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**Rules of Origin and Sensitive List under SAFTA and Bilateral  
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## Abstract

This study analyzes the implications of the proliferation of ROO and sensitive list under SAFTA and bilateral FTAs among South Asian countries with particular reference to Nepal. In this regard this study makes a comparative assessment of different ROO arrangements under different bilateral FTAs as well as under SAFTA and BIMSTEC with a view to finding out the relative flexibility of SAFTA ROO vis-à-vis ROO in other regional and bilateral FTAs in South Asia. In addition, this study also explores the impact of the sensitive list maintained by India, under SAFTA, on the rise in exports from Nepal to India. The study uses a partial equilibrium model, namely the WITS/SMART model, to simulate different scenarios. It appears that when there is no ROO requirement and there is no sensitive list, the South Asian countries, under a full SAFTA scenario, are able to increase their exports within the region quite substantially. India appears to be the largest gainer from such scenario. However, Nepal also turns out to be important gainer as her exports to the South Asian region as whole increase by around US\$ 90 million. Interestingly almost all of her export increase would be targeted to Indian market (99 percent) under such a scenario. The analysis on trade creation and trade diversion for Nepal suggests that under a full SAFTA scenario, the trade creation effect (US\$ 160821 thousand) will be higher than the negative trade diversion effect (US\$ 19454 thousand) resulting in a net trade effect equal to US\$ 141367. It also appears that the revenue loss and welfare gains for Nepal, resulting from such a scenario, would be US\$ 90881 thousand and US\$ 20486 thousand, In the second scenario, because of ROO (and assuming no sensitive list in India) 34 percent of the potential rise in exports from Nepal to India appears to be unrealized. In the third simulation, because of SAFTA sensitive list in India (and assuming no ROO) as high as 47 percent of the potential rise in exports from Nepal to India appears to be lost. In the final simulation, it appears that SAFTA ROO and sensitive list in India eats up more than two-third of the potential rise in exports from Nepal to India. It can therefore, be argued that since the value-additions of most of Nepal's export products are very low, a 30 percent value-addition requirement under SAFTA as well as under the India-Nepal Trade Treaty would act as a significant barrier for her export expansion in India. This is also true for other LDCs in South Asia. Therefore, the problem of ROO will need to be resolved, keeping an eye on the manufacturing/processing capability of the LDCs. In addition, the other criteria of the ROO, namely the change in tariff head, under SAFTA should also be made consistent with those that are currently in force in the bilateral trade agreements within the SAARC region, which happen to be more liberal than the prevailing SAFTA rules. It also appears that SAFTA sensitive list is too stringent to allow significant rise in exports from the LDCs (in this case Nepal) to the Indian market. In almost all the cases, the products, which are included in the sensitive list, have significantly high export potentials. It can thus be concluded that if these sensitive lists are not phased out, there will be very little to gain from SAFTA by Nepal and other LDCs in this region.

# **Rules of Origin and Sensitive List under SAFTA and Bilateral FTAs among South Asian Countries: Quantitative Assessments of Potential Implications for Nepal**

*Selim Raihan*

## **I. Introduction**

In recent years, there has been increased interest in regional economic integration in South Asia. With the stalemate of the World Trade Organisation (WTO) negotiations, it is expected that the interest in regional trading arrangements will increase further. Regional integration in South Asia got the momentum in 1995 when the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Arrangement (SAPTA) was signed. In early 2004, the SAARC member countries agreed to form a South Asian Free Trade Area (SAFTA), which has become a parallel initiative to the multilateral trade liberalisation commitments of the south Asian countries. SAFTA has come into force since July 01, 2006, with the aim of boosting intraregional trade among the seven SAARC members. Some South Asian countries are also a signatory of inter-regional FTA initiatives such Bay of Bengal Initiative for Multisectoral and Technical Cooperation (BIMSTEC) FTA<sup>1</sup> and Bangkok Agreement. Many South Asian countries have also signed bilateral FTAs among themselves and with countries outside the region. Bilateral FTAs among South Asian countries, which currently operate in parallel with SAFTA, including those between: (i) India and Nepal; (ii) India and Sri Lanka; (iii) India-Bhutan; (iv) Pakistan-Sri Lanka; (v) Pakistan-Nepal (limited to trade in tea). There are also on-going discussion for bilateral FTAs between India-Bangladesh, and Bangladesh-Sri Lanka.

The proliferation of bilateral and regional FTAs has necessarily been accompanied by overlapping Rules of Origin (ROO). The main reason for the existence of ROO in FTAs is to prevent trade deflection, by which is meant that the country with the lowest external tariff acts as port of entry for the entire bloc's imports, depriving partners of tariff revenue. However, the proliferation of ROO can lead to what Bhagwati termed as the "spaghetti bowl effect".<sup>2</sup> ROO induces efficiency costs in production and restricts market access.<sup>3</sup> Complex ROO increases administrative, compliance and business costs, particularly for small and medium-sized enterprises, which have limited capacity to deal with them. Furthermore, the demands of negotiating multiple ROOs increasingly strains the scarce trade negotiation resources of many South Asian countries, particularly the least developed countries, which have limited trade policy capacity.

Multiple ROO (e.g., value-added rules or changes in customs classification) arising from overlapping agreements among South Asian countries under different bilateral FTAs and that under SAFTA would have significant implications for enhancing trade and welfare in the region within SAARC framework. Depending upon how they are specified, ROO under

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<sup>1</sup> BIMSTEC FTA comprises of five South Asian countries, namely, Bangladesh, Bhutan, India, Nepal, and Sri Lanka and two South-east Asian countries, namely Myanmar and Thailand.

<sup>2</sup> For a concise treatment, see Bhagwati (2002).

<sup>3</sup> There is small but expanding literature on this subject- see for example, Krueger (1993), Krishna and Krueger (1995), Krishna, K. (2005), Vermulst and Bourgeios (1994), and Brenton, P. (2003)

South Asian bilateral FTAs and those under SAFTA can – to varying degrees- restrict trade, misdirect investment, inhibit productivity growth and reduce welfare from levels otherwise attainable. SAFTA would be relatively less attractive to bilateral FTA among South Asian countries if its ROO is more restrictive and costly to those under later categories. Thus, any potential economic gains of SAFTA in terms of increasing trade and welfare would be diluted by bilateral FTAs. Consequently, SAFTA would lose its relevance to enhance trade and welfare among SAARC member countries.

In addition to the ROO, all these bilateral and regional FTA agreements allow the member countries to maintain sensitive lists of products which will be outside of the trade liberalisation programme. It has been observed that under SAFTA the sensitive lists maintained by the developing countries in this region, especially by India, are too stringent and long to allow the LDC members expanding their exports significantly into the markets of these developing countries.

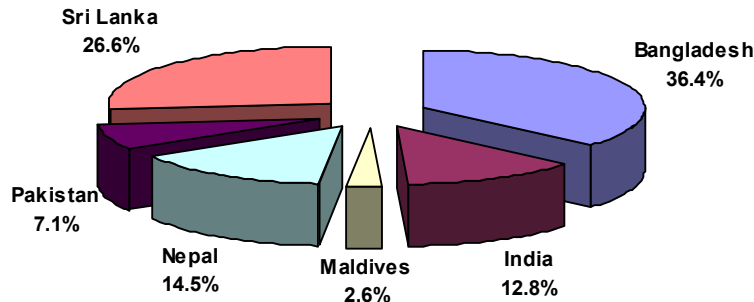
Against this backdrop, the main objective of this study is to analyze the implications of the proliferation of ROO under bilateral FTAs among South Asian countries on SAFTA with particular reference to Nepal. In this regard this study makes a comparative assessment of different ROO arrangements under different bilateral FTAs as well as under SAFTA and BIMSTEC with a view to finding out the relative flexibility of SAFTA ROO vis-à-vis ROO in other regional and bilateral FTAs in South Asia. In addition, this study also explores the impact of the sensitive list maintained by India, under SAFTA, on the rise in exports from Nepal to India.

## **II. Pattern of Trade in South Asia**

Any analysis on the impact of any regional or bilateral FTAs in South Asia should be preceded by an analysis on the existing pattern on trade in South Asia. The intra-regional trade among the South Asian countries is very low. Until 1951, total intra-regional trade in South Asia as a percentage of the region's total trade was in the double digits. However, as South Asia became progressively more closed relative to the world market and also the political rivalry between India and Pakistan intensified over time, by 1967 intra-regional trade fell to just two percent of the region's total trade. The share began to recover during the 1990s and by 2002 it rose to 4.4 percent (Baysan et al, 2006).

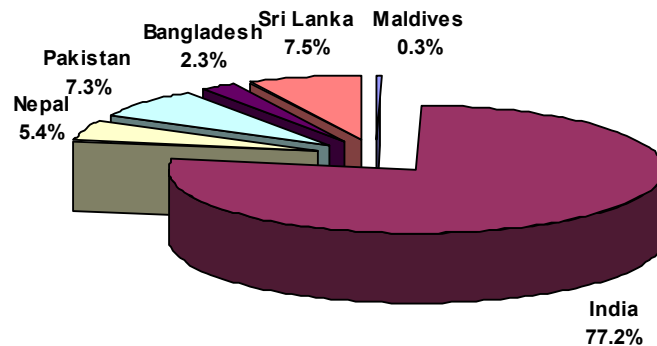
Figure 1 suggests that, in 2003, Bangladesh was the single largest importer in South Asia and accounted for 36.4 percent of regional imports followed by Sri Lanka, who accounted for 26.6 percent. Nepal accounted for 14.5 percent of total intra-regional import. In contrast, Figure 2 indicates that in 2003, Bangladesh had the least share in exports to the region, after Maldives, which accounted for only 2.3 percent of the total regional exports. While India was the largest exporter accounting for over 77 percent of the total regional exports, Nepal accounted for 5.4 percent.

**Figure 1: Country-wise Share (%) in Intra-SAARC Imports in 2003**



Data Source: UN COMTRADE

**Figure 2: Country-wise Share (%) in Intra-SAARC Exports in 2003**



Data Source: UN COMTRADE

### **III. Pattern of Nepal's Trade with her Neighbouring Countries**

Nepal's trade with her neighbouring countries is very much dominated by trading with India. It appears from Tables 1 and 2 that Nepal trade very little with Bangladesh, Bhutan, Maldives, Pakistan and Sri Lanka. After a long decline in relative importance, Nepal's dependence on exports to India increased sharply – more than 50 percent during early 2000s (Table 1). Karmacharya (2005) observes that the major underlying factors responsible for this trend are the long porous borders, free movement of people and capital, preferential trade treaty (signed in December 1996), special regime of payments between the two countries, a slowdown in exports to other key markets, and limited success in penetrating other regional

markets. Table 1 also suggests that Nepal's export to other SAARC countries accounts for only about 1 percent of its total exports during the last eight years (Table 1).

**Table 1: Direction of Nepal's Merchandize Export Trade**

	Nepal's Export Trade											
	US \$ Million						Share in Total Exports (%)					
	1970	1995	2000	2001	2002	2003	1970	1995	2000	2001	2002	2003
<b>South Asia</b>	<b>39.0</b>	<b>73</b>	<b>360</b>	<b>380</b>	<b>350</b>	<b>432</b>	<b>99.0</b>	<b>20</b>	<b>48</b>	<b>61</b>	<b>54</b>	<b>58</b>
Bangladesh	(.)	6.9	7.0	3.0	5.3	5.7	(.)	2	1	0.9	0.8	0.8
Bhutan	(.)	(.)	0.3	0.3	0.7	1.1	(.)	(.)	(.)	(.)	(.)	0.1
<b>India</b>	<b>39</b>	<b>66</b>	<b>353</b>	<b>376</b>	<b>343</b>	<b>421</b>	<b>99</b>	<b>18</b>	<b>47</b>	<b>60</b>	<b>53</b>	<b>57</b>
Maldives	(.)	(.)	(.)	(.)	(.)	0.2	(.)	(.)	(.)	(.)	(.)	(.)
Pakistan	(.)	0.1	0.3	0.8	1.0	3.8	(.)	(.)	(.)	0.1	0.2	0.5
Sri Lanka	(.)	0.3	(.)	(.)	298	(.)	(.)	(.)	(.)	(.)	(.)	(.)
<b>ROW</b>	<b>(.)</b>	<b>287</b>	<b>395</b>	<b>238</b>	<b>298</b>	<b>306</b>	<b>(.)</b>	<b>80</b>	<b>52</b>	<b>39</b>	<b>46</b>	<b>42</b>
<b>Total</b>	<b>39</b>	<b>360</b>	<b>755</b>	<b>618</b>	<b>648</b>	<b>738</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Karmacharya (2005). Quarterly Economic Bulletin (various issues), Nepal Rastra Bank; Nepal Overseas Trade Statistics (various issues), Trade Promotion Center.

Note: (.) means negligible.

With respect to import, India still accounts for more than 50 percent of Nepal's total imports (Table 2). Nepal's import from other SAARC countries is only about 1 percent of its total imports.

**Table 2: Direction of Nepal's Merchandize Import Trade**

	Nepal's Export Trade											
	US \$ Million						Share in Total Exports (%)					
	1970	1995	2000	2001	2002	2003	1970	1995	2000	2001	2002	2003
<b>South Asia</b>	<b>61</b>	<b>464</b>	<b>756</b>	<b>772</b>	<b>929</b>	<b>1093</b>	<b>88</b>	<b>34</b>	<b>43</b>	<b>52</b>	<b>58</b>	<b>59</b>
Bangladesh	(.)	12.0	2.7	8.2	4.3	9.2	(.)	0.9	0.1	0.5	0.3	0.5
Bhutan	(.)	5.3	0.7	1.1	0.5	0.3	(.)	0.4	(.)	(.)	(.)	(.)
<b>India</b>	<b>61</b>	<b>444</b>	<b>747</b>	<b>759</b>	<b>921</b>	<b>1079</b>	<b>88</b>	<b>33</b>	<b>42</b>	<b>51</b>	<b>57</b>	<b>58</b>
Maldives	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)	(.)
Pakistan	(.)	2.4	1.4	1.7	2.0	2.6	(.)	(.)	0.1	0.1	0.1	0.1
Sri Lanka	(.)	0.5	4.0	2.1	1.4	2.0	(.)	(.)	0.2	0.1	0.1	0.1
<b>ROW</b>	<b>8</b>	<b>886</b>	<b>1017</b>	<b>724</b>	<b>686</b>	<b>774</b>	<b>12</b>	<b>66</b>	<b>57</b>	<b>48</b>	<b>42</b>	<b>41</b>
<b>Total</b>	<b>69</b>	<b>1350</b>	<b>1773</b>	<b>1496</b>	<b>1615</b>	<b>1867</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Karmacharya (2005). Quarterly Economic Bulletin (various issues), Nepal Rastra Bank; Nepal Overseas Trade Statistics (various issues), Trade Promotion Center.

Note: (.) means negligible.

### III. Rules of Origin in the Regional Trading Arrangements

'Rules of origin' are the criteria used to define where a product was made. They are an essential part of trade rules because a number of policies discriminate between exporting countries: quotas, preferential tariffs, anti-dumping actions, countervailing duty (charged to counter export subsidies), and more. Because the preferential treatment provided for in a free trade agreement is usually granted only to products originating from members of that FTA, rules of origin are important. These are the criteria which determine the national origin of a product. The country of origin of a product is usually seen as the country where the last substantial transformation took place.

Enforcing and defining rules of origin for goods or services poses major problems. This issue has been very controversial in a number of agreements and trade unions and other critics have campaigned to highlight the ways in which rules of origin can be used and abused by governments and corporations alike. In particular there are concerns about the ease with which goods processed partly or fully in a third country can get duty-free access under a bilateral agreement by being re-exported with just enough processing to satisfy rules of origin requirements. This is further complicated by the fact that different bilateral free trade agreements use different criteria to set rules of origin.

The proliferation of free trade areas and consequently of bi-lateral and regional trade agreements within the multilateral trading system have encouraged the use of preferential rules of origin. Such preferential rules of origin are aimed at distinguishing products that are entitled to preferential tariff treatment from products that are not (OECD, 2002). Though covered in Annex II of the Rules of Origin Agreement as the Common Declaration with regard to preferential rules of origin, they contain no prohibition barring them from being used as “instruments to pursue trade policy objectives.” Rules of Origin have become problematic mostly in the context of preferential trade agreements; exactly the arena where WTO rules do not apply (Hoekman and Kostecki, 1995).

The 2001 Doha Ministerial declaration reaffirmed WTO’s commitment to the least developed countries (LDCs) through trade preferences and trade-related technical assistance (Brenton, 2003). It did so by laying down the objective of “duty free, quota free market access for products originating from LDCs” while also committing to “consider other measures for progressive improvements in market access for LDCs.” Schemes such as the Generalized System of Preferences (GSP) providing duty-free access to products from developing countries and other initiatives like the European Union’s Everything But Arms (EBA) Agreement are some examples of preferential treatment in tariffs accorded to both developing countries and LDCs. However, as much as these initiatives have been taken to “secure beneficial and meaningful integration into the multilateral trading system and the global economy” for the developing countries and LDCs, its objectives are undermined by the rules of origin criteria they impose.

Apart from these schemes, rules of origin are used extensively in other preferential trade agreements like bi-lateral trade treaties and Regional Trade Agreements (RTAs). Nepal is a party to bi-lateral treaties with India as well as RTAs like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the South Asia Free Trade Agreement (SAFTA). In such arrangements, members confer origin to products if a pre-specified proportion of its value added takes place within the union. By bypassing the multilateral trading system’s principle of most favoured nation (MFN), members of preferential arrangements make a politico-economic decision to exclude third parties from receiving any preferences. At the same time, if members of such arrangements face stringent rules of origin requirements, their exporters might opt to forego available preferences and pay MFN rates instead. Whether rules of origin requirements in preferential arrangements are actually beneficial or not is a matter for debate. The importance of rules of origin has grown significantly as preferential agreements expand and countries have treated similar imported products differently according to where the product was made (Lazaro and Medalla, 2006).



Though justified as a means to avoid trade deflection<sup>4</sup> particularly in preferential arrangements, rules of origin are also being seen as discriminatory trade policy instruments. Since the liberalization of tariffs barriers, countries have turned to narrowly drawn rules of origin as the second best means of providing a measure of protection to domestic industries (Coyle, 2004).

### 3.1. WTO Agreement on Rules of Origin

With a rise in the aforementioned issues regarding rules of origin, particularly those concerning the adoption of individual rules of origin requirements by WTO Members, a harmonization of the rules was sought. In order to make them simpler, uniform and stable, the Rules of Origin Agreement was adopted in 1994. The Agreement lays down guidelines for broad approaches in formulating the harmonized rules (Das, 1999). But this agreement is only confined to non-preferential rules of origin.

This agreement is divided into four parts containing nine Articles and two annexes:

- Article 1 in Part I of this agreement defines Rules of Origin as those laws, regulations and administrative determinations of general application applied to determine the country of origin of goods except those related to the granting of tariff preferences.<sup>5</sup>
- Article 2 in Part II covers the disciplines to govern the application of rules of origin and lists out disciplines applicable to all WTO Members during the transition period.<sup>6</sup> The work to harmonize the rules of origin is being carried out by a Committee on Rules of Origin (CRO) in the WTO and a Technical Committee on Rules of Origin (TCRO) under the auspices of the World Customs Organization (WCO).
- Article 3 in Part II of the agreement outlines disciplines to be adhered to after the transition period.
- Article 4, 5, 6, 7 and 8 in Part III of the agreement outline Institutions, Information and procedures for modification and introduction of New Rules of Origin, Review, Consultation and Dispute Settlement respectively.
- Article 9 in Part IV defines objectives and principles, work programme and the role of the committee in the harmonization of rules of origin.
- Annex I outlines the roles and responsibilities of the Technical Committee on Rules of Origin.
- Annex II covers the Common Declaration with regard to preferential rules of origin.

For the determination of the origin of a product as defined in Article 9 of the Rules of Origin, there are several criteria, such as (i) *substantial transformation*: when a product is accepted as being wholly obtained in the country, there is no dispute on its origin but whenever a product is manufactured with a combination of imported and domestic materials, origin disputes arise. So far, in such disputes, origin is conferred to the country where the product is considered to have undergone 'substantial transformation'. (ii) *process criterion*: Imported inputs are considered to have undergone 'substantial transformation' if the finished products fall under a

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<sup>4</sup> A situation where companies located in non-preference receiving countries might place a processing or assembly plant in a preference receiving country to take advantage of lower tariffs.

<sup>5</sup> The agreement only covers ROO used in non-preferential commercial policy instruments such as MFN treatment, anti-dumping and countervailing duties, safeguard measures, origin marking requirements and any discriminatory quantitative restrictions or tariff quotas as well as those used for trade statistics and government procurement (WTO, 2006).

<sup>6</sup> The time period until the work on the harmonization of rules of origin is complete.

different HS code than they did when those inputs were first used in the manufacturing process. (iii) *percentage criterion*: If a certain percentage of value is added to the imported inputs, they are considered to have undergone 'substantial transformation'. One way is to predetermine the maximum percentage of imported inputs in production. For example, the percentage value of imported inputs must not exceed 40 percent. The other way is to predetermine the minimum percentage of domestic inputs in the production process. For example, the value of domestic inputs used in the production process must not be less than 40 percent.

### 3.2. ROO under SAFTA

The rules of origin criterion are contained in SAFTA as the SAFTA Rules of Origin in Annex IV of the agreement. Its Rule 5 contains a list of products or types of products<sup>7</sup> which will be considered as wholly produced or obtained in the territory of the exporting Contracting State. Besides the wholly produced criterion, SAFTA rules of origin also contain Single Contracting State Content criterion. It uses both the Process and Percentage criterion and outlines the conditions which will grant originating status to a Contracting State as follows:

- The final product is classified in a heading at the four digit level of the Harmonised Commodity Description and Coding System differently from those in which all the non-originating materials used in its manufacture are classified and
- Products worked on or processed as a result of which the total value of the materials, parts or produce originating from other countries or of undetermined origin used does not exceed 60 percent of the free on board (FOB)<sup>8</sup> value of the products and the final process of manufacture is performed within the territory of the exporting Contracting State. Least Developed Contracting States will be allowed a favourable 10 percentage points.

It thus appears that SAFTA allows differential rules of origin for the LDC and non-LDC members. The ROO agreed under SAFTA are general in nature (i.e. one criterion for all products) barring 1991 products for which product specific rules are applied. SAFTA ROO requires that in order to enjoy the preference under SAFTA a product must undergo sufficient processing for changing the tariff heading from the non-originating inputs and for having value of at least 40 percent value addition measures as percentage of fob value. However, value addition requirements are lower for Sri Lanka and LDCs, which are 35 percent and 30 percent respectively.

In terms of regional cumulation, Members are eligible for preferential treatment if the value of inputs from other Members plus domestic value addition is not less than 50 percent of FOB<sup>9</sup> value. For domestic value content (value of inputs originating in the exporting

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<sup>7</sup> Rule 5, Annex-IV of SAFTA Agreement.

<sup>8</sup> It means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer in turn, pays freight, insurance, unloading costs and transportation from the port of destination to the factory.

<sup>9</sup> Free on Board- It means that the seller pays for transportation of the goods to the port of shipment, plus loading costs. The buyer pays freight, insurance, unloading costs and transportation from the port of destination to the factory.

Member State plus domestic value addition in further manufacture in the exporting Member State), must not be less than 20 percent of the FOB value.

### **3.3. ROO under BIMSTEC**

The idea of establishing Bangladesh-India-Thailand-Sri Lanka Economic Cooperation was first initiated by Thailand in 1994 to explore economic cooperation on a sub regional basis involving contiguous countries of South and South East Asia surrounding the Bay of Bengal. It was formally launched as BIST-EC (Bangladesh-India-Sri Lanka-Thailand Economic Cooperation) on 6 June 1997 in Bangkok with the adoption of the Bangkok declaration. In a special ministerial meeting, held in Bangkok on 22 December 1997, Myanmar was accorded full membership of the group, and following the Myanmar's entry it was renamed as BIMST-EC (Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation). At the Ministerial meeting held in February 2004, Bhutan and Nepal were welcomed as new members. Subsequently, the Grouping was renamed as "Bay of Bengal Initiatives on Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).

The draft proposal of BIMSTEC's ROO was submitted during the Burma round talks during April 2006. Seven South and East Asian member countries of the (BIMSTEC) put their heads together on the most crucial issues. The developing countries - Thailand, India and Sri Lanka - proposed changes in customs tariff. Along with such change, India and Sri Lanka favoured 35 to 40 per cent value addition. But the least developed countries (LDCs) - Bangladesh, Burma, Nepal and Bhutan - wanted to fix the ROO criteria only on value addition basis and it to be fixed at 30 percent. However, concrete decision on the ROO under the BIMSTEC agreement is yet to be taken.

### **3.4. ROO under India-Nepal Trade Act**

Historically India has remained the largest trading partner of Nepal. Trade relations between Nepal and India are governed by bilateral treaties on trade. Nepal signed its first trade and transit treaty with India in 1950. They were subsequently renewed in 1960, 1971, 1978<sup>10</sup>, 1991, 1996 and 2002. The trade treaty that was signed in 2002 is due to be renewed in March 2007. India and Nepal have signed three trade treaties. These are:

1. India-Nepal Treaty of Trade: This treaty of trade to regulate bilateral trade was last revised and renewed for a period of 5 years with effect from 6<sup>th</sup> March 2002 up to 5<sup>th</sup> March 2007.
2. India-Nepal Treaty of Transit: This treaty was renewed in March 2006 for a period of 7 years with effect from 1<sup>st</sup> April 2006.
3. India-Nepal Agreement of Cooperation to control unauthorised trade between the two countries: This was last renewed for a period of 5 years with effect from 6<sup>th</sup> March 2002.

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<sup>10</sup> Trade was de-linked from transit

Nepal – India Treaty of Trade, 2002 is a continuation of the Treaty of Trade 1996 in a revised form. Some of the major provisions made in the treaty are exemption from basic customs duties and quantitative restrictions on imports of primary products on a reciprocal basis. Nepali manufacturing exports<sup>11</sup> has been given access to the Indian market free of basic customs duties and quantitative restrictions on the basis of non-reciprocity. Also, manufacturing goods imported from Nepal have been granted preferential entry, without any quantitative restrictions. Preferential Access for Nepali manufacturing exports to the Indian market is subjected to Rules of Origin (ROO) conditions that have changed over time. The 90 percent value added condition<sup>12</sup> of the 1960 trade treaty was reduced to 50 percent in the 1992 treaty. Under the 1996 trade treaty, the value addition requirement was further reduced to 40 percent of ex-factory prices<sup>13</sup> and included the provision that ROO certificate could be issued by the FNCCI. The 1996 trade treaty also substantially reduced the negative list to include only items such as alcoholic liquors/beverages and their concentrates except industrial spirits, perfumes and cosmetics with non-Nepali/non-Indian brand names, cigarettes and tobacco.

The Nepal- India Treaty of Trade, 2002 also introduced several changes in the ROO. Firstly, the new ROO provisions include domestic content value addition requirement of 30 percent of ex-factory prices and changes in tariff heading (CTH) at four digit level of the harmonized system code<sup>14</sup>. Secondly, this treaty emphasises clear specification of safeguard clauses. The treaty denotes "safeguards" against significant damages to the domestic producers, from an "export surge". Thirdly, a provision has been made for submission of information regarding the basis of calculating ROO to the Indian government by the Nepal government on an annual basis.

### **3.5. ROO under India-Sri Lanka FTA**

India and Sri Lanka signed an FTA deal in 1998. The rules of origin under this FTA deal state that products worked on or processed as a result of which the total value of the materials, parts or produce originating from countries other than the Contracting Parties or of undetermined origin used does not exceed 65 percent of the f.o.b. value of the products produced or obtained and the final process of manufacture is performed within the territory of the exporting Contracting Party shall be eligible for preferential treatment, subject to the provisions of clauses (b), (c), (d) and (e) of rule 7 and rule 8.

Non-originating materials shall be considered to be sufficiently worked or processed when the product obtained is classified in a heading, at the four digit level, of the Harmonised Commodity Description and Coding System different from those in which all the non-originating materials used in its manufacture are classified.

For cumulative rules of origin, in respect of a product, which complies with the origin requirements provided in rule 5(b) and is exported by any Contracting Party and which has used material, parts or products originating in the territory of the other Contracting Party, the value addition in the territory of the exporting Contracting Party shall be not less than 25 per

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<sup>11</sup> Except for those on the Negative list i.e., goods excluded from preferential treatment.

<sup>12</sup> For materials originating in India or Nepal

<sup>13</sup> 'Ex-factory price' means the price of the product at the time of clearing from the factory gate.

<sup>14</sup> For Nepalese manufacturing exports, which cannot fulfill CTH criteria, the new ROO provision requires that these products have undergone a "sufficient manufacturing process within Nepal," determined on a case by case basis.

cent of the f.o.b. value of the product under export subject to the condition that the aggregate value addition in the territories of the Contracting Parties is not less than 35 per cent of the f.o.b. value of the product under export.

### **3.6. ROO under Pakistan-Sri Lanka FTA**

Free Trade Agreement (FTA) between Pakistan and Sri Lanka is operational from June 12, 2005. Under the Free Trade Agreement, Sri Lanka and Pakistan have agreed to offer preferential market access to each others' exports by way of granting tariff concessions. Sri Lanka would be able to enjoy duty free market access on 206 products in the Pakistani market including tea, rubber and coconut. Pakistan, in return, would gain duty free access on 102 products in the Sri Lankan market. These products include oranges, basmati rice and engineering goods.

Annex C deals with the rules of origin, which have to be complied with by the exporters of the two countries in order to qualify their products for preferential duty benefits. Based on the origin, the Rules of Origin categorize the products exported under the PSFTA into the following two main segments.

- a) products wholly produced or obtained in the territory of the exporting country such as agricultural, fishery and mineral products.
- b) products, not wholly produced or obtained in the territory of the exporting country (manufactured products).

All manufactured products falling under the category of "products, not wholly produced or obtained in the territory of the exporting country (manufactured products)" should contain a minimum of 35 percent of Domestic Value Addition of their FOB value in order to qualify for preferential treatments. Further, it is also necessary that all non-originating materials, used by the exporters change their HS codes at six-digit level against that of the final product as a result of the manufacturing process undertaken in the exporting country.

The Cumulative Rules of Origin encourages exporters to source their inputs from the other contracting country. However, the Domestic Value Addition in the territory of the exporting country shall not be less than 25 percent of the FOB value of the final product, while the aggregate value addition in both contracting parties should be minimum of 35 percent of the FOB value. In addition, the respective products should also conform to the Change of HS code requirement (at six digit level) as in the case of the manufactured goods, referred to under category (b) above.

### **3.7. A Comparison of ROOs under different Regional and Bilateral FTAs in South Asia**

Table 3 presents a comparison of different ROO requirements under different regional and bilateral FTA agreements in South Asia. The comparison is made on the basis of three criteria: the value-addition requirement, change in tariff heads and requirement for regional cumulation. It appears that in terms of value-addition and change in tariff heads requirements, SAFTA does not differ much from India-Sri Lanka BFTA and India-Nepal Trade Treaty. As an LDC, Nepal's export products are subject to 30 percent value-addition requirement as well as are subject to change in tariff head at the four digit HS code. However, though the value-

addition criteria under the Pakistan-Sri Lanka BFTA is similar to SAFTA, the provision for change of HS codes at six-digit level, has made the ROO of this BFTA relatively more flexible. In the case of regional cumulation, SAFTA appears to be more stringent than other BFTAs in South Asia.

**Table 3: Comparison of ROOs**

RTAs	Value addition requirement	Change in Tariff Heads	Regional Cumulation
SAFTA	30% for LDCs, 35% for Sri Lanka and 40 % for India and Pakistan	Change in tariff head at the four digit HS code	Value of inputs from other Members plus domestic value addition is not less than 50% of FOB value. Domestic value content must not be less than 20% of the FOB value.
BIMSTEC	Proposed: 35-40% for the developing countries and 30 percent for LDCs	Proposed: change in tariff head to be included in the ROO, but not yet decided	Not yet decided
India-Sri Lanka BFTA	35%	Change in tariff head at the four digit HS code	Value of inputs from other Member plus domestic value addition is not less than 35% of FOB value. Domestic value content must not be less than 25% of the FOB value.
India-Nepal Trade Treaty	30% for Nepal. But, India doesn't enjoy any preference Therefore, India-Nepal Trade Treaty is silent about ROO (value addition) requirement for India's exports to Nepal. In actual practice, India's exports to Nepal have never been subjected to ROO requirements.	Change in tariff head at the four digit HS code	No mention
Pakistan-Sri Lanka BFTA	35%	Change in tariff head at the six digit HS code	Value of inputs from other Member plus domestic value addition is not less than 35% of FOB value. Domestic value content must not be less than 25% of the FOB value.

#### **IV. Sensitive List: A Major Hindrance to Trade Expansion**

In addition to the ROO requirement, the sensitive list or the negative list act has a major hindrance to trade expansion in South Asia. Bayson *et al* (2006) analyse the political economy of the selection of excluded sectors and ROO. When countries are allowed to choose sectors that can be excluded from tariff preferences in an FTA, domestic lobbies make sure that the sectors in which they may not withstand competition from the union partner are the ones that get excluded. In addition, the ROO can also be subject to abuse by the

bureaucrat administering them. In cases where imports from the partner may be threatening an inefficient domestic competitor, bureaucratic discretion may be employed to block entry of the imports.

#### 4.1. Sensitive List under SAFTA

The Agreement provides scope for maintaining of sensitive lists, which are not subject to tariff reduction programme. Although the Agreement maintains that sensitive list shall be different for LDCs and non-LDCs, only three countries namely Bangladesh, India and Nepal maintain different sensitive lists for LDCs and non-LDCs. Besides, the LDCs maintain longer sensitive lists than the non-LDCs.

**Table 4: Sensitive Lists among the SAFTA Members**

Country	Total number of Sensitive List		Coverage of Sensitive List as % of Total HS Lines	
	For Non-LDCs	For LDCs	For Non-LDCs	For LDCs
Bangladesh	1,254	1,249	24.0	23.9
Bhutan	157	157	3.0	3.0
India	865	744	16.6	14.2
Maldives	671	671	12.8	12.8
Nepal	1,335	1,299	25.6	24.9
Pakistan	1,191	1,191	22.8	22.8
Sri Lanka	1,079	1,079	20.7	20.7

However, a major flaw of the SAFTA Treaty is that it does not subscribe categorically to phasing out the negative list or eliminating non-tariff barriers (NTBs), let alone prescribing time limits for doing so. It only provides that the negative list shall be reviewed after every four years with a view to reducing the number of items.<sup>15</sup> It is also a matter of grave concern for the LDCs in South Asia, i.e., Bangladesh and Nepal with regard to the size of the negative list maintained especially by India.

#### 4.2. Sensitive List under India-Nepal Trade Treaty

Under the India-Nepal Trade Treaty the MFN list of articles which will not be allowed preferential entry from Nepal to India are

- (i) alcoholic liquors/beverages<sup>16</sup> and their concentrates except industrial spirits,
- (ii) perfumes and cosmetics with non-Nepalese/non-Indian Brand names, and
- (iii) cigarettes and tobacco.

However, government of India may, in consultation with government of Nepal, modify this list.

<sup>15</sup> There are also concerns about the size of the negative lists, as they appear to be too long. This will detract from the provision of Article XXIV of GATT which lays down that a free trade area should cover substantially all trade.

<sup>16</sup> Nepalese beers can be imported into India on payment of the applicable liquor excise duty equal to the effective excise duty as levied in India on Indian beers under the relevant rules and regulations of India.

### **4.3. Sensitive List under India-Sri Lanka Trade Treaty**

Of Sri Lanka's rather extensive negative list of 1180 items, a relatively high share of nearly 623 products actually being imported from India stood to be excluded from receiving any benefits. By contrast, of the Indian negative list of 429 products, Sri Lankan exports consisted of only 50 items. Where both countries have offered zero tariff reduction, India's export interests are again receiving only marginal benefits. Of 319 items on which Sri Lanka reduced its tariffs to zero, the actual number of Indian exports that received immediate benefits stood at only 3 items. By contrast, on the 1351 items on which India offered immediate zero tariffs, Sri Lankan exporters stood to gain from at least 68 products traded products.

### **4.4. Sensitive List under Pakistan-Sri Lanka Trade Treaty**

The Negative list of Pakistan consists of 540 HS tariff lines (products) at six digit level. Being on the Negative List, these products will not be entitled to enjoy any tariff concessions, when imported from Sri Lanka. On the other hand, the Negative list of Sri Lanka contains a total of 697 HS tariff lines (products) at six digit level and these products will not be entitled to enjoy any tariff concessions, when exported to Sri Lanka.

### **4.4. A Comparison of Sensitive Lists under different Regional and Bilateral FTAs in South Asia**

It appears that among all the regional and bilateral FTAs, the India-Nepal Trade Treaty possess least negative list for Nepal as far as Indian market is concerned. For example, under this trade treaty only three categories of products are specified in the Indian negative list, whereas under SAFTA, as an LDC, Nepal is supposed to receive no concession on the exports of 744 items at the four digit HS code to the Indian market. When compared to other bilateral FTAs, i.e., India-Sri Lanka BFTA and Pakistan-Sri Lanka BFTA, the negative lists of the SAFTA member countries appear to be too long.

## **V. The Effects of ROO and Sensitive List on Export Expansion for Nepal: Simulation Exercises through WITS/SMART partial equilibrium model**

### **5.1. Rationale for a Partial Equilibrium Model**

There is no denying that trade policy analysis is more robust when undertaken within a general equilibrium modelling framework. This can be seen as the first-best option as general equilibrium models, not only measure the first-round effects of simulated changes, but also the second-round effects which include inter-industry effects and macroeconomic adjustments. However, Nepal is not individually captured in the GTAP modelling methodology due to lack of data disaggregation. Consequently, the partial equilibrium modelling framework lends itself as a second-best option.

The main distinction that should be noted at the outset is that as a partial equilibrium model, the inter-sectoral implications (second-round effects) of a trade policy change are not taken into account, as is the case in the general equilibrium model. Similarly, the inter-regional



implications are also ignored in a partial equilibrium framework. The only point of convergence of the partial and general equilibrium models is that it is still possible within a partial equilibrium model to analyse the trade policy effects on trade creation and diversion, welfare and even on tariff revenues while holding everything else constant.

Milner et al. (2002) provides a simple analytical framework explaining the theory behind partial equilibrium modelling and notes that to adequately capture the interactions between sectors and elasticities of substitution between factors, a general equilibrium model would be desirable. However, due to scarcity of individual and regional CGE models for developing countries then partial equilibrium models would be alternative choices. Milner et al. (2002) also raise a valid observation that the database for general equilibrium models lacks the commodity detail to take account of the specific sensitive and special products. Despite its shortcomings, a partial equilibrium framework is more suitable as it allows the utilization of widely available trade data at the appropriate level of detail to capture the principle of special and differential treatment in the simulation analysis. It however remains true that although partial equilibrium models have drawbacks, as a modelling approach they have the advantage of working at very fine levels of details such as at tariff line level.

## 5.2. The WITS/SMART Model

For the purposes of this study, it is proposed that the WITS/SMART model will be the applied partial equilibrium framework. The World Integrated Trade Solution (WITS) brings together various databases ranging from bilateral trade, commodity trade flows and various levels and types of protection. WITS also integrate analytical tools that support simulation analysis. The SMART simulation model is one of the analytical tools in WITS for simulation purposes. SMART contains in-built analytical modules that support trade policy analysis such as effects of multilateral tariff cuts, preferential trade liberalization and ad hoc tariff changes. The underlying theory behind this analytical tool is the standard partial equilibrium framework that considers dynamic effects constant. Like any partial equilibrium model, it has these strong assumptions allowing the trade policy analysis to be undertaken a country at a time. In spite of this weakness, WITS/SMART can help estimate trade creation, diversion, welfare, revenue effects and effects on exports for those countries whose data is available. WITS database comes from various sources. The external trade statistics comprise of UN COMTRADE, UNCTAD TRAINS and the WTO Integrated Data Base (IDB). The tariffs data is derived from UNCTAD TRAINS, WTO IDB and WTO Consolidated Tariff Schedule Data Base (CTS). The non-tariff measures are compiled from UNCTAD TRAINS database.

The underlying analytics of the theory are clearly defined in Laird and Yeats (1986) and ECA (2000). The derivation begins with a basic trade model composed of simplified import demand and export supply functions and an equilibrating identity:

A simplified import demand function for country j from country k of commodity i:

$$M_{ijk} = f(Y_j, P_{ij}, P_{ik}) \quad (1)$$

The export supply function of commodity i of country k can be simplified as:

$$X_{ijk} = f(P_{ikj}) \quad (2)$$

The equilibrium in the trade between the countries is the standard partial equilibrium equation:

$$M_{ijk} = X_{ikj} \quad (3)$$

In a free trade environment, the domestic price of the commodity  $i$  in country  $j$  from country  $k$  would change with the change in an ad valorem tariff as follows:

$$P_{ijk} = P_{ikj}(1 + t_{ikj}) \quad (4)$$

In order to get the price equation, differentiating (4) we obtain:

$$dP_{ijk} = P_{ikj} dt_{ikj} + (1 + t_{ikj}) dP_{ikj} \quad (5)$$

Equations (4) and (5) are substituted into the elasticity of import demand function:

$$\frac{\Delta M_{ijk}}{(M_{ijk})} = \alpha_i^m \frac{\Delta P_{ijk}}{(P_{ijk})} \quad (6)$$

Using this, one obtains the change in imports:

$$\frac{dM_{ijk}}{M_{ijk}} = \alpha_i^m \left( \frac{dt_{ijk}}{(1 + t_{ijk})} + \frac{dP_{ijk}}{P_{ijk}} \right) \quad (7)$$

In the similar process one can obtain, with the elasticity of export supply function, the change in exports:

$$\frac{dX_{ijk}}{X_{ijk}} = \alpha_i^x \left( \frac{dP_{ikj}}{P_{ikj}} \right)$$

Using (7) one can calculate the trade creation effect:

$$TC_{ijk} = M_{ijk} \alpha_i^m \frac{dt_{ijk}}{(1 + t_{ijk})(1 - (\alpha_i^m / \gamma_i^m))} \quad (8)$$

Where  $TC_{ijk}$  is the sum of trade created in millions of dollars over  $i$  commodities affected by tariff change and  $\alpha_i^m$  is the elasticity of import demand for commodity  $I$  in the importing country from the relevant trading partner.  $M_{ijk}$  is the current level of import demand of the given commodity  $i$ , while  $t_{ijk}^0$  and  $t_{ijk}^1$  represent tariff rates for commodity  $i$  at the initial and end periods respectively. According to the UNCTAD model, trade creation depends on the current level of imports, the import demand elasticity, and the relative tariff change and

occurs when there is a shift from higher cost producer to lower cost producer as a result of elimination of tariffs on imports from the partner.

If  $\gamma$  approaches infinity, then equation 8 can be simplified as follows:

$$TC_{ijk} = \alpha_i^m M_{ijk} \frac{(1 + t_{ijk}^1) - (1 + t_{ijk}^0)}{(1 + t_{ijk}^0)} \quad (9)$$

The elasticity of substitution is expressed as the percentage change in relative shares of imports from two different sources due to a 1 percent change in the relative prices of the same product from the two sources. Conceptually, the elasticity of substitution is a measurement of the ease with which various imports can be substituted for one another. Technically, it is measured as the slope of the import isoquant.

$$\sigma_M = \frac{\Delta(\sum (M_{ijk} / M_{ijK}) / \sum (M_{ijk} / M_{ijK}))}{\Delta(P_{ijk} / P_{ijK})(P_{ijk} / P_{ijK})} \quad (10)$$

In this equation, k denotes imports from the RTA member countries and K denotes imports from the rest of the world.

Trade diversion occurs when an efficient producer from outside the free trade area is displaced by less efficient producers in the preferential area. Essentially, trade diversion depends on the current level of imports from RTA member countries and the ROW, the percentage change of tariffs facing imports from RTA member countries with those from ROW remaining unchanged, and the elasticity of substitution  $\sigma_M$  of the imports between the RTA member countries and ROW into the concerned country. In the SMART framework, the trade diverted to the RTA member countries can be expressed as:

$$TD = \frac{M^{RTA} M^{ROW} ((1 + t_{RTA}^1 / 1 + t_{RTA}^0) - 1) \sigma_m}{M^{RTA} + M^{ROW} + M^{RTA} ((1 + t_{RTA}^1 / 1 + t_{RTA}^0) - 1) \sigma_m} \quad (11)$$

The strength of trade diversion depends on whether one assumes that goods are perfectly substitutable or whether goods are imperfectly substituted and whether calculations are made at official rates or on actual collected rates.

WITS/ SMART has a very precise and elegant methodology for calculating revenue effects. The tariff revenue is the product of the tariff rate and the tariff base (value of imports). Thus, before the change in the ad valorem incidence of trade barriers, the revenue is given as:

$$R_0 = \sum_i \sum_k t_{ijk}^0 P_{ijk} M_{ijk} \quad (12)$$

After the change in tariff rate, the new revenue collection will be given by:

$$R_1 = \sum_i \sum_k t_{ijk}^1 P_{ijk} M_{ijk} \quad (13)$$

The revenue loss as a result of the implementation of any RTA is the difference between  $R_0$  and  $R_1$ .

The WITS/SMART model estimation of welfare effects is quite simple. This is unlike the equivalent variations measurement in general equilibrium models. Essentially, the welfare effect is mainly ascribed to the consumer benefits in the importing country as a result of lower import prices. This allows them to substitute more expensive domestic or imported products with the cheaper imports that are affected by the relevant tariff reduction. Increased imports leads to a net welfare gain that can be thought as the increase in consumer welfare and is measured as follows:

$$w_{ijk} = 0.5(\Delta t_{ijk} \Delta M_{ijk}) \quad (14)$$

The coefficient of 0.5 captures the average between the ad valorem incidence of the trade barriers before and after their elimination/reduction. Equation (14) assumes that the elasticity of export supply is infinite. If this is not the case, the import prices in the importing countries fall by less than the full reduction in trade barriers. Therefore, while the equation can be used to measure welfare effect, it is no longer a representation of consumer surplus alone but has some element of producer surplus (Laird and Yeats, 1986).

### 5.3. The Simulations

It appears from the discussion in the aforementioned sections that the value-addition requirement under the SAFTA ROO is as good as that under any other bilateral FTA agreement in South Asia. Therefore, as far as the value-addition criteria is concerned, there is no problem in overlapping ROO in South Asia. However, the problem of overlapping ROO arises when the criteria 'change in tariff head' is considered, as it appears that only the Pakistan-Sri Lanka BFTA has the most liberal provision in this regard. Also, when the regional cumulation criteria is considered SAFTA appears to be the most restrictive one. In the case of sensitive list, SAFTA, also appears to be more stringent than any other BFTA.

However, to run the simulations in the WITS/SMART partial equilibrium model and to observe the implications for Nepal, we can only use the information on value-addition in different sectors in Nepal (using the social accounting matrix of Nepal) as the information on change in tariff heads and regional cumulation is not available. Therefore, when only the value-addition criteria is used, there is no distinction between SAFTA and the India-Nepal Trade Treaty as far as the interests of Nepal is concerned.

In the WITS/SMART model we therefore, simulate the SAFTA scenario by taking into account the ROO and sensitive list. In all the simulations bilateral tariff rates for the SAFTA member countries are reduced down to zero. Four simulations have been run and they are:

**Simulation 1:** No ROO and sensitive list under SAFTA

**Simulation 2:** ROO restriction for Nepal under SAFTA and India-Nepal Trade Treaty (no sensitive list)

**Simulation 3:** Sensitive List restriction for Nepal under SAFTA (no ROO restriction)

**Simulation 4:** ROO restriction and sensitive list restriction under SAFTA for Nepal

### 5.3.1. Simulation 1: Impact of SAFTA on the Member Countries with no ROO and Sensitive List

The results of simulation 1 are reported in Tables 5. It appears that when there is no ROO requirement and there is no sensitive list the South Asian countries are able to increase their exports within the region quite substantially. India appears to be the largest gainer from such scenario. However, Nepal also turns out to be important gainer as her exports to the South Asian region as whole increase by around US\$ 90 million . Interestingly almost all of her export increase would be targeted to Indian market (99 percent) under such a scenario. The rise in exports from Nepal to India, because of this scenario, is much higher than those from Bhutan and Sri Lanka; because initial exports to India from Nepal (361 million) is much higher than those from Bhutan (88 million) and Sri Lanka (295 million). Also, because of the comprehensive India-Sri Lanka bilateral FTA, there is very little to gain for Sri Lanka, as far as exports to the Indian market is concerned, under such a full SAFTA scenario.

**Table 5: Increase in Exports and Imports among SAFTA countries (Thousand US\$)  
(under full SAFTA with no ROO and no sensitive list)**

From \ To	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka	Total Exports
Bangladesh		637.69	26043.61	7.65	918.84	4750.44	1198.28	33556.51
Bhutan	-		21693.89	-	113.13	84.88	0.01	21891.91
India	350978.32	40408.25		31576.28	177182.61	196432.19	218727.26	1015305.01
Maldives	-	-	858.52		-	58.81	2262.29	3179.62
Nepal	22.08	247.99	89542.48	2.67		699.28	30.63	90545.13
Pakistan	44637.39	-	60452.46	346.21	691.63		7822.05	113949.71
Sri Lanka	4301.66	0.81	2946.48	16549.71	973.74	7040.32		31812.72
Total Imports	399939.51	41294.74	201537.44	48482.52	179880.01	209065.91	230040.51	

Source: WITS/SMART simulation

The WITS/SMART model also provides information on the sectoral increase in exports from Nepal under such a scenario at the six digit HS code classification. As 99 percent of the increase in exports from Nepal to the South Asian region is targeted only to India under such a scenario, in this paper we analyse the pattern of this rise in exports only in the Indian market. The analysis of the WITS/SMART simulation results suggest that a number of 539 commodities (at the six digit HS code) are exported from Nepal to India. The detailed information on the increase in exports in the case of these 539 commodities is reported in Annex 1. However, Table 6 provides information for the top 100 export commodities. It is clearly evident from Table 6 that under simulation 1 the top 100 products will constitute more than 93 percent of the rise in exports to Indian market.

**Table 6: Exports of top 100 products from Nepal to India (WITS/SMART simulation 1 results)**

HS Tariff Line Code at 6 digit level	Export Before (\$ '000)	Export After (\$ '000)	Increase In Export (\$ '000)	% rise in Exports
90830	9,096.19	14,347.73	5,251.55	57.73
220290	16,519.10	21,755.05	5,235.95	31.70
721041	11,924.80	15,901.40	3,976.60	33.35
90240	2,884.44	6,407.66	3,523.22	122.15
392321	8,894.20	12,376.72	3,482.52	39.15
390690	8,641.92	12,084.40	3,442.48	39.83
721049	6,008.42	9,377.08	3,368.66	56.07
550921	17,059.54	20,420.90	3,361.36	19.70
291732	10,844.46	13,768.58	2,924.11	26.96
230990	7,427.25	10,251.54	2,824.29	38.03
730610	19,387.51	22,184.86	2,797.35	14.43
600129	5,320.47	8,035.54	2,715.08	51.03
381220	4,980.98	7,439.91	2,458.94	49.37
721790	4,408.28	6,750.50	2,342.22	53.13
90230	2,886.69	5,114.08	2,227.39	77.16
760410	12,505.81	14,642.27	2,136.46	17.08
71340	8,143.79	10,194.44	2,050.65	25.18
380610	4,984.10	6,809.26	1,825.16	36.62
91010	3,855.36	5,537.33	1,681.98	43.63
392350	2,559.46	3,738.64	1,179.18	46.07
210690	716.985	1,858.18	1,141.20	159.17
441032	3,688.73	4,824.98	1,136.25	30.80
391721	7,376.78	8,473.48	1,096.69	14.87
190219	3,383.56	4,416.56	1,033.00	30.53
392329	2,108.32	3,078.40	970.079	46.01
721030	1,652.78	2,506.76	853.984	51.67
320300	5,827.02	6,668.32	841.294	14.44
121190	1,851.60	2,654.99	803.386	43.39
551011	3,204.82	3,864.71	659.887	20.59
392690	1,388.36	2,044.98	656.621	47.29
531010	10,479.72	11,075.93	596.212	5.69
40590	1,484.06	2,053.07	569.01	38.34
392020	2,639.63	3,204.29	564.661	21.39
410621	740.916	1,259.99	519.075	70.06
600290	747.257	1,240.00	492.745	65.94
410419	733.284	1,210.39	477.11	65.06
741819	4,101.17	4,562.92	461.745	11.26
841391	1,381.09	1,837.93	456.838	33.08
640419	2,302.05	2,720.05	418.002	18.16
251710	2,327.84	2,725.24	397.393	17.07
392390	827.245	1,218.68	391.431	47.32
391729	2,190.53	2,552.11	361.582	16.51
230690	1,328.06	1,678.59	350.539	26.39
720825	587.641	928.777	341.136	58.05
560710	8,608.26	8,944.79	336.535	3.91
230220	531.476	829.57	298.094	56.09
540793	1,561.45	1,854.53	293.078	18.77
540761	756.16	1,026.12	269.964	35.70
550941	1,113.56	1,378.41	264.848	23.78
761519	1,249.43	1,512.84	263.415	21.08
540781	989.994	1,238.88	248.881	25.14

HS Tariff Line Code at 6 digit level	Export Before (\$ '000)	Export After (\$ '000)	Increase In Export (\$ '000)	% rise in Exports
721720	448.145	694.09	245.945	54.88
220300	197.466	442.351	244.885	124.01
500790	658.349	898.944	240.595	36.55
140490	727.114	961.716	234.602	32.26
390610	524.198	741.205	217.007	41.40
140300	869.977	1,086.15	216.177	24.85
540239	1,074.06	1,283.34	209.281	19.49
410449	314.447	518.971	204.524	65.04
680221	528.487	722.408	193.921	36.69
730690	818.688	1,012.48	193.789	23.67
551319	631.422	823.247	191.825	30.38
720421	322.272	509.968	187.696	58.24
250590	1,133.02	1,319.51	186.491	16.46
570330	517.363	701.657	184.294	35.62
600110	266.459	447.984	181.525	68.12
721070	310.995	491.487	180.492	58.04
230230	650.506	821.639	171.133	26.31
40690	242.307	411.177	168.87	69.69
190230	326.597	491.762	165.165	50.57
740929	532.757	688.183	155.426	29.17
391723	1,012.38	1,166.12	153.743	15.19
740919	462.744	615.883	153.139	33.09
80290	284.074	436.405	152.331	53.62
721710	262.345	409.144	146.799	55.96
721069	252.257	398.337	146.08	57.91
551449	819.665	964.617	144.952	17.68
731100	830.643	969.46	138.817	16.71
410799	213.063	350.922	137.859	64.70
540810	1,041.80	1,174.21	132.409	12.71
392010	598.614	730.047	131.433	21.96
392330	276.019	407.125	131.106	47.50
870210	340.148	469.319	129.171	37.97
380510	358.514	487.26	128.746	35.91
380590	435.865	559.703	123.838	28.41
540710	338.325	459.7	121.375	35.88
71390	274.219	389.863	115.644	42.17
580632	606.375	718.614	112.239	18.51
730519	606.719	716.631	109.912	18.12
130190	249.46	358.156	108.696	43.57
170310	808.076	916.357	108.281	13.40
848180	193.932	302.105	108.173	55.78
540269	693.098	800.606	107.508	15.51
550942	369.736	476.043	106.307	28.75
600390	154.717	257.996	103.279	66.75
540730	1,033.52	1,136.18	102.665	9.93
870899	199.132	300.41	101.278	50.86
550931	418.686	518.643	99.957	23.87
200980	159.979	252.071	92.092	57.57
760429	226.841	302.791	75.95	33.48
Total for top 100 products exported to India	270,828.10	354,695.35	83,867.25	30.97
Total exports to India	303,275.03	392,817.51	89,542.48	29.53
Share of top 100 products in total exports to India (%)	89.30	90.29	93.66	

Source: WITS/SMART simulation

WITS/SMART model also provides the estimates of trade creation and trade diversion effect. It appears that under scenario 1 (the full SAFTA scenario) Nepal's trade creation effect will be equal to US\$, 160821 thousand whereas the trade diversion effect will be a loss of US\$, 19454 thousand which would result in a net trade effect equal to US\$ 141367 thousand. It also appears from the simulation results that Nepal will face a loss in revenue equal to US\$ 90881 thousand. Finally, welfare gains for Nepal out of the full implementation of SAFTA (without any sensitive list or ROO restrictions) would be US\$ 20486 thousand.

### 5.3.2. Simulation 2: ROO restriction for Nepal under SAFTA and India-Nepal Trade Treaty

As has been mentioned before, the value-addition criteria of the ROOs under SAFTA and the India-Nepal Trade Treaty are the same. In order to identify the sectors which can meet those ROO requirements we have used the sector specific value-added information calculated from the Social Accounting Matrix of Nepal for the year 2005 (Table 7). It appears from Table 7 that a number of agro-processing and manufacturing products originating from Nepal can't meet the 30 percent value-addition criteria. It is, however, important to note that some products (such as vegetable ghee and wearing apparel/ready made garments), which does not meet 30 percent value-addition criteria according to Table 8, are already being exported to India in a big way under preferential access. This may be because the value-addition calculated in the Social Accounting Matrix (SAM) of Nepal is different than those used under India-Nepal Trade Treaty. In the current exercise we have, therefore, dropped these two items from the ROO restriction list.

**Table 7: Percentage of Value addition in different Sectors in Nepal**

Sector	Output (Million Nepali Rupee)	Value Added (Million Nepali Rupee)	Value-addition as % of output
Paddy	34088	31561	93
Wheat	10437	8842	85
Other Grain	15935	15532	97
Vegetables & Fruits	30758	29096	95
Oilseed	3685	3254	88
Sugar-cane	2460	2199	89
Other Crops	19080	17461	92
Jute and Other Plant Fibers	4038	315	8
Tobacco	135	113	84
Spices	4270	3010	71
Cattle	13283	9402	71
Other Animal Product	15324	2987	19
Raw Milk	25264	15136	60
Wool	571	73	13
Timber Forest	11505	10957	95
Non-Timber Forest	3681	3627	99
Fishing	2321	1844	79
Coal	4	4	88
Other Mining	6871	1813	26
Meat	57	15	26



Sector	Output (Million Nepali Rupee)	Value Added (Million Nepali Rupee)	Value-addition as % of output
Vegetable Oil	10657	2483	23
Dairy Product	2880	561	19
Other Grain Mill	9008	1082	12
Sugar	2425	891	37
Other Food Product	11783	1501	13
Beverage	6278	2607	42
Tobacco	1696	514	30
Textile	22654	9501	42
Wearing Apparel	25009	3008	12
Leather Product	17378	591	3
Lumber	2222	338	15
Paper & Paper Product	14066	1758	12
Chemical and Rubber	10261	5936	58
Non-Metallic	9377	2852	30
Iron & Steel	6824	531	8
Non-Ferrous Metal	26040	616	2
Fabricated Metal	14318	2624	18
Motor-Vehicle	1042	23	2
Electronic Equipment	1671	122	7
Other Mech. & Equipment	1821	459	25
Other Manufacturing..	2850	395	14

Source: The Social Accounting Matrix of Nepal

Note: The sectors with value-addition lower than 30 percent are shown in shaded rows

Using the information on value-addition, as contained in Table 7, it is possible to isolate the sectors in the WITS/SMART model for Nepal which fail to meet the 30 percent value-addition criteria under both SAFTA and the India-Nepal Trade Treaty. Therefore, under such a scenario there will be no rise in export from these sectors. It appears from the simulation results that the number of such commodities would be 210. Annex 2 provides the list of these commodities with the information on increase in exports from these sectors if there were no such ROO restrictions. Table 8 presents the information on the aggregate of the rise in exports from the rest 293 commodities. It appears that because of ROO (and assuming no sensitive list) 34 percent of the potential rise in exports from Nepal to India would be unrealized.

**Table 8: Nepal's Exports to India under Simulation 2**

	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)
Without any ROO and Sensitive list	303275.03	392817.51	89542.48
The Commodities which can meet ROO requirement	200815.95	259909.21	59093.26
Export Lost due to ROO (Commodities which can't meet the ROO requirement)	102459.08	132908.31	30449.22
Share of Export lost due to ROO in total exports (of the scenario with no ROO and sensitive list)	33.78%	33.83%	34.05%

Source: WITS/SMART simulation

### 5.3.3. Simulation 3: Sensitive List restriction for Nepal under SAFTA

As has been mentioned before, the SAFTA treaty allows India to have a negative list for LDCs on 744 commodities at the four digit HS code. It appears from the WITS/SMART simulation results that because of such a negative list, rise in exports from 127 commodities, at the six digit HS code, from Nepal to India will be restricted. A list of such commodities with the information on their potentials of export expansion (using the model simulation) is presented in Annex 3. Table 9 presents the information on the aggregate of the rise in exports from the rest 389 commodities. It appears that because of sensitive list (and assuming no ROO) as high as 47 percent of the potential rise in exports from Nepal to India would be unrealized.

**Table 9: Nepal's Exports to India under Simulation 3**

	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)
Without any ROO and Sensitive list	303275.03	392817.51	89542.48
The Commodities which are outside of sensitive list	198405.36	247828.57	49423.21
Export Lost due to Sensitive list (Commodities which are included in the sensitive list)	108728.92	150725.42	41996.51
Share of Export lost due to Sensitive list in total exports (of the scenario with no ROO and sensitive list)	35.85%	38.37%	46.91%

Source: WITS/SMART simulation

### 5.3.4. Simulation 4: ROO Restriction and Sensitive List Restriction under SAFTA for Nepal

Simulation 2 and 3 indicate that substantial portion of the potential rise in exports from Nepal to India would be lost because of the presence of ROO and sensitive list. In those two simulations we have considered the impacts of ROO and sensitive list separately. However, in reality they are put in place simultaneously. Therefore, in the current simulation we have considered the presence of both ROO and sensitive list for Nepal under SAFTA. Table 10 presents the simulation results. It appears that because of ROO and sensitive list more than two-third of the potential rise in exports from Nepal to India would be lost.

**Table 10: Nepal's Exports to India under Simulation 4**

	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)
Without any ROO and Sensitive list	303275.03	392817.51	89542.48
The Commodities which are outside of ROO and sensitive list	121501.04	148387.66	26886.62
Export Lost due to ROO and Sensitive list	181773.99	244429.86	62655.87
Share of Export lost due to ROO and Sensitive list	59.94%	62.22%	69.97%

Source: WITS/SMART simulation

## **VI. Conclusion**

Given the fact that value-additions of most of Nepal's export products are very low, a 30 percent value-addition requirement under SAFTA as well as under the India-Nepal Trade Treaty would act as a significant barrier for her export expansion in India. This is also true for other LDCs in South Asia. Therefore, the problem of ROO will need to be resolved, keeping an eye on the manufacturing/processing capability of the LDCs. In addition, the other criteria of the ROO, namely the change in tariff head, under SAFTA should also be made consistent with those that are currently in force in the bilateral trade agreements within the SAARC region, which happen to be more liberal than the prevailing SAFTA rules. For example, the Pakistan-Sri Lanka BFTA has a relatively flexible rule in this regard. Note that a free trade area (FTA) needs a strict system of proof of origin mainly for preventing trade deflection. Since trade deflections can occur only when there are wide differences in the members' external tariffs, due importance should be given both to reduce the absolute levels of the members' external tariffs and to narrow down the inter-country differences in tariff rates. Wide differences in the members' external tariffs will make the ROO difficult to implement.

It also appears that SAFTA sensitive list is too stringent to allow significant rise in exports from the LDCs (in this case Nepal) to the Indian market. In almost all the cases, the products, which are included in the sensitive list, have significantly high export potentials. It can thus be concluded that if these sensitive lists are not phased out, there will be very little to gain from SAFTA by Nepal and other LDCs in this region.

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**Annex 1: Change in Nepal's Exports to India under Simulation 1 (Assuming no ROO and Sensitive List under SAFTA)**

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% change in Exports</b>
10290	0.898	1.29	0.392	43.65
21019	20.477	29.14	8.663	42.31
40590	1,484.06	2,053.07	569.01	38.34
40610	84.168	129.497	45.329	53.86
40690	242.307	411.177	168.87	69.69
50210	4.46	7.187	2.727	61.14
50290	4.302	6.911	2.609	60.65
50610	15.298	20.084	4.786	31.29
50690	45.941	64.108	18.167	39.54
70320	34.553	41.464	6.911	20.00
70420	34.344	37.514	3.17	9.23
70490	127.144	138.88	11.736	9.23
71290	101.519	160.885	59.366	58.48
71331	35.523	49.772	14.249	40.11
71339	20.613	28.641	8.028	38.95
71340	8,143.79	10,194.44	2,050.65	25.18
71390	274.219	389.863	115.644	42.17
80290	284.074	436.405	152.331	53.62
81090	23.65	27.515	3.865	16.34
81290	2.64	4.02	1.38	52.27
81340	0.262	0.408	0.146	55.73
90210	92.58	145.406	52.826	57.06
90220	26.964	61.72	34.756	128.90
90230	2,886.69	5,114.08	2,227.39	77.16
90240	2,884.44	6,407.66	3,523.22	122.15
90610	130.531	200.313	69.782	53.46
90830	9,096.19	14,347.73	5,251.55	57.73
91010	3,855.36	5,537.33	1,681.98	43.63
91030	5.102	7.81	2.708	53.08
91040	181.4	236.008	54.608	30.10
91099	28.689	39.717	11.028	38.44
110100	14.558	23.21	8.652	59.43
110430	15.529	19.663	4.134	26.62
120400	355.776	388.617	32.841	9.23
121130	5.049	5.876	0.827	16.38
121190	1,851.60	2,654.99	803.386	43.39
121299	41.083	48.538	7.455	18.15
121300	508.012	554.905	46.893	9.23
121490	0.556	0.607	0.051	9.17
130190	249.46	358.156	108.696	43.57
140110	0.17	0.245	0.075	44.12
140190	153.585	204.757	51.172	33.32
140300	869.977	1,086.15	216.177	24.85
140410	15.884	24.303	8.419	53.00
140490	727.114	961.716	234.602	32.26
150990	32.935	46.757	13.822	41.97
160250	27.212	31.258	4.046	14.87

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
170230	39.232	48.124	8.892	22.67
170240	203.282	255.571	52.289	25.72
170310	808.076	916.357	108.281	13.40
170390	130.535	175.837	45.302	34.70
170490	0.65	0.873	0.223	34.31
190211	26.203	42.055	15.852	60.50
190219	3,383.56	4,416.56	1,033.00	30.53
190230	326.597	491.762	165.165	50.57
190240	48.09	72.493	24.403	50.74
190410	23.958	38.732	14.774	61.67
190590	455.998	455.504	-0.494	-0.11
200290	5.565	7.548	1.983	35.63
200710	205.781	253.096	47.315	22.99
200799	35.763	45.132	9.369	26.20
200919	32.192	41.939	9.747	30.28
200949	4.66	6.204	1.544	33.13
200980	159.979	252.071	92.092	57.57
200990	73.604	110.909	37.305	50.68
210690	716.985	1,858.18	1,141.20	159.17
220210	4.66	5.479	0.819	17.58
220290	16,519.10	21,755.05	5,235.95	31.70
220300	197.466	442.351	244.885	124.01
220890	4.898	13.257	8.359	170.66
230220	531.476	829.57	298.094	56.09
230230	650.506	821.639	171.133	26.31
230240	141.315	178.492	37.177	26.31
230250	260.443	329.957	69.514	26.69
230400	45.011	69.174	24.163	53.68
230500	26.201	33.094	6.893	26.31
230610	11.864	14.985	3.121	26.31
230620	17.177	21.696	4.519	26.31
230630	32.466	41.007	8.541	26.31
230650	26.208	42.64	16.432	62.70
230690	1,328.06	1,678.59	350.539	26.39
230990	7,427.25	10,251.54	2,824.29	38.03
250590	1,133.02	1,319.51	186.491	16.46
250810	2.915	3.944	1.029	35.30
250850	18.186	24.608	6.422	35.31
251511	9.643	13.05	3.407	35.33
251512	61.157	82.732	21.575	35.28
251690	22.873	29.757	6.884	30.10
251710	2,327.84	2,725.24	397.393	17.07
251990	11.338	15.345	4.007	35.34
281700	2.933	4.036	1.103	37.61
284020	6.149	8.442	2.293	37.29
290290	0.587	0.806	0.219	37.31
290312	6.778	9.309	2.531	37.34
290511	5.951	8.394	2.443	41.05
291539	1.281	1.807	0.526	41.06
291732	10,844.46	13,768.58	2,924.11	26.96

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
300390	3,618.65	3,617.63	-1.024	-0.03
300490	1,502.23	1,502.23	0	0.00
320190	8.299	10.094	1.795	21.63
320300	5,827.02	6,668.32	841.294	14.44
320413	37.711	45.841	8.13	21.56
321000	0.443	0.521	0.078	17.61
321590	3.052	4.163	1.111	36.40
330119	13.468	18.814	5.346	39.69
330125	15.969	22.113	6.144	38.47
330129	80.025	111.889	31.864	39.82
330130	17.941	25.072	7.131	39.75
330190	48.988	68.508	19.52	39.85
330300	20.885	24.542	3.657	17.51
330510	2.496	2.496	0	0.00
330741	24.021	28.194	4.173	17.37
340119	1,486.05	1,477.54	-8.513	-0.57
340120	26.532	26.503	-0.029	-0.11
350190	11.841	15.726	3.885	32.81
350400	27.246	36.291	9.045	33.20
380110	11.289	15.92	4.631	41.02
380300	27.728	38.545	10.817	39.01
380510	358.514	487.26	128.746	35.91
380590	435.865	559.703	123.838	28.41
380610	4,984.10	6,809.26	1,825.16	36.62
380620	18.036	25.36	7.324	40.61
380690	163.794	230.214	66.42	40.55
380993	6.889	9.72	2.831	41.09
381220	4,980.98	7,439.91	2,458.94	49.37
382200	16.741	26.149	9.408	56.20
382313	22.346	38.582	16.236	72.66
382440	72.237	112.675	40.438	55.98
390421	72.564	103.221	30.657	42.25
390422	14.295	20.335	6.04	42.25
390599	22.013	31.31	9.297	42.23
390610	524.198	741.205	217.007	41.40
390690	8,641.92	12,084.40	3,442.48	39.83
390720	65.827	95.436	29.609	44.98
390791	9.719	14.092	4.373	44.99
391290	174.211	245.34	71.129	40.83
391310	2.748	3.876	1.128	41.05
391530	19.695	24.056	4.361	22.14
391590	26.282	32.569	6.287	23.92
391710	239.808	283.924	44.116	18.40
391721	7,376.78	8,473.48	1,096.69	14.87
391722	7.728	9.112	1.384	17.91
391723	1,012.38	1,166.12	153.743	15.19
391729	2,190.53	2,552.11	361.582	16.51
391731	386.97	453.856	66.886	17.28
391732	13.558	16.57	3.012	22.22
391739	12.082	14.769	2.687	22.24



Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
391740	76.195	112.505	36.31	47.65
391810	19.501	23.798	4.297	22.03
391910	185.471	226.304	40.833	22.02
391990	77.922	95.305	17.383	22.31
392010	598.614	730.047	131.433	21.96
392020	2,639.63	3,204.29	564.661	21.39
392030	35.386	43.171	7.785	22.00
392049	79.762	97.493	17.731	22.23
392059	7.588	9.275	1.687	22.23
392069	49.745	61.558	11.813	23.75
392071	13.046	15.855	2.809	21.53
392073	21.223	25.609	4.386	20.67
392099	158.863	196.484	37.621	23.68
392111	9.197	11.232	2.035	22.13
392112	47.425	57.885	10.46	22.06
392113	39.387	48.7	9.313	23.64
392119	62.281	76.051	13.77	22.11
392190	180.367	223.16	42.793	23.73
392310	58.849	86.809	27.96	47.51
392321	8,894.20	12,376.72	3,482.52	39.15
392329	2,108.32	3,078.40	970.079	46.01
392330	276.019	407.125	131.106	47.50
392350	2,559.46	3,738.64	1,179.18	46.07
392390	827.245	1,218.68	391.431	47.32
392410	6.912	9.599	2.687	38.87
392490	1.735	2.569	0.834	48.07
392510	31.53	46.539	15.009	47.60
392610	1.812	2.682	0.87	48.01
392620	9.574	14.059	4.485	46.85
392630	6.262	9.255	2.993	47.80
392640	15.742	23.246	7.504	47.67
392690	1,388.36	2,044.98	656.621	47.29
400510	69.329	137.081	67.752	97.73
400922	0.317	0.482	0.165	52.05
401390	12.922	25.511	12.589	97.42
401610	51.079	99.525	48.446	94.85
401691	3.849	5.793	1.944	50.51
401693	4.351	6.557	2.206	50.70
401699	147.464	222.221	74.757	50.70
401700	19.778	39.1	19.322	97.69
410411	25.562	42.178	16.616	65.00
410419	733.284	1,210.39	477.11	65.06
410449	314.447	518.971	204.524	65.04
410621	740.916	1,259.99	519.075	70.06
410640	101.502	154.867	53.365	52.58
410691	26.366	45.265	18.899	71.68
410692	25.398	43.465	18.067	71.14
410711	37.509	61.272	23.763	63.35
410799	213.063	350.922	137.859	64.70
411520	44.212	75.735	31.523	71.30

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
420221	1.095	1.312	0.217	19.82
420229	2.222	2.906	0.684	30.78
440130	1.192	1.283	0.091	7.63
440920	5.23	6.36	1.13	21.61
441031	113.228	161.669	48.441	42.78
441032	3,688.73	4,824.98	1,136.25	30.80
441299	0.261	0.32	0.059	22.61
441510	0.1	0.12	0.02	20.00
441520	2.74	3.284	0.544	19.85
441600	0.935	1.121	0.186	19.89
441700	3.69	4.419	0.729	19.76
441820	0.256	0.307	0.051	19.92
442090	0.666	0.952	0.286	42.94
442190	7.883	10.864	2.981	37.82
450190	0.528	0.728	0.2	37.88
460210	87.322	111.276	23.954	27.43
460290	2.018	2.774	0.756	37.46
470100	1.112	1.266	0.154	13.85
470710	0.048	0.066	0.018	37.50
470790	3.728	5.138	1.41	37.82
480210	33.853	39.246	5.393	15.93
480220	409.823	468.431	58.608	14.30
480230	6.596	7.653	1.057	16.02
480254	20.315	23.575	3.26	16.05
480261	13.207	15.333	2.126	16.10
480262	6.611	7.645	1.034	15.64
480269	343.967	393.795	49.828	14.49
480820	333.985	378.063	44.078	13.20
480890	497.465	568.191	70.726	14.22
481013	6.408	7.682	1.274	19.88
481029	5.898	7.059	1.161	19.68
481039	0.208	0.249	0.041	19.71
481910	38.785	46.5	7.715	19.89
482020	156.384	188.68	32.296	20.65
482090	16.344	22.46	6.116	37.42
482110	7.928	10.874	2.946	37.16
490110	35.021	42.05	7.029	20.07
490199	15.229	18.285	3.056	20.07
490900	0.305	0.42	0.115	37.70
500310	4.972	6.61	1.638	32.94
500390	40.434	54.551	14.117	34.91
500400	35.815	48.933	13.118	36.63
500710	26.513	36.42	9.907	37.37
500720	34.043	46.501	12.458	36.59
500790	658.349	898.944	240.595	36.55
510119	4.512	5.629	1.117	24.76
510310	11.215	15.101	3.886	34.65
510320	12.73	17.324	4.594	36.09
510330	9.392	12.208	2.816	29.98
510710	0.582	0.795	0.213	36.60

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% change in Exports</b>
520299	164.918	180.535	15.617	9.47
520511	29.284	32.316	3.032	10.35
520790	4.107	4.618	0.511	12.44
530310	3.872	3.631	-0.241	-6.22
530710	136.819	132.028	-4.791	-3.50
530720	18.173	18.022	-0.151	-0.83
530890	4.148	4.938	0.79	19.05
531010	10,479.72	11,075.93	596.212	5.69
531090	140.378	157.95	17.572	12.52
531100	339.908	401.955	62.047	18.25
540210	37.457	45.083	7.626	20.36
540232	53.832	64.509	10.677	19.83
540233	240.25	289.164	48.914	20.36
540239	1,074.06	1,283.34	209.281	19.49
540243	58.279	70.144	11.865	20.36
540249	356.102	425.321	69.219	19.44
540269	693.098	800.606	107.508	15.51
540310	103.22	122.698	19.478	18.87
540342	33.767	40.62	6.853	20.29
540710	338.325	459.7	121.375	35.88
540720	485.45	552.891	67.441	13.89
540730	1,033.52	1,136.18	102.665	9.93
540751	235.694	303.522	67.828	28.78
540752	25.817	35.243	9.426	36.51
540761	756.16	1,026.12	269.964	35.70
540769	50.469	68.878	18.409	36.48
540781	989.994	1,238.88	248.881	25.14
540783	87.527	110.816	23.289	26.61
540784	25.954	34.581	8.627	33.24
540793	1,561.45	1,854.53	293.078	18.77
540810	1,041.80	1,174.21	132.409	12.71
550510	24.593	34.675	10.082	41.00
550620	16.692	23.548	6.856	41.07
550921	17,059.54	20,420.90	3,361.36	19.70
550931	418.686	518.643	99.957	23.87
550941	1,113.56	1,378.41	264.848	23.78
550942	369.736	476.043	106.307	28.75
550951	197.235	269.208	71.973	36.49
550953	29.836	40.919	11.083	37.15
550959	14.44	19.664	5.224	36.18
550969	47.931	65.604	17.673	36.87
550999	126.606	175.387	48.781	38.53
551011	3,204.82	3,864.71	659.887	20.59
551012	26.444	36.404	9.96	37.66
551020	14.432	17.199	2.767	19.17
551090	16.432	22.739	6.307	38.38
551110	11.794	16.378	4.584	38.87
551130	216.617	258.282	41.665	19.23
551299	39.558	52.626	13.068	33.04
551311	129.579	165.101	35.522	27.41

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
551319	631.422	823.247	191.825	30.38
551349	38.273	52.027	13.754	35.94
551449	819.665	964.617	144.952	17.68
551511	92.899	126.217	33.318	35.86
551614	109.819	148.435	38.616	35.16
560410	127.35	189.912	62.562	49.13
560710	8,608.26	8,944.79	336.535	3.91
560729	7.884	9.248	1.364	17.30
560819	6.373	7.585	1.212	19.02
570190	0.579	0.79	0.211	36.44
570231	5.602	7.639	2.037	36.36
570242	6.13	8.366	2.236	36.48
570330	517.363	701.657	184.294	35.62
570500	5.672	7.718	2.046	36.07
580410	9.992	13.622	3.63	36.33
580500	2.822	3.36	0.538	19.06
580620	8.762	10.253	1.491	17.02
580631	95.485	113.213	17.728	18.57
580632	606.375	718.614	112.239	18.51
580710	38.996	46.523	7.527	19.30
580890	56.698	67.46	10.762	18.98
600110	266.459	447.984	181.525	68.12
600129	5,320.47	8,035.54	2,715.08	51.03
600199	41.471	69.74	28.269	68.17
600240	83.522	137.931	54.409	65.14
600290	747.257	1,240.00	492.745	65.94
600390	154.717	257.996	103.279	66.75
600634	39.289	64.118	24.829	63.20
630120	0.738	0.973	0.235	31.84
630190	3.463	4.115	0.652	18.83
630492	38.123	44.635	6.512	17.08
630510	1,222.11	1,186.58	-35.526	-2.91
630900	5.593	6.679	1.086	19.42
640110	36.628	48.13	11.502	31.40
640191	11.392	15.01	3.618	31.76
640199	48.357	63.824	15.467	31.99
640219	3.056	3.677	0.621	20.32
640299	25.874	34.183	8.309	32.11
640320	9.23	12.183	2.953	31.99
640411	172.971	227.895	54.924	31.75
640419	2,302.05	2,720.05	418.002	18.16
640520	0.969	1.279	0.31	31.99
640590	0.419	0.506	0.087	20.76
640610	16.649	23.759	7.11	42.71
640620	138.368	197.435	59.067	42.69
680221	528.487	722.408	193.921	36.69
680229	8.881	12.067	3.186	35.87
680291	8.923	12.199	3.276	36.71
680299	11.614	15.827	4.213	36.28
681599	2.089	2.857	0.768	36.76

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% change in Exports</b>
690220	11.897	14.43	2.533	21.29
691110	2.155	2.631	0.476	22.09
691200	1.882	2.53	0.648	34.43
691490	5.012	7.127	2.115	42.20
700100	22.111	30.176	8.065	36.48
700239	6.867	9.39	2.523	36.74
700330	7.775	10.557	2.782	35.78
701090	15.988	21.864	5.876	36.75
701329	28.465	38.91	10.445	36.69
701399	2.267	3.1	0.833	36.74
701720	2.267	3.182	0.915	40.36
701790	4.557	6.399	1.842	40.42
701990	2.041	2.791	0.75	36.75
702000	19.074	26.774	7.7	40.37
710310	6.056	9.848	3.792	62.62
710399	4.677	7.604	2.927	62.58
710700	63.567	81.786	18.219	28.66
720410	4.787	7.579	2.792	58.32
720421	322.272	509.968	187.696	58.24
720430	2.461	3.896	1.435	58.31
720449	2.218	3.512	1.294	58.34
720510	21.222	32.181	10.959	51.64
720719	8.157	12.863	4.706	57.69
720720	118.695	187.665	68.97	58.11
720825	587.641	928.777	341.136	58.05
720915	88.253	139.446	51.193	58.01
720918	87.064	137.726	50.662	58.19
721011	24.06	38.083	14.023	58.28
721030	1,652.78	2,506.76	853.984	51.67
721041	11,924.80	15,901.40	3,976.60	33.35
721049	6,008.42	9,377.08	3,368.66	56.07
721069	252.257	398.337	146.08	57.91
721070	310.995	491.487	180.492	58.04
721090	56.568	89.553	32.985	58.31
721190	87.503	138.356	50.853	58.12
721710	262.345	409.144	146.799	55.96
721720	448.145	694.09	245.945	54.88
721790	4,408.28	6,750.50	2,342.22	53.13
730300	38.816	48.099	9.283	23.92
730410	29.281	36.328	7.047	24.07
730490	74.049	91.863	17.814	24.06
730511	53.731	66.656	12.925	24.06
730519	606.719	716.631	109.912	18.12
730610	19,387.51	22,184.86	2,797.35	14.43
730690	818.688	1,012.48	193.789	23.67
730793	10.02	12.094	2.074	20.70
730799	9.589	11.575	1.986	20.71
730820	226.923	264.387	37.464	16.51
730890	32.068	37.475	5.407	16.86
730900	2.672	3.128	0.456	17.07

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
731010	51.392	61.887	10.495	20.42
731029	28.895	34.832	5.937	20.55
731100	830.643	969.46	138.817	16.71
731210	212.33	262.884	50.554	23.81
731300	94.787	116.124	21.337	22.51
731414	8.132	10.084	1.952	24.00
731420	116.619	144.298	27.679	23.73
731441	26.455	32.07	5.615	21.22
731449	153.447	185.133	31.686	20.65
731700	37.726	46.697	8.971	23.78
732111	15.454	17.898	2.444	15.81
732190	9.724	11.263	1.539	15.83
732394	25.074	28.807	3.733	14.89
732399	0.269	0.31	0.041	15.24
732690	5.963	6.993	1.03	17.27
740322	5.141	6.882	1.741	33.87
740400	87.253	100.411	13.158	15.08
740721	125.721	168.214	42.493	33.80
740811	200.989	200.042	-0.947	-0.47
740819	91.188	90.049	-1.139	-1.25
740821	149.331	199.52	50.189	33.61
740911	65.109	87.08	21.971	33.74
740919	462.744	615.883	153.139	33.09
740929	532.757	688.183	155.426	29.17
741300	1.646	2.4	0.754	45.81
741819	4,101.17	4,562.92	461.745	11.26
741999	105.86	140.06	34.2	32.31
760200	145.658	197.043	51.385	35.28
760410	12,505.81	14,642.27	2,136.46	17.08
760421	176.156	232.431	56.275	31.95
760429	226.841	302.791	75.95	33.48
760611	82.994	111.081	28.087	33.84
760691	24.271	32.495	8.224	33.88
761210	12.221	16.987	4.766	39.00
761300	20.199	26.776	6.577	32.56
761519	1,249.43	1,512.84	263.415	21.08
761520	51.566	66.073	14.507	28.13
761699	20.129	26.687	6.558	32.58
800300	150.246	198.486	48.24	32.11
821300	0.573	0.967	0.394	68.76
830210	137.281	187.249	49.968	36.40
830230	83.047	113.396	30.349	36.54
830621	0.224	0.262	0.038	16.96
830790	4.764	5.598	0.834	17.51
831110	8.366	9.826	1.46	17.45
831120	2.824	3.316	0.492	17.42
840710	118.673	175.459	56.786	47.85
840999	0.317	0.467	0.15	47.32
841221	4.439	5.915	1.476	33.25
841319	5.429	7.234	1.805	33.25

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% change in Exports
841320	53.136	70.194	17.058	32.10
841330	79.703	106.179	26.476	33.22
841391	1,381.09	1,837.93	456.838	33.08
841919	14.604	19.336	4.732	32.40
842240	28.664	38.194	9.53	33.25
842890	143.435	191.584	48.149	33.57
842940	9.297	12.371	3.074	33.06
843510	19.067	25.378	6.311	33.10
843780	6.925	9.234	2.309	33.34
843890	5.586	6.56	0.974	17.44
844390	0.616	0.821	0.205	33.28
844720	75.797	100.962	25.165	33.20
844819	0.163	0.217	0.054	33.13
845510	141.884	198.825	56.941	40.13
845590	2.257	3.17	0.913	40.45
847420	1.49	1.755	0.265	17.79
847439	1.417	1.888	0.471	33.24
847989	1.765	2.352	0.587	33.26
848079	22.3	35.965	13.665	61.28
848110	0.113	0.182	0.069	61.06
848180	193.932	302.105	108.173	55.78
848210	2.504	3.26	0.756	30.19
848291	1.542	2.055	0.513	33.27
848299	2.183	2.842	0.659	30.19
848340	0.78	1.258	0.478	61.28
848590	4.082	6.585	2.503	61.32
850110	1.346	1.58	0.234	17.38
850133	7.37	8.634	1.264	17.15
850153	4.252	4.981	0.729	17.14
850410	5.783	6.584	0.801	13.85
850710	67.01	83.101	16.091	24.01
850780	49.299	63.942	14.643	29.70
850790	264.462	304.696	40.234	15.21
851629	0.113	0.131	0.018	15.93
853990	14.739	20.027	5.288	35.88
854411	3,968.89	3,965.50	-3.387	-0.09
854890	5.159	6.318	1.159	22.47
870190	162.196	225.116	62.92	38.79
870210	340.148	469.319	129.171	37.97
870321	2.463	7.261	4.798	194.80
870590	60.38	84.44	24.06	39.85
870840	7.631	11.164	3.533	46.30
870899	199.132	300.41	101.278	50.86
871690	10.477	15.735	5.258	50.19
880390	0.519	1.027	0.508	97.88
903039	1.387	1.71	0.323	23.29
903180	3.858	4.764	0.906	23.48
940330	1.185	1.185	0	0.00
940360	0.979	0.978	-0.001	-0.10
940370	179.401	178.244	-1.157	-0.64

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% change in Exports</b>
960190	3.693	5.025	1.332	36.07
960200	0.401	0.547	0.146	36.41
960711	14.513	15.967	1.454	10.02
970110	86.539	114.479	27.94	32.29
970190	161.623	222.178	60.555	37.47
970300	121.035	155.797	34.762	28.72



**Annex 2: The Commodities for which Export Expansion from Nepal to India is Restricted because of SAFTA ROO**

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% Change in Exports
021019	20.477	29.14	8.663	42.31
040590	1,484.06	2,053.07	569.01	38.34
040610	84.168	129.497	45.329	53.86
040690	242.307	411.177	168.87	69.69
050210	4.46	7.187	2.727	61.14
050290	4.302	6.911	2.609	60.65
050610	15.298	20.084	4.786	31.29
050690	45.941	64.108	18.167	39.54
150990	32.935	46.757	13.822	41.97
190211	26.203	42.055	15.852	50.57
190219	3,383.56	4,416.56	1,033.00	50.74
190230	326.597	491.762	165.165	61.67
190240	48.09	72.493	24.403	-0.11
190410	23.958	38.732	14.774	35.63
190590	455.998	455.504	-0.494	22.99
200290	5.565	7.548	1.983	26.20
200710	205.781	253.096	47.315	30.28
200799	35.763	45.132	9.369	33.13
200919	32.192	41.939	9.747	57.57
200949	4.66	6.204	1.544	50.68
200980	159.979	252.071	92.092	159.17
200990	73.604	110.909	37.305	65.00
210690	716.985	1,858.18	1,141.20	65.06
410411	25.562	42.178	16.616	65.04
410419	733.284	1,210.39	477.11	70.06
410449	314.447	518.971	204.524	52.58
410621	740.916	1,259.99	519.075	71.68
410640	101.502	154.867	53.365	71.14
410691	26.366	45.265	18.899	63.35
410692	25.398	43.465	18.067	64.70
410711	37.509	61.272	23.763	71.30
410799	213.063	350.922	137.859	19.82
411520	44.212	75.735	31.523	7.63
420221	1.095	1.312	0.217	21.61
440130	1.192	1.283	0.091	42.78
440920	5.23	6.36	1.13	30.80
441031	113.228	161.669	48.441	22.61
441032	3,688.73	4,824.98	1,136.25	20.00
441299	0.261	0.32	0.059	19.85
441510	0.1	0.12	0.02	19.89
441520	2.74	3.284	0.544	19.76
441600	0.935	1.121	0.186	19.92
441700	3.69	4.419	0.729	42.94
441820	0.256	0.307	0.051	37.82
442090	0.666	0.952	0.286	37.88
442190	7.883	10.864	2.981	27.43

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% Change in Exports
450190	0.528	0.728	0.2	37.46
460210	87.322	111.276	23.954	13.85
460290	2.018	2.774	0.756	37.50
470100	1.112	1.266	0.154	37.82
470710	0.048	0.066	0.018	15.93
470790	3.728	5.138	1.41	14.30
480210	33.853	39.246	5.393	16.02
480220	409.823	468.431	58.608	16.05
480230	6.596	7.653	1.057	16.10
480254	20.315	23.575	3.26	15.64
480261	13.207	15.333	2.126	14.49
480262	6.611	7.645	1.034	13.20
480269	343.967	393.795	49.828	14.22
480820	333.985	378.063	44.078	19.88
480890	497.465	568.191	70.726	19.68
481013	6.408	7.682	1.274	19.71
481029	5.898	7.059	1.161	19.89
481039	0.208	0.249	0.041	20.65
481910	38.785	46.5	7.715	37.42
482020	156.384	188.68	32.296	37.16
482090	16.344	22.46	6.116	20.07
482110	7.928	10.874	2.946	20.07
490110	35.021	42.05	7.029	37.70
490199	15.229	18.285	3.056	24.76
490900	0.305	0.42	0.115	34.65
510119	4.512	5.629	1.117	36.09
510310	11.215	15.101	3.886	29.98
510320	12.73	17.324	4.594	36.60
510330	9.392	12.208	2.816	-6.22
510710	0.582	0.795	0.213	68.12
530310	3.872	3.631	-0.241	51.03
600110	266.459	447.984	181.525	68.17
600129	5,320.47	8,035.54	2,715.08	65.14
600199	41.471	69.74	28.269	65.94
600240	83.522	137.931	54.409	66.75
600290	747.257	1,240.00	492.745	63.20
600390	154.717	257.996	103.279	31.84
600634	39.289	64.118	24.829	18.83
630120	0.738	0.973	0.235	17.08
630190	3.463	4.115	0.652	-2.91
630492	38.123	44.635	6.512	19.42
630510	1,222.11	1,186.58	-35.526	31.40
630900	5.593	6.679	1.086	31.76
640110	36.628	48.13	11.502	31.99
640191	11.392	15.01	3.618	20.32
640199	48.357	63.824	15.467	32.11
640219	3.056	3.677	0.621	31.99
640299	25.874	34.183	8.309	31.75
640320	9.23	12.183	2.953	18.16
640411	172.971	227.895	54.924	31.99

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% Change in Exports</b>
640419	2,302.05	2,720.05	418.002	20.76
640520	0.969	1.279	0.31	42.71
640590	0.419	0.506	0.087	42.69
640610	16.649	23.759	7.11	58.32
640620	138.368	197.435	59.067	58.24
720410	4.787	7.579	2.792	58.31
720421	322.272	509.968	187.696	58.34
720430	2.461	3.896	1.435	51.64
720449	2.218	3.512	1.294	57.69
720510	21.222	32.181	10.959	58.11
720719	8.157	12.863	4.706	58.05
720720	118.695	187.665	68.97	58.01
720825	587.641	928.777	341.136	58.19
720915	88.253	139.446	51.193	58.28
720918	87.064	137.726	50.662	51.67
721011	24.06	38.083	14.023	33.35
721030	1,652.78	2,506.76	853.984	56.07
721041	11,924.80	15,901.40	3,976.60	57.91
721049	6,008.42	9,377.08	3,368.66	58.04
721069	252.257	398.337	146.08	58.31
721070	310.995	491.487	180.492	58.12
721090	56.568	89.553	32.985	55.96
721190	87.503	138.356	50.853	54.88
721710	262.345	409.144	146.799	53.13
721720	448.145	694.09	245.945	23.92
721790	4,408.28	6,750.50	2,342.22	24.07
730300	38.816	48.099	9.283	24.06
730410	29.281	36.328	7.047	24.06
730490	74.049	91.863	17.814	18.12
730511	53.731	66.656	12.925	14.43
730519	606.719	716.631	109.912	23.67
730610	19,387.51	22,184.86	2,797.35	20.70
730690	818.688	1,012.48	193.789	20.71
730793	10.02	12.094	2.074	16.51
730799	9.589	11.575	1.986	16.86
730820	226.923	264.387	37.464	17.07
730890	32.068	37.475	5.407	20.42
730900	2.672	3.128	0.456	20.55
731010	51.392	61.887	10.495	16.71
731029	28.895	34.832	5.937	23.81
731100	830.643	969.46	138.817	22.51
731210	212.33	262.884	50.554	24.00
731300	94.787	116.124	21.337	23.73
731414	8.132	10.084	1.952	21.22
731420	116.619	144.298	27.679	20.65
731441	26.455	32.07	5.615	23.78
731449	153.447	185.133	31.686	15.81
731700	37.726	46.697	8.971	15.83
732111	15.454	17.898	2.444	14.89
732190	9.724	11.263	1.539	15.24

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% Change in Exports
732394	25.074	28.807	3.733	17.27
732399	0.269	0.31	0.041	33.87
732690	5.963	6.993	1.03	15.08
740322	5.141	6.882	1.741	33.80
740400	87.253	100.411	13.158	-0.47
740721	125.721	168.214	42.493	-1.25
740811	200.989	200.042	-0.947	33.61
740819	91.188	90.049	-1.139	33.74
740821	149.331	199.52	50.189	33.09
740911	65.109	87.08	21.971	29.17
740919	462.744	615.883	153.139	45.81
740929	532.757	688.183	155.426	11.26
741300	1.646	2.4	0.754	32.31
741819	4,101.17	4,562.92	461.745	35.28
741999	105.86	140.06	34.2	17.08
760200	145.658	197.043	51.385	31.95
760410	12,505.81	14,642.27	2,136.46	33.48
760421	176.156	232.431	56.275	33.84
760429	226.841	302.791	75.95	33.88
760611	82.994	111.081	28.087	39.00
760691	24.271	32.495	8.224	32.56
761210	12.221	16.987	4.766	21.08
761300	20.199	26.776	6.577	28.13
761519	1,249.43	1,512.84	263.415	32.58
761520	51.566	66.073	14.507	32.11
761699	20.129	26.687	6.558	68.76
800300	150.246	198.486	48.24	36.40
821300	0.573	0.967	0.394	36.54
830210	137.281	187.249	49.968	16.96
830230	83.047	113.396	30.349	17.51
830621	0.224	0.262	0.038	17.45
830790	4.764	5.598	0.834	17.42
831110	8.366	9.826	1.46	17.38
831120	2.824	3.316	0.492	17.15
850110	1.346	1.58	0.234	17.14
850133	7.37	8.634	1.264	13.85
850153	4.252	4.981	0.729	24.01
850410	5.783	6.584	0.801	29.70
850710	67.01	83.101	16.091	15.21
850780	49.299	63.942	14.643	15.93
850790	264.462	304.696	40.234	35.88
851629	0.113	0.131	0.018	-0.09
853990	14.739	20.027	5.288	22.47
854411	3,968.89	3,965.50	-3.387	38.79
854890	5.159	6.318	1.159	37.97
870190	162.196	225.116	62.92	194.80
870210	340.148	469.319	129.171	39.85
870321	2.463	7.261	4.798	46.30
870590	60.38	84.44	24.06	50.86
870840	7.631	11.164	3.533	50.19

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% Change in Exports</b>
870899	199.132	300.41	101.278	97.88
871690	10.477	15.735	5.258	23.29
880390	0.519	1.027	0.508	23.48
903039	1.387	1.71	0.323	0.00
903180	3.858	4.764	0.906	-0.10
940330	1.185	1.185	0	-0.64
940360	0.979	0.978	-0.001	36.07
940370	179.401	178.244	-1.157	36.41
960190	3.693	5.025	1.332	10.02
960200	0.401	0.547	0.146	32.29
960711	14.513	15.967	1.454	37.47
970110	86.539	114.479	27.94	28.72
970190	161.623	222.178	60.555	42.31
970300	121.035	155.797	34.762	38.34

**Annex 3: The Commodities for which Export expansion from Nepal to India is Restricted because of Sensitive List in SAFTA**

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% Change in Export
040590	1,484.06	2,053.07	569.01	38.34
070320	34.553	41.464	6.911	20.00
070420	34.344	37.514	3.17	9.23
070490	127.144	138.88	11.736	9.23
071290	101.519	160.885	59.366	58.48
071331	35.523	49.772	14.249	40.11
071339	20.613	28.641	8.028	38.95
071340	8,143.79	10,194.44	2,050.65	25.18
071390	274.219	389.863	115.644	42.17
080290	284.074	436.405	152.331	53.62
081290	2.64	4.02	1.38	52.27
081340	0.262	0.408	0.146	55.73
090210	92.58	145.406	52.826	57.06
090220	26.964	61.72	34.756	128.90
090230	2,886.69	5,114.08	2,227.39	77.16
090240	2,884.44	6,407.66	3,523.22	122.15
090610	130.531	200.313	69.782	53.46
090830	9,096.19	14,347.73	5,251.55	57.73
091010	3,855.36	5,537.33	1,681.98	43.63
091030	5.102	7.81	2.708	53.08
091040	181.4	236.008	54.608	30.10
091099	28.689	39.717	11.028	38.44
110100	14.558	23.21	8.652	59.43
110430	15.529	19.663	4.134	26.62
120400	355.776	388.617	32.841	9.23
190590	455.998	455.504	-0.494	-0.11
200290	5.565	7.548	1.983	35.63
220300	197.466	442.351	244.885	124.01
220890	4.898	13.257	8.359	170.66
230220	531.476	829.57	298.094	56.09
230230	650.506	821.639	171.133	26.31
230240	141.315	178.492	37.177	26.31
230250	260.443	329.957	69.514	26.69
230400	45.011	69.174	24.163	53.68
230500	26.201	33.094	6.893	26.31
230610	11.864	14.985	3.121	26.31
230620	17.177	21.696	4.519	26.31
230630	32.466	41.007	8.541	26.31
230650	26.208	42.64	16.432	62.70
230690	1,328.06	1,678.59	350.539	26.39
230990	7,427.25	10,251.54	2,824.29	38.03
251511	9.643	13.05	3.407	35.33
251512	61.157	82.732	21.575	35.28
281700	2.933	4.036	1.103	37.61
320413	37.711	45.841	8.13	21.56
330119	13.468	18.814	5.346	39.69

Tariff Line Code	Export Before (\$ '000)	Export After (\$ '000)	Change In Export (\$ '000)	% Change in Export
330300	20.885	24.542	3.657	17.51
330510	2.496	2.496	0	0.00
330741	24.021	28.194	4.173	17.37
340119	1,486.05	1,477.54	-8.513	-0.57
381220	4,980.98	7,439.91	2,458.94	49.37
391530	19.695	24.056	4.361	22.14
391590	26.282	32.569	6.287	23.92
391710	239.808	283.924	44.116	18.40
391721	7,376.78	8,473.48	1,096.69	14.87
391722	7.728	9.112	1.384	17.91
391723	1,012.38	1,166.12	153.743	15.19
391729	2,190.53	2,552.11	361.582	16.51
391731	386.97	453.856	66.886	17.28
391732	13.558	16.57	3.012	22.22
391739	12.082	14.769	2.687	22.24
391740	76.195	112.505	36.31	47.65
391810	19.501	23.798	4.297	22.03
391910	185.471	226.304	40.833	22.02
391990	77.922	95.305	17.383	22.31
392010	598.614	730.047	131.433	21.96
392020	2,639.63	3,204.29	564.661	21.39
392030	35.386	43.171	7.785	22.00
392059	7.588	9.275	1.687	22.23
392069	49.745	61.558	11.813	23.75
392071	13.046	15.855	2.809	21.53
392073	21.223	25.609	4.386	20.67
392099	158.863	196.484	37.621	23.68
392111	9.197	11.232	2.035	22.13
392112	47.425	57.885	10.46	22.06
392113	39.387	48.7	9.313	23.64
392119	62.281	76.051	13.77	22.11
392190	180.367	223.16	42.793	23.73
392310	58.849	86.809	27.96	47.51
392321	8,894.20	12,376.72	3,482.52	39.15
392329	2,108.32	3,078.40	970.079	46.01
392330	276.019	407.125	131.106	47.50
392350	2,559.46	3,738.64	1,179.18	46.07
392390	827.245	1,218.68	391.431	47.32
392410	6.912	9.599	2.687	38.87
392490	1.735	2.569	0.834	48.07
392510	31.53	46.539	15.009	47.60
392610	1.812	2.682	0.87	48.01
392620	9.574	14.059	4.485	46.85
392630	6.262	9.255	2.993	47.80
392640	15.742	23.246	7.504	47.67
392690	1,388.36	2,044.98	656.621	47.29
400510	69.329	137.081	67.752	97.73
401610	51.079	99.525	48.446	94.85
401693	4.351	6.557	2.206	50.70
401699	147.464	222.221	74.757	50.70

<b>Tariff Line Code</b>	<b>Export Before (\$ '000)</b>	<b>Export After (\$ '000)</b>	<b>Change In Export (\$ '000)</b>	<b>% Change in Export</b>
401700	19.778	39.1	19.322	97.69
460210	87.322	111.276	23.954	27.43
460290	2.018	2.774	0.756	37.46
490110	35.021	42.05	7.029	20.07
500310	4.972	6.61	1.638	32.94
500390	40.434	54.551	14.117	34.91
500400	35.815	48.933	13.118	36.63
500710	26.513	36.42	9.907	37.37
500720	34.043	46.501	12.458	36.59
500790	658.349	898.944	240.595	36.55
640110	36.628	48.13	11.502	31.40
640191	11.392	15.01	3.618	31.76
640199	48.357	63.824	15.467	31.99
640411	172.971	227.895	54.924	31.75
640419	2,302.05	2,720.05	418.002	18.16
640520	0.969	1.279	0.31	31.99
640590	0.419	0.506	0.087	20.76
680221	528.487	722.408	193.921	36.69
701329	28.465	38.91	10.445	36.69
721030	1,652.78	2,506.76	853.984	51.67
721041	11,924.80	15,901.40	3,976.60	33.35
721049	6,008.42	9,377.08	3,368.66	56.07
721070	310.995	491.487	180.492	58.04
721720	448.145	694.09	245.945	54.88
740811	200.989	200.042	-0.947	-0.47
740819	91.188	90.049	-1.139	-1.25
850110	1.346	1.58	0.234	17.38
851629	0.113	0.131	0.018	15.93
854411	3,968.89	3,965.50	-3.387	-0.09
870190	162.196	225.116	62.92	38.79
903039	1.387	1.71	0.323	23.29