Report on "*Advancing U.S.-Nepal Commercial Relation – II*"

January 5, 2025



- **Moderator:**

  Sidhanta Mehra — Director, US Chamber, South Asia

- **Panelists:**

  Jason P. Meeks — Deputy Chief of Mission, US Embassy

  Anil Kumar Dutta — Joint Secretary, Ministry of IT and Communication

  Karen Welch — Acting Deputy Mission Director, USAID

  Deepak Senthil — Managing Director, Bottler Nepal Limited

  Ajit Bikram Shah — Founding Chair

  Nirmal Kajee Shrestha — Chair

- Partner Organizations:

  US Chambers

  US Embassy

  USAID

  Ministry of IT and Communications

  Bottlers Nepal Limited



















Key Highlights:

- Strategic Partnerships and Commercial Diplomacy: importance of cohesive collaboration among stakeholders, regulatory workshops, and business climate research to bolster U.S.-Nepal investments.
- ICT and Policy Advancements: Nepal's "IT Decade," AI policy initiatives, and the potential for remote outsourcing, supported by tax incentives and skill enhancement projects. Importance of Tax reformation for ICT industries to take them global.
- Bilateral Trade: The US Embassy's commitment to fostering consistent trade policies and supporting Nepal's transition from LDC status while bolstering infrastructure through initiatives like the MCC compact.
- Private-Sector Engagement: USAID's efforts in regulatory reforms, trade facilitation, and fostering partnerships for sustainable development.
- Business and Manufacturing Challenges: Issues in the F&B sector, highlighting the need for predictable tax policies and infrastructure improvements to promote export-oriented industries.
- AmCham's Vision and Achievements: Reflection on AmCham's progress and the untapped potential of Nepal's young workforce, advocating for targeted regulatory reforms to attract investment specially in the ICT sector, Tourism and Energy.
- The roundtable successfully identified pathways to strengthen U.S.-Nepal economic ties, foster innovation, and create inclusive growth. AmCham remains committed to supporting these goals through strategic partnerships and actionable recommendations.

Summary

AmCham Business Roundtable Discussion on *"Advancing US-Nepal Commercial Relations – II"*

The Second Business Roundtable Discussion Advancing U.S.- Nepal Commercial Relation was organized by American Chamber of Commerce in Nepal (AmCham Nepal) in Kathmandu. The round table discussion had a representation from Government of the USA, Government of Nepal, Business Association and the leaders from various U.S. Nepal companies affiliated with AmCham members.



The first roundtable discussed series 1 was held in Kathmandu moderated by Amb. Atul Keshap as a sideline event of during the Investment Summit 2024. The session was moderated by Executive Director Mr. Sidhanta Mehra from the US Chamber of Commerce. AmCham Nepal in partnership with the US Chamber of Commerce organized this roundtable discussion with objectives of:

1. Identify opportunities and challenges in U.S.-Nepal commercial relations.
2. Discuss key policy reforms to enhance trade and investment.
3. Innovate a successful private-public partnership models and find a model from other nations.
4. Amplify trade and investment potential in ICT, Tourism, and Energy sectors.
5. Strengthen partnerships to uplift Nepal's status from Least Developed Country (LDC) and drive inclusive economic growth.

Mr. Siddhanta Mehra, Director, US Chamber of Commerce



Mr. Siddhant Mehra set out the tone as a moderator of the session and gave a prelude for members to understand the fast pace of the changing economy and the need for entrepreneurs' innovations to adapt the global changes and innovation. Mr. Mehra touched upon few exclusive points which set the course for AmCham Nepal to plan its activities to achieve its vision to showcase Nepal as a country of possibilities in the U.S. market and elsewhere.

1. Strategic partnership with various stakeholders
2. Consultation with the Government bodies, private associations, members and bureaucrats (Regulatory Workshops identifying win-win solutions for the both)
3. Commercial diplomacy
4. Business Climate Index

Mr. Mehra laid the foundation to the discussion to understand the importance of strategic partnership with stakeholders and creating a cohesive voice for the American Business Community. Consultations, discussions and embracing the perspective of Government, private sectors and aligning such discussion with global economic phenomenon in order to set out country specific rules and regulations are very important or AmCham and its members. AmCham's vision to undertake regulatory workshops are key element to produce a conducive environment for the investments from the U.S. It is equally important to keep in mind that incumbent investments endure the commercial strength between two nations hence investors and AmCham members are key pieces of U.S.- Nepal Commercial relations. They are the commercial diplomats enduring the government to endure bilateral relations in many aspects.

And the most importantly the Business Climate index is very important for anybody to understand dynamic business landscape of Nepal. Such rigorous research and findings will boost the confident of investors to help translate the vision of AmCham Nepal and produce a number of economic growths boosting both the U.S. economy and Nepal. Once AmCham reaches to such stages AmCham becomes a responsible partner of the government and will help create an inclusive economy for National growth.

Mr. Anil Kumar Datta, Joint Secretary, Ministry of Communication and Information Technology



Mr. Anil Kumar Datta shared that the government has declared this year as the "IT Decade" during the annual budget speech. He noted that discussions are underway to establish a committee for implementing this initiative, which will include representatives from AmCham Nepal, NAS-IT, CNI , and academia. Mr. Datta highlighted a survey conducted by IIDS, which revealed the potential of the outsourcing business, with NPR 67 billion in revenue generated by 64,000 freelancers in Nepal's IT sector. He recommended several policy measures to boost the IT sector, such as offering tax holidays for a specified period. He also emphasized the need for universities to update their curricula to align with the current demands of the international job market, covering the entire spectrum from human resource development to its effective utilization. Additionally, last fiscal year AI concept was approved based on AI regulations and developments in

other countries. He added that the Ministry of Communications has consulted private companies and experts in the field of AI. He announced that Nepal's AI policy has been drafted and will be published on the Ministry of Information Technology's website within one to two weeks.

During the question-and-answer session, Mr. Datta highlighted that Nepal has significant opportunities to engage in remote business, leveraging its status as a landlocked country. He shared that the government, with support from the World Bank, is developing a project aimed at enhancing skills for better job prospects and promoting digital literacy. This initiative includes providing digital literacy training to empower people to utilize digital services effectively. Mr. Datta also mentioned that the government has identified global certifications to be included in the training programs and is working on creating a customized university syllabus to align with these goals. Additionally, he emphasized the inclusive approach taken during the legislative process, noting that public consultations are held for every bill, with feedback incorporated into the final drafts. Once a bill reaches parliament, it undergoes detailed discussions in the relevant parliamentary committees to ensure a thorough examination of its consequences

Mr. Jason P. Meeks, Deputy Chief of Mission (DCM), US Embassy, Nepal

Mr. Jason Meeks emphasized the embassy's commitment to enhancing partnerships with the Nepali government. He pointed out that existing businesses in Nepal, with their understanding of on-the-ground realities, will play a key role in attracting potential investors to the country. He noted that there would be no significant changes in US-Nepal relations or US policy toward Nepal under the incoming Trump administration, with bilateral trade and investment ties expected to remain strong. The embassy's primary focus is on improving Nepal's investment climate, collaborating with organizations like AmCham, CNI, FNCCI, and NUSACCI to provide actionable recommendations to the government. Mr. Meeks highlighted that investors seek consistent, clear, and predictable tax laws and are willing to comply with such frameworks. He also referenced ongoing trade and investment discussions, including past rounds of Trade and Investment Framework Agreement (TIFA) meetings,and looked ahead to the 2025 TIFA Council meeting to address economic issues. Mr. Meeks expressed hope that Nepal would avoid being placed on the Financial Action Task Force (FATF) grey list and reiterated the embassy's commitment to supporting anti-money laundering efforts. He also mentioned that the



embassy would closely monitor Nepal's graduation from Least Developed Country (LDC) status in 2025. On the topic of immigration, he highlighted the need to address demand-side factors by fostering quality job creation and entrepreneurship in Nepal. Additionally, he announced the addition of USD 50 million to the MCC compact to expand Nepal's electricity network and enhance its hydropower potential. Mr. Meeks concluded by expressing optimism about Nepal's emerging IT sector, which he believes is on the brink of significant growth, similar to the early stages of the hydropower industry.

Ms. Karen Welch, Deputy Mission Director, USAID Nepal



Ms. Karen Welch explained that USAID operates under a private-sector engagement policy framework in all the countries where it works; emphasizing that many developmental challenges can be addressed through collaboration with the private sector. She highlighted USAID's efforts in areas such as trade policy, regulatory reforms, compliance, and government capacity building. This year, USAID plans to establish four grant agreements with the Nepali government and is eager to gather insights from the private sector on fostering connections between inclusive economic development and business growth in Nepal. For example, USAID has supported the formation of NAS-IT and has been actively assisting Nepal's local businesses and AmCham through its Trade and Competitiveness program. Ms. Welch underscored USAID's strong commitment to fostering catalytic relationships among the private sector, communities, and the government, intending to achieve sustainable prosperity. She expressed optimism about continuing to work with these stakeholders to drive Nepal's economic development forward.

Mr. Deepak Senthil Nath Gunalan, Managing Director, Bottlers Nepal Limited



Mr. Deepak Senthilnath highlighted that Coca-Cola is Nepal's largest and oldest FMCG company, operating two plants with 1,000 employees and indirectly employing 10,000 more. He pointed out that migration has been a growing concern over the past two years, leading to a decrease in local consumers. Despite this, Nepal's low per capita consumption of soft drinks at 24 (compared to 600 in most developed countries) indicates significant growth potential. He noted that Coca-Cola in Nepal is nearly 50-60% more expensive than in India, with 30% of the product entering Nepal from India through arbitrage. He emphasized that the F&B sector contributes to 50% of Nepal's manufacturing GDP but requires a predictable tax regime to stabilize prices. For example, in 2021, a 100% increase in taxes forced Coca-Cola to raise prices by 40%. Additionally, Nepal's insufficient domestic sugar production necessitates imports, which are taxed both as raw materials and as finished products, further inflating costs. Mr. Senthilnath shared that plans to build a new Coca-Cola plant in Nepal have been postponed to 2029 due to these challenges. He called for the establishment of land banks for manufacturing companies, particularly for export-oriented industries, and stressed the importance of implementing stronger trademark laws to support business growth and sustainability.

Mr. Nirmal Kajee Shrestha, Chair, AmCham Nepal

Mr. Nirmal Kajee Shrestha expressed his pleasure in seeing representatives from various sectors, including government, private enterprises, and development partners, come together. He shared that MetLife Nepal has been operating in the country for 23 years, evolving from a small-scale operation to employing around 4,000 people and managing NPR 26 billion in assets. He highlighted the successful transition of leadership from MetLife US to Nepali leaders, which also brought valuable technology transfer. Mr. Shrestha noted that AmCham Nepal is actively involved in discussions on emerging sectors like tourism and energy. Among its 54 members, approximately 40% are from the IT sector, reflecting its growing influence. However, he emphasized the need for greater expansion of American manufacturing and financial services in Nepal. Despite the significant opportunities available, he observed that many organizations and associations currently operate independently, underscoring the need for unity to position Nepal as a nation of possibilities. As the youngest AmCham globally, AmCham Nepal has made considerable progress in its three years of existence, yet there is more to achieve. He highlighted partnerships through Memorandums of Understanding (MoUs) with organizations such as CNI, NAS-IT, and USAID Trade and Competitiveness to foster collaboration and drive development. He also mentioned AmCham's initiative,



the Tech Peak event, which aimed to encourage Nepalese tech companies. However, he acknowledged that issues like the COTIVITI retrospective tax case have adversely affected the sector. In conclusion, Mr. Shrestha shared that AmCham has provided recommendations to government agencies, advocating for a predictable business environment to transform Nepal into a country of opportunities.

Mr. Ajit Bikram Shah, Founding Chairman, AmCham Nepal

Mr. Ajit Bikram Shah expressed satisfaction in seeing the positive outcomes of collective efforts. With over 70 years of bilateral relations, he emphasized that Nepal and the US have significant potential for collaboration, particularly between private companies from both countries. He stressed that working together rather than in silos could save resources and time, enabling common issues to be addressed more effectively on a shared platform. While many companies have been operating independently, AmCham Nepal has provided a unified voice that amplifies their concerns and solutions. Mr. Shah noted that the Nepalese government now has a clearer understanding of the specific issues raised by AmCham. While some adjustments may be expected with the new administration in the US, he affirmed that the strong relationship between the two countries remains unchanged. Highlighting Nepal's competitive advantage, he pointed to its young and dynamic workforce, with half the population under 30—a demographic dividend that will continue for the next decade. In conclusion, he urged



that recommendations to the government should be concise and targeted, outlining specific legal or regulatory changes along with their potential impacts. For example, he noted that amending certain laws could directly enhance government revenue, offering a practical and mutually beneficial path forward. Mr. Shah strongly emphasized the next decade as very important utilizing the

median ago of quarter of a population under 30 and utilize them to be skilled and highly earning individuals to transform the countr



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