



Seminar on “PM Dahal’s India Visit: Impact on Bilateral Trade, Business and Investment”

Program Report

September 28, 2016

Hotel Yak and Yeti, Kathmandu, Nepal

AIDIA

Executive Summary

The seminar on “PM Dahal’s India Visit: Impact on Bilateral Trade, Business and Investment” was held at Hotel Yak & Yeti in Kathmandu. The seminar was organized by the Asian Institute of Diplomacy and International Affairs (AIDIA), a foreign policy think-tank body based in Kathmandu, Nepal. The seminar was organized with an objective to discuss the outcomes of the recent PM’s visit to India.

The seminar began with a welcome note from Mr. Sunil KC (Founder and CEO of AIDIA). Mr. KC emphasized the need of interactions among various stakeholders in Nepal regarding the recent PM’s visit to India and clarified the agenda of the seminar to the participants. Mr. KC also chaired and moderated the following session.

On the dias, there was a presence of Mr. Budhhaditya Mukharjee, Country Director and General Managor at the Asian Paints (Nepal), Mr. Gyanendra Lal Pradhan, Executive Committee Member (Nepal), SAARC Chamber of Commerce and Industry, Saurya SJB Rana, President, NICCI, Mr. HariBhakta Sharma, President, Confederation of Nepalese Industries, Mr. Chandra Kumar Ghimire, Secretary, Office of Prime Minister and Council of Ministers, GON, Mr. Maha Prasad Adhikari, CEO, Office of Investment Board of Nepal and H.E. Mr. Ranjit Rae, Ambassador of India to Nepal. H.E. Romi Gauchan Thakali, Minister, Ministry of Commerce, GON delivered the keynote remarks as the Chief Guest in the seminar.

Delivering his remarks, H.E. Hon’ble Ambassador Mr. Ranjit Rae highlighted the importance of a gre mutual co-operation and benefits of working together. Hon’ble Ambassador Rae further added on the need to avoid the politically bagging the development activities bilaterally carried out between Nepal and India. Furthermore, delivering his keynote remarks, Hon’ble Minister Thakali congratulated AIDIA for organizing the seminar and stated that the PM’s visit to India has been successful.

Other eminent speakers in the seminar also highlighted and unanimously agreed in the dire need to focus on ways to attract foreign investment in Nepal. Here the speakers reflected on the need to work on creating an investor friendly climate and praised PM Dahal for his commitment to the same.

List of Abbreviations

AIDIA: Asian Institute of Diplomacy and International Affairs

B2B: Business to Business

EPG: Eminent Persons Group

FDI: Foreign Direct Investment

GON: Government of Nepal

HDI: Human Development Index

ICP: Integrated Check Post

LDC: Least Developed Country

MW: Mega Watt

NICCI: Nepal India Chamber of Commerce and Industry

PM: Prime Minister

SAARC: South Asian Association for Regional Co-operation

WTO: World Trade Organization

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1. About AIDIA

AIDIA is an independent, non-partisan foreign policy think-tank based in the highly geo-strategic Himalayan region. Its headquarter is Kathmandu Nepal. AIDIA aims to lead a new era in foreign policy and international relations and reflects the unstoppable rise of the Asian continent as the key stakeholder in the economic, strategic and geo-political equations of the present day world.

AIDIA provides a platform for policy makers, academicians and industry leaders from around the world to come together to debate, discuss and share their views on the contemporary geopolitical and geo-economics issues confronting the international community. We seek to do this by facilitating effective engagement through the various activities in order to inform, educate and initiate the involvement of Nepal's youth in foreign policy debates and decision-making. AIDIA is actively engaged in providing policy analysis, facilitating diplomatic dialogue and promoting entrepreneurial engagement among all major actors and institutions native to or that have an interest in Asia.

2. About Embassy of India to Nepal

Indian Embassy

Indian Embassy opened in Kathmandu in December, 1947. Shri Surjit Singh Majithia was the first Ambassador of India to Nepal from 1947 to 1949. Till date there have been 22 Ambassadors and Shri Ranjit Rae is the 23rd Ambassador of India to Nepal.

Till 1954, the present President's Residence (Shital Niwas) was the Embassy of India. It was in 1954 that the Embassy of India was shifted to its present location at Lainchor. At the moment, the entire Embassy offices are located within the same premise.

3. About the Seminar

Official Visits between Nepal and India and agreements for mutual co-operation and assistance has been a long practiced modality of carrying out international relations between both the states. Relations have remained smooth and mutually benefitting, otherwise such official visits have played a crucial role in smoothening the ties between the two neighboring states.

In the recent visit, additionally, further efforts were agreed between the two states to move forward to a newer heights the relations between the two states for mutual growth. Several points were agreed between the states, of which, the points concerning trade and economic growth were kept as agenda for the seminar.

In the seminar, discussions were held among stakeholders from concerned fields about the prospective implications of the visit on the local market and economy in Nepal. Panel was set in a manner that comprised of the eminent persons playing a significant role for the growth of investment and trade in Nepal.

4. Session

a. Welcome Remarks by Mr. Sunil KC

The seminar commenced with a welcome remark from Mr. Sunil KC, the founder and CEO of AIDIA. While highlighting on the importance of regular interactions between the two states, KC shed light on the agenda of the seminar and its rationale.

KC emphasized that the seminar was organized to review the visit of PM Puspa Kamal Dahal and the event will highlight the issues concerning trade and investment.

b. Mr. Budhaditya Mukharjee

Mr. Mukharjee is the Country Director and General Manager of the Asian Paints Pvt. Ltd. He highlighted the expectation for future from industrial perspective. He asked the audience to think why some countries are more developed than the others and what the parameters are to measure development. Amartya Sen, the Nobel Laureate, as he said, helped understand the concept of development by introducing the Human Development Index (HDI), where development of a country is measured by evaluating the Literacy rate, Life Expectancy and Per Capita Income. Now the states are adopting Human Security Index, along with HDI which comprised several other factors like food security, etc. These factors and indexes are related to Nepal's context also, with the specificity of the need to grow industrial sector, he added. If there is an industrial growth in the country, it will definitely increase the standard of living of the people and increase their income level. These increments help in positively elevating the indexes to measure development of a country and its people.

Stakeholder meeting, creating awareness and programs like this will help in increasing rate of growth of industry in Nepal. He added, that we can also bring specific training courses and that we have to run faster than others in terms of increasing our HDI

c. Mr. Gyanendra Lal Pradhan

Mr. Pradhan is the Executive Committee Member (Nepal), SAARC Chamber of Commerce and Industry. He remarked that the visit is very sensitive issue and that he has been watching it from Girija Prasad Koirala's time till today. For him, the visit has been successful.

He started by saying that regarding the Koshi treaty, we say that the treaty has sold our nation but we have not read the treaty. He emphasized that the treaty has been the best treaty signed between the two states so far.

In the visit, PM Puspa Kamal Dahal emphasized on bringing more Foreign Direct Investment (FDI) into Nepal. Lal remarked that there is a trade imbalance in Nepal and that we are running in a shortage of energy in both the countries, where Hydropower could be a solution to both the countries. He presented Pancheswor project as one such projects. According to Lal, our relations with India is dependent right now and that with the success of the project, the dependency will be divided among both the states.

Moreover, in this visit Pancheswor project was stated to be moved ahead which could be a good project to strengthen the relation. SAARC is a failure, so when it is a failure why do not we go ahead and start building bilateral arrangements, Lal added. Here, he mentioned BBIN as such a workable body.

Getting investments from America might be a problem but getting investments from India is not that difficult, Lal added. So, the need is to determine such avenues for working together to gain benefit for both the states. India is not connected to big energy supplier, I think India needs a lot of big power, so we can work on that I see, this visit as an opportunity in terms of electricity.

d. Mr. SauryaSJB Rana

Mr. Rana is the President of NICCI. He took his time to make comments on the agreement that was signed between India and Nepal sector wise; in terms of trade and investment.

In the agreement, tourism was also mentioned, roads and railways were touched, renewing of the trade treaty in October 2016 was addressed and several other trade related points were agreed between the two states. The completion of the Pancheswor, Arun II and Karnali hydropower projects and preparation of national plan for cross border connection were also mentioned in the agreement.

According to Rana, if these projects are completed that Nepal will see an increase in FDI. He also mentioned the need to address the existing problems because of which investors are reluctant to invest in Nepal, without the resolution of which new investors will face problems to invest in Nepal. Furthermore, close monitoring of progress in ongoing bilateral economic co-operation is needed. We need time bound action otherwise it will go on and on,

for which the oversighting of the economic progress of the projects have been given to the Embassy of India in Nepal, he added.

e. [Mr. HariBhakta Sharma](#)

Mr. Sharma is the President of Confederation of Nepalese Industries. He touched upon three fundamental points. As usual when PM visits take place, we should develop better relation with India, Shamra emphasized. We have now relation with India where proper communication can take place in high level between two countries easily.

We need robust infrastructure between two countries if we have to import and export between two countries. While Nepal is the largest importer from India among the south Asian countries, we have still not been able to convince the Indian investors to invest in Nepal with full confidence. Nepal needs to work more on infrastructure for which we are also getting much funds. However, it largely depends on how do we absorb the funds.

The system that exists in the government needs to answer the delay in almost all the projects carried out in the country. Nepal import the largest in south Asia from India so we are one of the most significant trading partners for India

Trade and transit treaty have become very old and it includes other countries as well. It is not as competitive as it is needed in the WTO standards.

We have not been able to operate our industries the way we want. There is very poor condition of market and lawlessness in the areas where the industries are operating. Companies that invested in Nepal during 90s have done really well. So, companies who want to invest in Nepal have still potential profit that they can make.

f. [Chandra Kumar Ghimire](#)

Mr. Ghimire is the Secretary with the Office of Prime Minister and Council of Ministers, GON. He started by saying that if we start with some highlights, if we follow certain research data whether bilateral or multilateral pays off well. When we look at the data specifically of India with its neighboring countries, relation have mostly worked in a bilateral framework. Indo-Sri Lankan investment is taken as an example of best bilateralism. In between Nepal and India, we have to focus on harnessing opportunities. For example, Mr. Manmohan Singh had announced duty free access to LDC countries. There is a playing field where we should play actively. Here, Hydropower can be a game changer between India and Nepal to boost up the investment.

The biggest gain that Nepal achieved this time was trust and good faith. There are certain things we are supposed to act closely. Very shortly we will be having our joint commission meeting between the foreign ministers where we have to chuck out all our problems. During the meeting with other business groups in India, PM of Nepal interacted very efficiently with them. One approach that emerged as greatly useful during this visit was Business to Business approach (B2B), which can move further our agenda. He further expressed his positive views the developments in the visit of PM Dahal.

He, during his speech, proposed Mr. Sunil KC to consider inviting business people from Indian and to hold a Business Summit in Nepal.

g. Mr. Maha Prasad Adhikari

Mr. Adhikari is the CEO at the Office of Investment Board, GON. He reiterated that the visit was focused on strengthening the relationship between Nepal and India. It has been relevant in terms of bilateral relation between the two nations. He added that the visit is really an instrumental one in Nepal. Both sides agreed in making inter-governmental committees more active. Major infrastructure projects, power lines, mega projects, etc were highly focused during the visit. According to Adhikari, the agreement will encourage all our stakeholders to achieve the goals of the agreement

During the conferences, he added we had chances to explain about the performance of FDI in Nepal. PM gave clear message on investment climate in Nepal and he said we are doing everything to make the climate more friendly in Nepal. Both sides also discussed on the Eminent Persons Group. Finally there were a number of issues to further boost the relation between Nepal and India, of which one was at the bureaucratic level to further expedite the agreed points in the agreements.

h. H.E. Mr. Ranjit Rae

H.E. Mr. Rae is the Indian Ambassador to Nepal. He started by focusing that foreign relations are to be understood as a process. Rae had been here three years now, 2013-2016, and there have already been multiple high level meetings and visits in between both the countries. There is such an extent of exchange between Nepal and India unlike with any other states in the region. Both of the countries are doing everything to take the relation to heights. And there are strong desires for that as well.

But there is a lot of political baggage attached to Nepal-India relations, which is of no use in today's world. We need to be more pragmatic

One of the most important elements of the visit was that this should be a problem solving visit. Rae further asked the panelists and audience to consider meeting on a regular basis and having dialogues on the outstanding problems. He further expressed his concern on the media criticism that was coming towards the agreement that was made between the two states.

In this country, in the last six decades so such major Hydropower projects have been completed. The focus on was implementing the existing promises and agreements. Hydropower is a game changer and yes I agree. It may have been a game changer some decades ago but will it remain so in the years to come? Nepal have to be worried if your power is not going to be traded at a cheap rate to India because situation keeps on changing. The market in India is changing and Nepal needs to keep studying the situation. Delay means potential problems in terms of selling power and high cost. Problems needs to be solved by two governments sitting together and not by media approach. Media approach is a very negative way of doing it

On transmission lines, India is exporting 300MW of electricity to Nepal. After the recent projects under way, more 250 MW will be exported to Nepal and in coming years there should be no power shortage.

Nepal has a long lasting problem of trade deficit. If all Nepal's products were to go to India you would have still a trade deficit with India. Why should we not set a trade target instead, between Nepal and India to be achieved within certain duration of time? Indian companies have done extremely well in Nepal. But what is the reason that new investments are not coming in Nepal? We need to find out the reasons. It is also surprising to see how many companies are actually investing in Nepal. There is a problem under the carpet.

Rae said that he saw two major issues that remained: IPR issues and Labour Law. Chamber should discuss with the government and the Embassy will help if it is required.

In India, now provinces are competing with each other for FDI. These are companies and political baggage is not good. Hindu and Buddhist circuit that are being planned could be a great attraction.

All visits are successful but the challenge is to implement what is agreed

i. [H.E. Mr. Romi GauchanThakali](#)

H.E. Mr. Thakali is the Minister of Commerce, GON. Minister Thakali congratulated AIDIA for facilitating the diplomatic dialogue. The visit has been fruitful in strengthening the

bilateral relations between India and Nepal, Thakali added. He focused on good relations that Nepal and India has been having for a long time. Both nations maintain the relations cordial even in times of difficult circumstances. This visit has tried to address some key concerns like trade deficit, infrastructure, early completion of ICPs, etc.

Both countries have agreed to revisit the trade treaties between the countries in October 2016, and it's a remarkable thing for Nepal. During the visit, responding to PM Dahal, PM of India expressed his support to narrow down the trade deficit issue. One of the important aspects of the visit was interaction of PM Modi with the business groups of Nepal. Dahal also ensured that he will ensure investor friendly climate. On the side line of the visit, Dahal also had several visits with ministers and businessman. This has further contributed to strengthening the relations.

j. [Open floor discussion](#)

Several participants in the seminar asked questions to the panelists relating to the PM's visit to India and its trade implications for Nepal. The questions were well received and answered by the panelists.

5. Annex : Photographs



Mr. Sunil K.C CEO, Founder of AIDIA and Mr. Bishal Nyoupane Program Director of AIDIA Welcoming Honorable Chief Guest Mr. Romi Gauchan Thakali



Mr. Sunil K.C CEO, Founder of AIDIA with Honorable Chief Guest Mr. Romi Gauchan Thakali



Mr. Sunil K.C CEO, Founder of AIDIA welcoming H.E MR. Ranjit Rae Embassdor of India to Nepal



Cheif Guest Hon'ble Mr. Romi Gauchan Thakali with Sh. N. Ramprasad First Secretary (Commerce) of Embassy of India , Kathmandu Nepal .



Honorable Chief Guest , Guests of Honors in the dias



Chief Guest Hon'ble Mr. Romi Gauchan Thakali, Minister , Ministry of Commerce , GON, delivering the Keynote Remarks in the Seminar.



H.E MR. Ranjit Rae Ambassdor of India to Nepal adressing the forum



Mr. Budhaditya Mukherjee ,Country Director and General Manager at Asian Paints (Nepal) Pvt Ltd on his presentation.



Mr. Maha Prasad Adhikari CEO, Office of Investment Board, GON addressing the forum



Mr. Saurya SJB Rana , President of NICCI delivering his Remarks



Mr. Gyanendra Lal Pradhan , Executive Committee Member of SAARC Chamber of Commerce and Industry delivering his Remarks.



Participants during the seminar