried out in accordance with the Treaty of Transit between the Government of India and His Majesty's Government of Nepal signed in December 1991 and renewed in January 1999 for a period of seven years. The protocol and the memorandum to the Treaty outline the export and import procedures on goods exported from Nepal to third countries, or imported from third countries into Nepal and transiting through India. The protocol identifies 15 entry-exit points located along the India-Nepal border.61

(b) Bilateral arrangements between Nepal and Bangladesh

Transit transport through Bangladesh is covered by the bilateral Trade and Payments Agreement and the Transit Agreement, signed in April 1976, between the Government of Bangladesh and His Majesty’s Government of Nepal, under which the movement of traffic-in-transit by all means of transport through the seaports of Khulna-Chalna, and Chittagong, and the border points of Biral, Banglabandh, Chilhati and Benapole was approved.

According to the SAARC Business Information Network, Nepal currently uses the border crossing points of Biral and Banglabandh.62 Biral, a metre gauge rail point at Bangladesh border, has been used for the movement of Nepal's trade traffic to and through Bangladesh after the Government of India allowed the rail connection from its border station at Radhikapur to Biral in 1978. India has also allowed the use of the road connection from the Phulbari border crossing point with Bangladesh.

Both Nepal and Bangladesh are keen to promote the greater use of transit routes through Bangladesh via India, as well as to increase their bilateral trade.

(c) Regulations on road transport

Due to the difficult terrain and the condition of roads in Nepal, trucks cannot operate at high speeds or with high axle loads on most parts of the road network. The Vehicle and Transport Management Regulations 1998 fix the maximum permissible axle load for all vehicles at 10.2 T. At present, Indian-owned trucks dominate the road transport sector of the transit system, due to a number of factors such as cost differences.

3. Transit transport procedures

The procedures involved in exports and imports are summarized below. According to the Kolkata Port Trust and the Customs Preventive Office, a small number of containers are opened for inspection at the port on landing. Containers bound for Nepal, once sealed by customs, do not have to be inspected again en route, if the seal is intact.

61 The official border crossing points are Sukhia Pokhri, Naxalbari (Panitanki), Galgalia, Jogbani, Bhimnagar, Jayanagar, Bhitamore (Sitamarhi), Raxaul, Nautanwa (Sunauli), Barhni, Jarwa, Nepalgunj Road, Tikonia, Gauri-Phanta, and Banbasa.
The 15 designated border-crossing points between India and Nepal for third country traffic are open seven days a week. Opening hours depend on the working hours of the customs staff, which are generally from 8 am to 6 pm. There are also several customs checkpoints along the routes to Nepal, as well as custom patrols, which may undertake random checks or checks on receipt of specific information. Any inspection en route has to be reported to the Customs Preventive Office in Kolkata. In the event of the seizure of a container, the information has to be sent by radio message to Kolkata. Once the goods reach the land customs station at the Indian border point, the goods will be allowed to proceed to Nepal if the seal is intact.

<table>
<thead>
<tr>
<th>Direction</th>
<th>Steps in processing documents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nepal – Kolkata</strong></td>
<td>Processing Customs Transit Document (CTD) at Birgunj/Biratnagar and the other border customs as designated by Nepal-India treaty of transit.</td>
</tr>
<tr>
<td></td>
<td>Clearance at Jobgani/Raxaul Customs and the other border customs as designated by Nepal-India treaty of transit.</td>
</tr>
<tr>
<td></td>
<td>Final approval of CTD at Kolkata Customs</td>
</tr>
<tr>
<td></td>
<td>Furnishing CTD to Kolkata Port Trust</td>
</tr>
<tr>
<td><strong>Kolkata – Nepal</strong></td>
<td>CTD processing at Kolkata</td>
</tr>
<tr>
<td></td>
<td>Clearance at Raxaul/Jogbani Customs and the other border customs as designated by Nepal-India treaty of transit.</td>
</tr>
<tr>
<td></td>
<td>Clearance at Birgunj/Biratnagar and the other border customs as designated by Nepal-India treaty of transit with duty payment</td>
</tr>
<tr>
<td></td>
<td>Final CTD processing at Kolkata (upon receipt of communication from Nepal Customs officials)</td>
</tr>
</tbody>
</table>

*Source: Kolkata Port Trust.*

At Kolkata port, Nepalese cargo is moved to godowns. Port charges are paid only before final clearance. The KPT has introduced a computerized system for customs procedures developed by the National Informatics Centre. The objective of the Electronic Data Interchange Gateway Programme is to improve the speed and reliability of information exchange. In Nepal, initiatives such as the introduction of the Automated System of Customs Data and the Advance Cargo Information System (ACIS) are being pursued with assistance primarily from the World Bank under the Nepal Multimodal Trade and Transit Facilitation Project (NMTTFP) but are still in fairly early stages of implementation. According to Nepalese officials, it is expected that the Freight Transit Monitoring System of the ACIS will be installed at the new Birgunj ICD as well as at the Kolkata ports, with a view to generating information on cargo traffic moving by rail. There is still considerable scope for harnessing modern information technology to improve customs and traffic monitoring processes.

The large number of documentary requirements applies to third country trade to and from Nepal. The Government of Nepal is taking steps to simplify customs and other trade documents, including the documents required for foreign exchange controls. Proposals for simplification of existing procedures, which emanated from an in-depth study conducted under the NMTTFP, have been forwarded to relevant agencies and are currently under consideration. There is also a need to standardize documents required for transit trade and transport.

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4. Coordination of trade and transport facilitation

In order to facilitate the coordination of national policies, a National Trade and Transport Facilitation Committee (NTTFC) was established in Nepal in 1998. In addition to the Ministry of Industry, Commerce and Supplies, the NTTFC comprises of the Ministries of Finance and Labour and Transport Management, Department of Customs, Nepal Rastra Bank, several other government departments and representatives from key commerce and transport industry associations (Annex IX.1). Its membership was expanded in 2000 to include other important players in the trade and transport sectors, namely the Trade Promotion Center, Handicrafts Association of Nepal, Central Carpet Industries Association, and the Goods Carriers Association. Under this committee, three subcommittees on Trade Facilitation, Law and Insurance have been constituted.

C. Analysis of selected corridors

At present, an estimated 70 per cent of third country trade is transported across the border between Birgunj (on the Nepali border) and Raxaul (on the Indian border) and on to the Kolkata Port Trust. The distance between Birgunj and the ports of Kolkata and Haldia is 960 km and 1080 km respectively (approximately). A shorter, alternative route runs between the border point of Biratnagar in the east of Nepal, crossing the border at Jogbani, with a distance of about 536 kilometres and 640 kilometres, respectively, from Kolkata and Haldia (approximately). The route chosen for the application of the ESCAP time/cost methodology was Kathmandu-Birgunj/Raxaul-KPT and the unit of measurement was containerized cargo (per TEU). The time/cost estimates are presented in table IX.3 and plotted in figure IX.1 and figure IX.2.

Table IX.3. Estimated time and costs required for the export of containerized cargo by road from Kathmandu to Kolkata Port Trust

(Per TEU)

<table>
<thead>
<tr>
<th>Leg</th>
<th>Distance (km)</th>
<th>Cum. distance (km)</th>
<th>Transit time (hours)*</th>
<th>Cost (US$)</th>
<th>Cum. cost (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kathmandu-Birgunj</td>
<td>298</td>
<td>298</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Birgunj-Raxaul (border)</td>
<td>960</td>
<td>I 258</td>
<td>6</td>
<td>18</td>
<td>48</td>
</tr>
<tr>
<td>Raxaul-KPT</td>
<td></td>
<td></td>
<td>96</td>
<td>114</td>
<td>144</td>
</tr>
<tr>
<td>Kolkata port</td>
<td>48</td>
<td>162</td>
<td>48</td>
<td>12</td>
<td>72</td>
</tr>
<tr>
<td>Port charges</td>
<td></td>
<td></td>
<td>125**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>I 258</td>
<td>162</td>
<td>288</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Data collected by ESCAP staff. (Cum. = cumulative).

Notes: * Time at Kolkata Port refers to clearance time for export cargo.

** With regard to wharfage, free time of 20 clear working days is given for containerized cargo;

for all other cargo free time is seven clear working days.
Figure IX.1. Estimated cumulative time required for the export of containerized cargo by road from Kathmandu to Kolkata Port Trust

Figure IX.2. Estimated cumulative costs required for the export of containerized cargo by road from Kathmandu to Kolkata Port Trust (Per TEU)

Note: Time at Kolkata Port Trust refers to time taken for processing export cargo.
Representatives from the Government, transport operators and freight forwarding companies consulted for this case study all referred to the transit route through Birgunj in their responses. A fairly consistent picture emerged with regard to the total time and the costs of transit transport to and from Nepal. However, when asked for a breakdown of costs, there were some disparities in the relative amounts of transit charges, border-crossing charges, and other charges including labour costs, crane and container rentals, and informal payments. The transit undertaking charges for imports, for example, were said to vary according to the cost, insurance and freight (c.i.f.) value, and were estimated at 0.15 per cent and 0.45 per cent of the c.i.f. value for Government and sensitive private cargo respectively.\(^{64}\)

The wide variation in transit times is due in part to the time taken at the border and at the ports to clear customs. Customs clearance was said to be relatively reliable, but when documents were incorrect or a more thorough checking than usual was undertaken, delays could be as long as 3 days. The variation was also said to be due to uncertainty surrounding road conditions (especially delays caused by weather and accidents); vehicle breakdowns; labour strikes and equipment breakdowns at the border and the ports during loading/unloading of cargo.

As the road sector which is carrying the bulk of transit freight between India and Nepal is dominated by small private trucking companies, competition is high and the transport costs are relatively low. In addition, as noted in a World Bank study, the cost of road transport per kilometer is kept down by the low labour costs and less expensive vehicles (in terms of capital rather than maintenance costs).\(^{65}\) However, poor conditions of the roads cause damage to both the trucks and sometimes the cargo, adding to operating costs and time. The weight limits on the roads may also limit the size of the cargo carried.

Since the ICD at Birgunj has rail connections laid by the India Railway, when negotiations between India and Nepal are finalized and the ICD becomes operational, it may provide optional routes and facilitate the movement of Nepal’s transit cargo.

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64 The Nepal-India Treaty specifies category of sensitive cargo.
Annex IX.1: Membership of Nepal’s National Trade and Transport Facilitation Committee

1. Secretary, Ministry of Industry, Commerce and Supplies (Chairman)
2. Joint Secretary, Ministry of Industry, Commerce and Supplies
3. Ministry of Finance
4. Ministry of Labour and Transport Management
5. Department of Customs
6. Nepal Rastra Bank
7. Nepal Transit and Warehousing Company Limited
8. Federation of Nepalese Chambers of Commerce and Industry
9. Nepal Chamber of Commerce
10. President, Nepal Freight Forwarders Association
11. Nepal Bankers Association
12. Nepal Insurers Association
13. Trade Promotion Center*
14. Handicrafts Association of Nepal*
15. Central Carpet Industries Association*
16. Goods Carriers Association*
17. Project Implementation Unit, Nepal Multimodal Trade and Transit Facilitation Project
18. Deputy Director, Nepal Multimodal Trade and Transit Facilitation Project

* Joined in 2000.