

**AGREEMENT¹ BETWEEN THE GOVERNMENT OF
INDIA AND HIS MAJESTY'S GOVERNMENT
OF NEPAL TO CONTROL
UNAUTHORIZED TRADE
New Delhi, 17 March 1978**

The Government of INDIA

AND

His Majesty's Government of NEPAL,

(hereinafter also referred to as the Contracting Parties),

KEEN to sustain the good neighbourliness through mutually beneficial measures at their common border which is free for movement of persons and goods,

HAVE AGREED as follows :

Article I

The Contracting Parties, while recognising that there is a long and open border between the two countries and there is free movement of persons and goods across the border and noting that they have the right to pursue independent foreign trade policies, agree that either of them would take all such measures as are necessary to ensure that the economic interests of the other Party are not adversely affected through unauthorised trade between the two countries.

Article II

The Contracting Parties agree to cooperate effectively with each other, to prevent infringement and circumvention of the laws, rules and regulations of either country in regard to matters relating to customs, foreign exchange and foreign trade and shall for this purpose assist each other in such matters as consultation, enquiries and exchange of information with regard to matters concerning such infringement or circumvention.

1. Came into force on 25 March 1978.

Article III

Subject to such exceptions as may be mutually agreed upon, each Contracting Party shall prohibit and cooperate with the other to prevent :

- (a) re-exports from its territory to third countries of goods imported from the other Contracting Party and products which contain materials imported from the other Contracting Party exceeding 50 per cent of the ex-factory value of such products;
- (b) re-exports to the territory of the other Contracting Party of goods imported from third countries and of products which contain imports from third countries exceeding 50 per cent of the ex-factory value of such goods.

Article IV

Each Contracting Party will

- (a) prohibit and take appropriate measures to prevent import from the territory of the other Contracting Party of goods liable to be re-exported to third countries from its territory and the export of which from the territory of the other Contracting Party to its territory is prohibited.
- (b) in order to avoid inducement towards diversion of imported goods to the other Contracting Party, take appropriate steps through necessary provisions relating to Baggage Rules, gifts and foreign exchange authorisation for the import of goods from third countries.

Article V

The Contracting Parties shall compile and exchange with each other statistical and other information relating to unauthorised trade across the common border. They also agree to exchange with each other regularly the lists of goods the import and export of which are prohibited, or restricted or subject to control according to their respective laws and regulations.

Article VI

The respective heads of the Border Customs Offices of each country shall meet regularly with his counterpart of appropriate status at least once in two months alternately across the common border :

- (a) to cooperate with each other in the prevention of unauthorised trade;

- (b) to maintain the smooth and uninterrupted movement of goods across their territories;
- (c) to render assistance in resolving administrative difficulties as may arise at the field level.

Article VII

In order to facilitate effective and harmonious implementation of this Agreement the Contracting Parties shall consult each other regularly.

Article VIII

This Agreement shall come into force on the 25th March, 1978 and shall remain in force for a period of five years. It may be renewed for a further period of five years by mutual consent, subject to such modifications as may be agreed upon.

DONE in duplicate in Nepali, Hindi and English languages, all the texts being equally authentic, at New Delhi on the seventeenth day of March one thousand nine hundred and seventy eight. In case of doubt, the English text will prevail.

Sd/-

For the Government
of India

Sd/-

For His Majesty's
Government of Nepal

EXCHANGE OF LETTERS

GOVERNMENT OF INDIA

March 17, 1978

EXCELLENCY,

Our two delegations have today signed the Treaty of Trade, the Treaty of Transit and the Agreement on Co-operation between the Government of India and His Majesty's Government of Nepal to control unauthorised trade.

In the light of the provisions for consultations as envisaged in each of the Treaties and the Agreement, officials designated by the two Governments shall meet separately at the appropriate levels as and when necessary and determine procedures as may be appropriate to discuss and resolve any problem that may arise in the effective and

harmonious implementation of issues relating to trade, transit and unauthorised trade.

It is further agreed that there shall be an Inter-Governmental Committee consisting of the senior representatives of the two Governments to promote trade, facilitate transit and control unauthorised trade between the two countries as envisaged in the Treaties and the Agreement. The Committee shall meet at least once in six months alternately in Kathmandu and New Delhi. If any questions remain unresolved in the meetings of the official groups referred to in the foregoing paragraph, they shall be referred to this Committee which will find solutions thereof. The Committee may also deal with any matters on its own in order to further the purposes envisaged in the said Treaties and the Agreement.

I shall be grateful if you would kindly confirm¹ that the above sets out correctly the understanding reached between the two Governments.

Please accept, Excellency, the assurances of my highest consideration.

Yours sincerely,

Sd/-

MOHAN DHARIA,
Minister of Commerce,
Civil Supplies and Cooperation

1. Letter in confirmation not printed.