



***Nepal India Bilateral Relations
Interaction Program with His Excellency
Dr. Shankar P. Sharma***

Institute for Strategic and Socio-economic Research



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Nepal-India Bilateral Relations: Interaction Program with Dr. Shankar P. Sharma, Nepal's Ambassador to India

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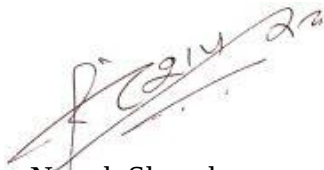
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Acknowledgement

The Institute for Strategic and Socio-economic Research (ISSR) and Khabarhub jointly organized an interaction program with Dr. Shankar P. Sharma, Nepal's Ambassador to India, on November 18, 2024, to discuss key dimensions of Nepal-India bilateral relations, with a focus on trade and economic cooperation. The event addressed Nepal's pressing trade deficit, energy exports, tourism, industrial development, and infrastructure connectivity. This report presents the proceedings and conclusion of the discussion.

I would like to express my sincere thanks to everyone from ISSR and Khabarhub.com for their efforts to prepare this report. We hope to continue to receive constructive feedbacks in the future. Thank You.



Naresh Shrestha
Director, ISSR

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Nepal-India Bilateral Relations: Interaction Program with Dr. Shankar P. Sharma, Nepal's Ambassador to India

Introduction

An interaction program with Dr. Shankar P. Sharma, Nepal's Ambassador to India, was organized by the Institute for Strategic Studies and Research (ISSR) and Khabarhub at the Pavilion Hall on November 18, 2024. The event aimed to congratulate Dr. Sharma on his second tenure as Ambassador and foster discussions on strengthening Nepal-India bilateral relations, with a particular focus on trade.



The program began with Mr. Naresh Shrestha, Director of ISSR and Chairman of Khabarhub, addressing key issues that impact Nepal-India relations. These included the 10,000 MW transmission line, Nepal's graduation from LDC status, quarantine labs, remittance, industrialization, tourism, and agriculture.

Mr. Shrestha noted that the program was designed to bring together key stakeholders for an in-depth discussion on enhancing bilateral relations. A central topic was the recently approved 10,000 MW hydropower project, which had been previously stalled.

Discussion

The discussion centered on future plans, the role of Ambassador Sharma, and ways to support the successful implementation of these initiatives. Emphasis was placed on consistent engagement, particularly in defining terms, policies, and implementation strategies. The tri-lateral agreement to export 40 MW of electricity to Bangladesh was also highlighted as an important development requiring collaborative efforts.

Mr. Shrestha raised concerns over Nepal's trade deficit, the lack of data on remittance flows from India, and issues related to import-export processes, customs, and the trade balance between the two countries.

He also highlighted the upcoming challenge of Nepal's graduation from LDC status, which is expected to reduce export opportunities and exacerbate the current trade deficit, which stands at 91%.

Furthermore, he noted that the local dairy industry faced challenges due to large-scale milk imports from India, and there were disputes in industries such as cement and steel, where manipulations of customs policies threatened Nepal's industrial interests.

During his address, Mr. Shankar Bairagi, former Foreign Secretary, outlined several key challenges and opportunities. He noted that while Nepal understands the necessary actions to take, implementing these initiatives often faces hurdles due to limited utilization of resources.



He emphasized the need for a review of the 1996 Nepal-India Trade Treaty, which, while initially favorable to Nepal, has become less advantageous over time due to amendments. He also highlighted the importance of mechanisms to control unauthorized trade, though he expressed concerns about their effectiveness.

On energy, Mr. Bairagi discussed the Power Vision Statement issued during Prime Minister Sher Bahadur Deuba's 2022 visit to India, which evolved into the Long-Term Agreement (LTA). With Nepal currently exporting 950 MW of electricity and increasing projects from 16 to 28, discussions centered on achieving the 10,000 MW target.

Mr. Bairagi also discussed Nepal's net-zero target by 2045 and India's leadership in solar energy through the International Solar Alliance, which Nepal joined. He called for enhanced production capacity and better market access for Nepalese products, stressing the importance of strategic negotiations to bolster Nepal's economy.



In the tourism sector, Mr. Pawan Golyan, Chairman of the Federation of Nepalese Exporters' Association (FNEA), suggested leveraging social media influencers to promote tourism. He cited the positive impact of Prime Minister Modi's visit to Muktinath and stressed the importance of promoting not only major religious sites like Pashupatinath but also other temples across Nepal with religious significance.

The event also explored opportunities to enhance Nepal-India collaboration in several sectors. One proposal was to lease Nepal's two international airports to India to create a hub linking the Buddha Circuit and Pokhara, which would increase tourism to Muktinath.

Another suggestion was to foster collaboration between Nepali hotels and Indian hotel brands, which could be facilitated through the Indian Embassy's advocacy. The potential for Nepali products such as ghee, dog chews, shilajit, and herbal tea in the Indian market was also highlighted, with the suggestion to establish agro-processing industries in Nepal to process and export these products under the Nepalese label.

Discussions also touched on the development of the East-West Railway, with emphasis on securing India's support for phased implementation through a Government-to-Business (G-to-B) model. The possibility of integrating the Nepali Rupee into India's process of converting Russian Rubles into Indian Rupees was also explored as a potential economic benefit, particularly for tourism.



A major point of concern raised by members of the Independent Power Producers' Association of Nepal (IPPAN) was the delay in Nepal's hydropower projects due to a shortage of explosives. The procurement process, complicated by Nepal's reliance on raw materials from China, was further hindered by India's blocking of these materials. IPPAN suggested that Nepal could work with Indian companies, which produce high-quality explosives at lower costs, to meet the 10,000 MW target.

The program also discussed challenges regarding electricity pricing. India charges extra for electricity due to transmission costs, and labeling Nepal's energy as "green" could help reduce these charges.

IPPAN emphasized the importance of allowing private companies to sell electricity directly to India, as delays in licenses for these companies are hindering progress. Additionally, while Nepal has successfully exported 40 MW to Bangladesh, there is potential to export more, particularly with the construction of new transmission lines.

Highlights by his Excellency Dr. Shankar P. Sharma

Long-Term Energy Agreements: Dr. Sharma stressed the importance of establishing long-term energy contracts with India, as short-term agreements discourage investment due to uncertainty. Nepal's Prime Minister supports this approach, and long-term agreements can help boost investment, exports, and regional cooperation.

Energy Trade with Bangladesh: Energy trade with Bangladesh is an important priority, and Dr. Sharma mentioned that the 40 MW capacity identified by Bangladesh had garnered support from India. He also noted that Sri Lanka has expressed interest in purchasing energy from Nepal.

Quarantine and Inspection: Dr. Sharma discussed the importance of streamlining quarantine processes for Nepalese exports to India. While labs in Kathmandu and Biratnagar are operational, staffing shortages at the Biratnagar lab are a concern. Further inspections and the establishment of additional offices are needed to address food production and trade concerns.

Industrial Production: The impact of India's ban on 732 Chinese products on Nepal's industrial sector was discussed, along with the need for enhanced technical capacity in Nepal's labs to meet Indian standards. The Biratnagar lab's capacity must be evaluated, and necessary upgrades are essential for smooth trade.

Cross-Border Digital Payments: Dr. Sharma noted that daily transactions in Kathmandu now reach 6 million Indian Rupees. He advocated for greater integration of digital payments, including mobile-to-mobile transfers, to streamline transactions. High-level discussions are needed to finalize these initiatives.

Conclusion

In conclusion, the program provided an important platform for constructive dialogue on Nepal-India bilateral relations, focusing on trade, energy, infrastructure, and tourism. Both countries must continue to work together to address challenges and capitalize on opportunities for mutual benefit.

Annexure

List of Participants

1. Dr. Shankar Prasad Sharma, Nepal's Ambassador to India
2. Mr. Naresh Shrestha, Director, ISSR
3. Mr. Shanker Bairagi, Former Chief Secretary
4. Ms. Suman Joshi, Executive Member, IPPAN
5. Mr. Balaram Khatiwada, General Secretary, IPPAN
6. Mr. Ganesh Karki, President, IPPAN
7. Mr. Birendra R. Pandey, Vice President, CNI
8. Mr. Pawan Golyan, Chairman, FNEA
9. Mr. Rabindra Bhakta Shrestha, Managing Director, I.J. Group
10. Mr. Prakash Dulal, Deputy General Secretary, IPPAN
11. Mr. Narayan Aryal, Khabarhub
12. Mr. Arun Baral, Khabarhub
13. Mr. Ankit Raj Suwal, Project Coordinator, ISSR
14. Mr. Bhupendra Rawal, ICC