

Nepal –SAARC Trade

A study on NTMs of selected products



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Available from: Confederation of Nepalese Industries (CNI)
5th Floor, Trade Tower, Thapathali, Kathmandu, Nepal
Tel: Phone: +977-1-5111122, 5111123, Fax: +977-1-5111125
E-mail: cni@wlink.com.np, Web: www.cnind.org

Foreword



CONFEDERATION OF NEPALESE INDUSTRIES

5th Floor, Trade Tower, Thapathali, Kathmandu, Nepal, P.O. Box No.: 21056
Tel.: +977-1-5111122 / 5111123, Fax: +977-1-5111125
E-mail: cni@wlink.com.np, Website: www.cnind.org

Foreword

The trade sector has the potential to play an important role in achieving inclusive and sustainable growth not only in national terms but also in the context of the SAARC region. While the integration of our member countries to the regional and multilateral trading systems has undoubtedly brought about an increase in their respective global trade volumes, intraregional trade within the members of SAARC remains modest at best.

There remains a greater need to leverage our populations and geographical proximity to facilitate economic cooperation and intra-regional trade linkages within South East Asia. The benefits from increased market access and movement of goods and people across borders will act as a catalyst for economic transformation and development not only for individual countries but for the entire region.

While the WTO rules and the trade liberalization program under SAFTA have contributed to the reduction of tariff barriers to intra-regional trade, it is the emergence and use of Non-Tariff Measures (NTM's) and Non-Tariff Barriers (NTB's) that have been found to impede cross border trade. A lot of recent studies also point to the emergence of these NTM's as a hindrance to the promotion of free trade in the SAARC region.

This study, conducted by CNI as a member of the Working Group - Regional Trade Facilitation (WG-RTF) of the SAARC-TPN project and funded by the German Government will enable everyone connected with the trade sector to better understand the Non-Tariff Measures faced by Nepali exporters and importers alike, within the context of intraregional SAARC Trade. I would like to take this opportunity to thank the representatives of the government, the private sector and GIZ who have contributed their valuable inputs, time and assistance in bringing out this publication.

Lastly I want to urge the active engagement of all the stakeholders in removing trade constraints to foster intra-regional trade so that we can all mutually reap the benefits of economic growth, social progress and development of the entire SAARC region.

Hari Bhakta Sharma
President
March 18, 2016



Talking Business, Talking Change

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Acronyms

SAFTA	South Asian Free Trade Area
SAARC	South Asian Association for Regional Cooperation
NTM	Non-Tariff Measures
ASYCUDA	Automated Systems for Customs Data
SPS	Sanitary and Phyto Sanitary Measures
TBT	Technical Barriers to Trade
CNI	Confederation of Nepalese Industries
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
MT	Metric Tons
FSSAI	Food Safety and Standards Authority of India
NTIS	National Trade Integration Strategy
CFL	Central Food Laboratory
PQA	Plant Quarantine Act, Government of India
PHO	Port Health Officer
NIRTTP	Nepal India Regional Trade and Transit Project
BBIN	Bangladesh, Bhutan, India, Nepal
SASEC	South Asian Sub regional Economic Cooperation
SARSO	South Asian Regional Standards Organization
UNCTAD	United Nations Conference on Trade and Development
PFA	Prevention of Food Adulteration
PAS	Policy Advocacy Strategy
LDC	Least Developed Country

Introduction

1. Introduction

1. Introduction

The Agreement on the South Asian Free Trade Area (SAFTA) came into force on January 1st, 2006 and was heralded as an important milestone towards boosting regional trade and economic cooperation in the SAARC region. While a lot of efforts have been made towards facilitating intra-regional trade there still remains a lot to be done to ensure the level of trade flow that was envisaged in the original agreement. While there exists complexities and diversities attributable to infrastructure, transit, regulations, consumption and investment patterns in all the member countries, trade in the SAARC region still remains modest even after one has accounted for all these variables.

The SAARC Trade Liberalization Program and Revision of Sensitive Lists has been largely successful in reducing tariff barriers and product restrictions respectively in regional trade. However, countries like Nepal that are offered non reciprocal access by virtue of being an LDC (Least Developed Country) have not been able to fully capitalize on the increased market access offered by developing countries. While trade performance is undoubtedly dictated by supply side constraints, the prevalence of NTMs (non-tariff measures) has emerged as a stumbling block to free trade in the SAARC region and is one of the determining factors for the underwhelming intra-regional trade figures.

UNCTAD defines Non-tariff measures as ‘policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both’. Non-tariff barriers to market access have the potential to not only restrict free trade between member states and drive up the prices of traded goods but also to diminish the benefits from tariff liberalization measures.

In the case of Nepal and its largest trade partner India who share a lengthy porous border, it can have the unwanted consequence of diverting trade through well-entrenched informal trade supply chains. This not only leads to a loss of revenue and distortion of trade figures but also greatly increases the risk factor, particularly SPS related risks as the goods traded are mostly perishable in nature. While the ‘unrestricted market access’ factor on its own may not be the panacea to all trade issues in the region, it nevertheless does play a key role in incentivizing manufacturers and traders alike to build capacity, enhance quality and diversify export markets. Furthermore, it encourages governments to put in place trade facilitation measures, expedite investment in trade and take steps to reform their trade regimes.

1.1 SAARC Trade Promotion Network (TPN)

The SAARC-Trade Promotion Network (SAARC-TPN) is a network of twenty eight key public (Department of Trade, Export Promotion Agencies) and private sector (Apex bodies, Chambers of Commerce) organizations working in trade related areas from all SAARC countries. It aims at the promotion of intra-regional trade in the SAARC region and is supported by technical assistance of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH which acts on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The SAARC-TPN aims to strengthen the content-specific structure of the regional trade-related agreements to promote their implementation at member state level and to support the private sector by strengthening its capacity for intraregional trade. There are four thematic Working Groups (WGs) under the SAARC – TPN: Small and Medium Enterprises (WG-SME), Regional

Trade Facilitation (WG-RTF), Human Capacity Development (WG-HCD), and Quality Infrastructure (WG-QI).¹ In Nepal the following members constitute the SAARC – TPN:

- Trade and Export Promotion Centre (TEPC)
- Federation of Nepalese Chambers of Commerce and Industry (FNCCI)
- Confederation of Nepalese Industries (CNI)
- Ministry of Commerce (MoC)
- Federation of Nepal Cottage and Small Industries (FNCSI)

1.2 Working Group – Regional Trade Facilitation (WG –RTF)

As one of the thematic working groups of SAARC-TPN, Working Group-Regional Trade Facilitation (WG-RTF), aims to introduce and implement new approaches of trade facilitation and promotion measures in order to promote regional trade and deepen regional linkages in SAARC.

The WG-RTF meets regularly and facilitates in identifying priorities and constructing recommendations to relevant representatives of the respective government agencies and SAARC committees to reduce barriers of trade and promote intra-regional trade.

1.3 Non-Tariff Measures Desk

A study entitled “NTMs in South Asia: Assessment and Analysis” conducted by SAARC – TPN analysed Non-Tariff Measures (NTMs) and their impact on producers and traders in the SAARC region. The study highlights the prevailing NTMs, examines them and constructs a framework to monitor and identify NTMs faced for identified priority products with the selection made from a list of products with high intra-regional trade potential.

¹ www.saarctrade.info/Pages/display/about_portal

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In view of the recommendations made by the study, pilot NTM desks were established initially in three SAARC countries: Bangladesh (FBCCI), Nepal (CNI) and Pakistan (FPCCI). Subsequently, the initiative was expanded to include four other member countries; India (FICCI), Sri Lanka (FCCSL), Bhutan (BCCI) and Afghanistan (ACCI). The desk officers in these countries have been actively involved in documenting NTMs and trade related barriers in a harmonized manner using the template prescribed by the study.

1.4 Policy Advocacy Strategy

A structured ‘Policy Advocacy Strategy’ and action plan based on the findings and factual information collected by the NTM Desks has already been prepared and is being finalized for operation. The Policy Advocacy Strategy will be implemented by a Policy Advocacy Group (PAG) consisting of advocates drawn from four different stakeholders’ i.e policy makers, business associations, think tanks and the media.

The group will meet regularly and devise ways to ensure that the findings and research of the NTM desks are translated into concrete steps at enhancing intra-regional trade via advocacy and lobbying activities at the policy making levels. One of the key aspects of the Policy Advocacy Group will be to sensitize the general public and policy makers of the prevalence of NTMs and it’s effects on cross border trade. This will be done by disseminating information via articles in print media and through discussions on electronic media. The ultimate objective of the policy advocacy group is the harmonization and transparency of all kinds of NTMs and reduction of NTB’s that both Nepali importers and exporters face in the process of conducting cross border trade.

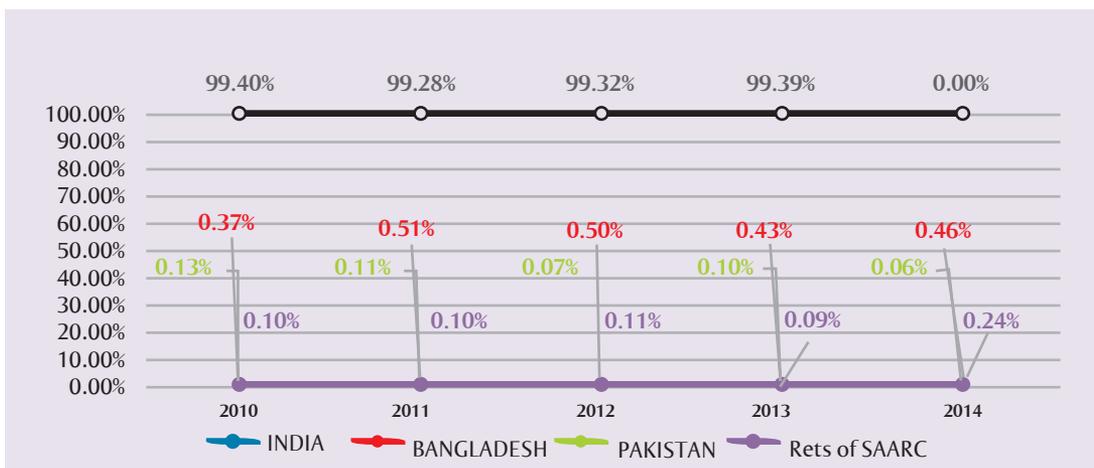
Nepal - SAARC Trade

2. Nepal - SAARC Trade

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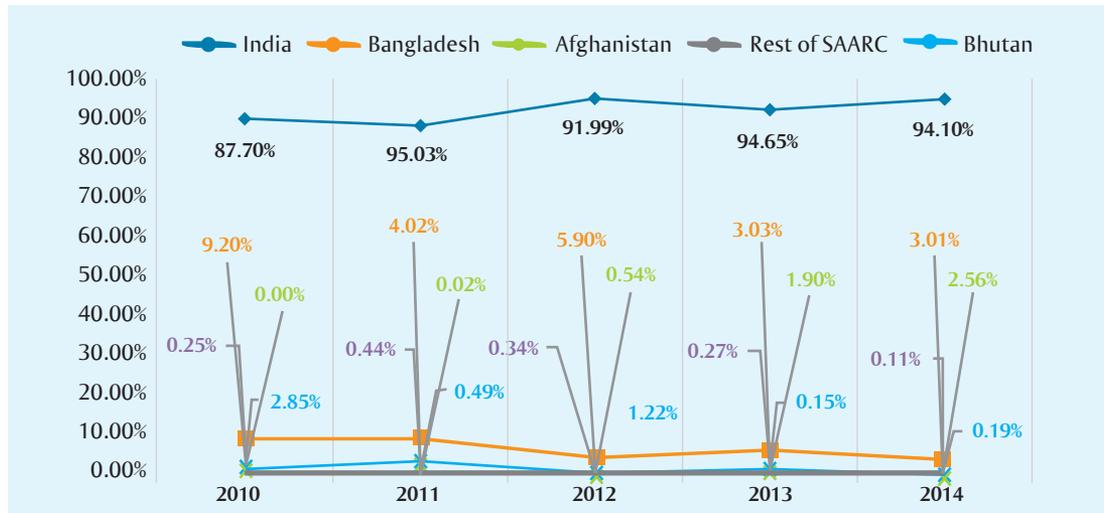
Nepal’s trade within the SAARC region has been driven primarily by imports and exports with India. Almost 99% of all imports from 2010 till 2014 within the SAARC region have come from India. Exports figures too have also been largely dependent on India with almost 94% of all exports for 2014 within the SAARC region going to India. Bangladesh is the only other noteworthy trade partner for Nepal in the SAARC region but with export figures dwindling from USD 51,039,704 (8.58%) in 2009 to USD 25,981,660 (3.03%) in 2013, the trade scenario does not look very promising.¹ Nepal’s trade with India, Bangladesh and Bhutan can be attributed to the close geographical proximity and has depended mainly on bilateral relations rather than regional agreements.

Figure 1: Nepal’s Export to SAARC Member Countries, 2010 -2014



Source : Trade and Export Promotion Centre

Figure 2: Nepal’s Import from SAARC Member Countries, 2010 -2014



Source : Trade and Export Promotion Centre

The extremely high trade dependence with India meant that the data collection and study on non-tariff measures (NTM) has revolved around the Indo-Nepal trade scenario and this reports highlights some of the major NTMs hindering our trade within the SAARC region, primarily India and Bangladesh.

While NTMs function as legitimate trade policy instruments, they can be used to disguise protectionist or discriminatory measure that function as barriers to trade. Key non-tariff barriers cited include disputes over customs valuations, lack of mutual recognition of laboratory certification, permits and license requirements, imposition of countervailing and anti-dumping duties, and sanitary and phytosanitary measures, among others. Empirical evidence have shown that the frequency of NTMs is generally higher for agriculture products than for manufactures and minerals, and developed countries apply such measures more frequently than do developing countries and LDCs.³

The Sanitary and Phytosanitary Measures (SPS) Agreement and the Technical Barriers to Trade (TBT) Agreement confirm the legitimate right of countries to use SPS and TBT measures. Article 2 of the SPS Agreement gives members the right to take measures necessary to protect human, animal and plant life or health but requires any measures to be based on scientific principles, and not be used to disguise trade restrictions. The occurrence of SPS measures and TBT affecting trade are symptomatic of the trade patterns with agro and natural-resourced based products being major part of the export and import not only from Nepal but also the SAARC region as a whole. Nonetheless, there is a very thin line between the legitimate use and abuse or improper application of these measures by importing countries.

3 SAWTEE, 2012, 'Growing Maze of Non-Tariff Barriers', Trade Insight, Vol. 8, No. 3, pg.32-34

Table 1: Percentage share of NTBs to all NTBs faced by SAARC Countries

NTBs	Non-Tariff Barrier Share (%)
SPS, TBT, and Other Related Measures	86.3
Tariff Quota	9.8
Anti-Dumping Measures	7.4
License Requirement	5.3
Countervailing Measures	1.2

Note: Percentage shares exceed 100% since number of cases varies.

Source: Asian Development Bank, 2008

2.1 Trade with India

Trade between Nepal and India is primarily governed by virtue of the bilateral agreement on the Treaty of Trade. The Nepal-India Treaty of Trade (1996) stipulates that - provided certain conditions, Nepalese products will be granted duty-free access to India. The treaty also states that the “contracting parties shall undertake measures to reduce or eliminate non-tariff, para-tariff and other barriers that impede promotion of bilateral trade”.

i. Quarantine Requirement

The Plant Quarantine Act (PQA), 2003 of the Government of India states that only those plants/ planting materials listed in Schedule VI and VII of the Act are permissible for imports on the basis of phytosanitary certificate issued by the exporting country and subject to certain conditions. For example, ginger under schedule VI of the PQA 2003 is permitted import under the special condition of ‘free from quarantine weed seeds and soil’. Tea and MAPs under schedule VII are permissible on the basis of phytosanitary certificate issued by the exporting country, the inspection conducted by Inspection Authority and fumigation, if required, including all other general conditions.

ii. Testing Requirement

As per Gol Custom Manual 2014, no imports are allowed for products not fulfilling the statutory provisions of the Prevention of Food Adulteration Rules (PFA) 1955, Government of India. It requires that before import of the food products included in the Rules, the authorized officer of the Indian Food Authority takes a sample and send it to a Food Analyst of a notified laboratory in Kolkata, Ghaziabad, Mysore or Pune for testing; the test report is to be provided within a period of five days.⁴ Tea, a high risk food item under Directorate General of Foreign Trade (DGFT) Policy

⁴ FSS (Laboratory and Sampling Analysis) Regulation 2011 (Chapter 2.1)

Circular No. 37 (RE-2003)/2002-2007 shall be referred to Authorized Representative of Food Safety and Standards Authority of India (FSSAI) or Port Health Officers (PHO) for testing and clearance shall only be allowed after receipt of the test report as per the instructions contained in the Customs Circular No. 58/2001, Chapter 8 (4) of Customs Manual 2014.

iii. Inspection Requirement

Samples would be drawn from the first five consecutive consignments of each food item, imported by a particular importer and referred to Authorised Representative of FSSAI or PHOs, as the case may be, for testing to ascertain the quality and health safety standards of the consignments. In the event of the samples conforming to the prescribed standards, the Customs would switch to a system of checking 5% - 20% of the consignments of these food items on a random basis, for checking conformity to the prescribed standards. The selection of food items for random checking and testing would be done by the Customs taking into consideration factors like the nature of the food products, its source of origin as well as track record of the importers as well as information received from FSSAI from time to time. In case, a sample drawn from a food item in a particular consignment fails to meet the prescribed standards, the Customs would place the import of the said consignment on alert, discontinue random checking for import of such food items and revert to the procedure of compulsory checking. The system of random sampling for import of such food items would be restored only if the test results of the samples drawn from the 5 consecutive consignments re-establish that the food items are in conformity with the prescribed standards.⁵

For inspection of plants and plants materials, the importer or the authorized representative should file an application along with import permit, phytosanitary certificate issued at country of origin, copy of bill of entry, invoice, packing list and fumigation certificate at the Plant Quarantine Station for each consignment.⁶

iv. Packaging and Labelling

The manufacturing, distribution, selling or exposing for sale any packaged products that are not marked and labelled in a specified manner is not permitted. However, the labels should not contain any statement, claim, design or device which is false or misleading with regard to the quantity or nutrition value, medicinal or therapeutic claims, and the place of origin.⁷

Products should also meet the labelling requirements specified in the Prevention of Food Adulteration Rules 1954 and the Packaged Commodities Rules 2011, which states that product labels should be written in English language. Moreover, the label must include the details of ingredients in descending order, date of manufacture, batch number and the date for best use etc.

5 Custom Manual 2014, Central Board of Excise & Customs, Chapter 8, Article 4.2

6 Custom Manual 2014, Central Board of Excise & Customs, Chapter 8, Article 7.2

7 Article 23, Food Safety and Standards Authority India (FSSAI) Act, 2006

v. Transit Issues

The transit issue has been one of the major barrier affecting trade from Nepal to third countries beyond India. Due to the landlocked nature of the country, Nepal needs to depend on India for its access to sea port. The Haldia Port of Kolkata situated almost 1,000 km away from Kathmandu acts at present as the only port of access for Nepal. Birgunj is the only major border point that has connectivity to broad gauge railway and carries 55% of Nepal's total trade and connects to Raxaul in India. Other major border points in Nepal are Biratnagar and Kakarvitta, located in the southeast (carrying 11% and 1% of total trade, respectively), and Bhairahawa and Nepalgunj in the southwest (taking 13% and 2% of total trade, respectively).⁸

Various formalities and paperwork are required at ports including additional waiting time for vessels and other unnecessary delays at the border adds to unnecessary storage costs. According to anecdotal evidence from Nepal Transit and Warehousing Company, compulsory 5% inspection, unofficial fees and delays at the port are major concerns with regards to the transit processing for third country exports beyond India. As informed by freight forwarders and exporters from Nepal, shipments usually take up to 2 months from the producer gates to reach importers, hence reducing quick access to the world markets.

vi. The Effects of State Level Variance

Trading with India for Nepal has been impacted by the varying application of rules and regulations by India State Governments. Transit fees when transporting goods from one state to another has been one of the major cost factors associated with trading in India. Regulations applied at the Custom points have also varied with trade processing through various State Level Governmental regulations.

2.2 Trade with Bangladesh

i. Certification

Imports into Bangladesh are governed by the Bangladesh Import Policy Order-2012-15 (IPO). As per the IPO, in case of import of food items from any country, “the shipping documents must be accompanied by a radio-activity test report from the concerned authority of the exporting country indicating the level of CS 137 found in such radioactivity-test in each kilogram of food items shipped. In addition, a certificate to the effect that the items are fit for human consumption shall also be required.”

As per Article 16, applicable conditions for import of food for human consumption in case of direct import of food stuff from SAARC such test shall be relaxed on fulfilment of the conditions mentioned below:

⁸ Ibid. pg. 9

a. Certificate of origin

Certificate, issued by the Government/ Approved Agency of the exporting country, declaring that the standard & quality of the foodstuff is fit for human consumption and free from all harmful germs, shall be submitted to the Customs Authority;

b. In case of import of easily perishable foodstuff under which ginger falls, a certificate regarding radioactivity issued by the Government or Agency of the exporting country shall be submitted

2.3 Selection of Priority Products

The priority product selections for the NTM Desk has looked at identifying products of high trade potential within the SAARC region. The foundation and methodology for product selection is based on the SAARC-TPN report, ‘NTMs in South Asia: Assessment and Analysis’. The selection of product has looked at the current export-import capacity, future potential for increased trade within SAARC and also the socio-economic impact of trade for the selected commodities.

Furthermore, the ‘Nepal Trade Integration Strategy: Background Report’ published by the Government of Nepal, Ministry of Commerce and Supplies (MoCS) provides a select list of export based products and services that are anticipated to have a positive socio-economic impact on the country. The priority product list for exports have been narrowed down from within this NTIS list to those products which have high value of export (Top 50 products exported from Nepal) and significant potential for increased export within the SAARC countries as identified by ITC calculations based on UN COMTRADE statistics.

Therefore, the priority products identified for Nepal in this study include Lentils (HS Code 071340), Tea (HS Code 090240), Ginger (HS Code 091010) and Medicinal and Aromatic Plants (HS code 121190). Another aspect of priority product selection based on the NTM Desk program directives are the monitoring and reduction of NTMs within the value chain products identified in the SAARC-TPN Reports - ‘Value Chain Analysis: Textiles & Ready-Made Garments: Intraregional Trade: India to Bangladesh and Bangladesh to Nepal’ and ‘Value Chain Analysis: Juices: Intraregional Trade SAARC: Nepal to India’

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Supply Side Constraints

3. Supply Side Constraints

3. Supply Side Constraints

3.1 Internal Trade Environment

Nepal's economy is very dependent on trade with merchandise trade accounting for approximately 43.5 % of GDP from 2010 to 2014.⁹ India is Nepal's largest external trading partner, having displaced the European Union in 2003 and is also the only transit providing country for her which is vital given Nepal's land locked geography. Nepal's trade with India is characterized by a huge trade deficit brought about by the heavy dependency on Indian markets for both exports and imports.

3.1.1 Customs Ports

There are numerous supply side constraints that have hampered Nepal's ability to take advantage of market access granted by developing countries such as India. The lack of requisite customs infrastructure (logistics and transport facilities) and trade facilitation sub structures like cold storage and testing laboratories is a major issue hampering cross border trade. Birgunj Dry port remains the only rail connected 'Inland Clearance Depot' in all of Nepal.

The inefficiencies in the trade process arising due to the lack of trade facilitation infrastructure is further exacerbated by the cumbersome customs practices and lack of administrative capacity at borders. The huge volume of documentation and duplication of activities involved in trade processing at customs points contributes to making the entire process of cross border trade an extremely tedious and time-consuming process. It is not uncommon for exporters to spend nearly two-thirds of time on completion of paperwork and institutional procedures and a significant amount of the trade cost on paperwork processing.¹⁰

9 The World Bank, Merchandise Trade as % of GDP, ([www. http://data.worldbank.org/indicator/tg.val.totl.gd.zs](http://data.worldbank.org/indicator/tg.val.totl.gd.zs))

10 Mirza, T. and Bacani, E., 2013, 'Addressing Hard and Soft Infrastructure Barriers to Trade in South Asia', ADB South Asia Working Paper, No. 16, pg. 7- 10

3.1.2 Transportation

There are issues relating to land transportation cartels that have continued to flourish due to political patronage despite the government passing ‘The Competition Promotion and Market Protection Act (CPMPA) in 2006’. These cartels/syndicates are a major concern for exporters and importers alike as they indulge in anti-competitive practises ranging from route monopoly, creating barriers for new entrants to colluding and fixing pre-determined transport fares for movement of goods. These practises drive up the price of imported goods whilst eroding the price competitiveness of our exported products.

The problem of internal transit is another issue that plagues exporters. The arbitrary taxes and charges extorted by local goons at each and every Village Development Committees (VDC) and District Development Committees (DDC) on route to the border also serves to erode the exports competitiveness.

3.2 Supply Side Constraints for selected priority products

Tea

Although there is a high demand for organically produced Nepalese tea in international markets the tea sector in Nepal faces a lot of constraints throughout its entire value chain. The production has suffered from low productivity vis a vis Sri Lanka and India, use of pesticides, lack of transportation and storage facilities and reliance on seasonal rainfall owing to the lack of irrigation facilities in the hills.

The marketing of tea is plagued the lack of an auction market and testing facilities which means that exporters have to rely on tests done from abroad. The lack of government support and coordination within the government apparatus is also a factor.¹¹ The ‘Nepal Tea’ trademark for orthodox tea has only being registered since June 2015.¹²

Ginger

The competitiveness of Nepalese ginger has been hampered by the inability of exporters to comply with even basic SPS requirements and most of the ginger is exported “dirty” with the subsequent washing, grading and packaging being done across the border in India. Residue testing and soil issues have affected Nepalese ginger exports to India during recent years with border inspections generally finding evidence of soil, even in well-washed consignments. India cannot always be relied on to accept imports of unwashed Nepalese ginger (contravening the SPS Agreements) in the future¹³ and the arbitrary nature of enforcement can be illustrated by the occasional barring of Nepalese ginger exports.¹⁴

11 USAID Nepal, 2011, ‘Value Chain/Market Analysis of the Orthodox Tea Sub-sector in Nepal’

12 Nepali orthodox tea gets collective trademark ‘Nepal Tea’, www.kathmandupost.ekantipur.com, July 13, 2015

13 MoCS, MoAD, FAO, AEC – FNCCI, Ginger Competitiveness Project, Enhancing the Sanitary and Phyto sanitary of Nepalese Ginger Exports through Public Private Partnerships, February, 2012

14 <http://kathmandupost.ekantipur.com/news/2016-01-09/india-bars-entry-of-ginger-from-nepal.html>

MaPS

As per the Plant Quarantine (Regulation of Import into India) Order, 2003, Chapter 2, Article 7, for import of consignments not listed in Schedule V, VI and VII a Pest Risk Analysis (PRA) needs to be carried out in accordance with the guidelines and subject to such restrictions and conditions as specified in such permit. OF the 86 varieties of MaPS products only 17 plant materials are listed in Schedule VII of the Plant Quarantine Act. There is a need for the Nepal Government to take an initiative on the PRA for the MAPs products currently being exported through informal means.

The MAPS exporters are required get a Release Order prior to any consignment being released either within Nepal or beyond. This makes transporting of smaller quantities of goods cumbersome and highly time consuming. Inspection at the Plant Quarantine Office in Nepal is conducted only after ensuring that the Release Order has been endorsed at each and every forest check post on route to the port of export. Transportation of MAPs is also subject to taxes at each and every VDC and DDC. The process can be streamlined through implementation of checks at initial release point and final check post prior to export.

Nepal does not even have basic pest data of listed medicinal plants because of which exports are hindered. Hence, exporters first send samples of products for quality inspection to the importers, mainly in third countries, and only after they receive green signals from importers do they export their products.¹⁵

Lentils

The production of lentils in Nepal is hampered by diseases, lack of irrigation and awareness on Good Agricultural Practises (GAP's) leading to low yields. Moreover, the losses suffered by farmers during the processing stage due to a lack of storage and grading systems makes them reluctant to produce lentils in significant quantities for trade.

The trade in lentils is heavily reliant on Bangladesh as an export destination and goods need to be dispatched in large quantities with transport cartels a major problem in transportation. Moreover the export taxes levied on lentils by the GoN affect the price competitiveness of the exports.¹⁶

15 SAWTEE, 2011, Promoting Exports of Medicinal and Aromatic Plants,

16 USAID Nepal, 2011, 'Value Chain/Market Analysis of the Lentil Sub-sector in Nepal'

Non-Tariff Measures

4. Non-Tariff Measures

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The Non-Tariff measures for the individual commodities have been bracketed into categories as classified according to UNCTAD. The cost factors have been compiled on the basis of field visits and interaction with stakeholders using the Monitoring Template¹ that covered three aspects of the trade process; namely cost, time and procedure.

4.1 HS Code 071340 (Lentils dried, shelled, whether or not skinned or split)

Lentils with exports of over US\$18.15 billion in 2013 comprised for 92.29% of all exports within the HS 07 category as per Trade and Export Promotion Centre (TEPC) figures. The export trend shows fluctuations in the value traded for lentils within the past 5 years but as per ITC figures, Nepal still ranks among the top 10 exporters of lentils worldwide.

In terms of potential market, India, Bangladesh, Sri Lanka and Pakistan fall among the major importers of lentils worldwide. With annual growth in quantity of 50% and 9% for India and Bangladesh respectively, lentils has great potential for exports within the SAARC region and has been identified as a major export priority product for the NTM study. Lentils is also subject to various NTMs. With regards to imports to India, there are difficulties in compliance for SAARC exporters to India due to imposition of SPS-related (A14) special authorization requirement in accordance with import permit granted under Plant Quarantine regulations of India.¹⁷

The major custom ports for export of lentils based on export value have been identified as Mechi and Sirsiya Dryport, Birgunj.

¹⁷ SAARC – TPN, 'NTM's in South Asia: Assessment and Analysis', 2014

Table 2: Top 10 Exporters of Lentils worldwide in 2014

Trade Indicators						
Exporters	Quantity exported in 2014	Value exported in 2014 (USD thousand)	Annual growth in quantity between 2010-2014 (%)	Annual growth in value between 2010-2014 (%)	Average distance of importing countries (km)	Share in world exports (%)
World	3,044,755	2,095,276	12	5	7,950	100
Canada	2,075,281	1,297,723	17	9	9,510	62
Australia	291,140	195,625	18	13	9,359	9
Turkey	183,869	193,226	-3	-4	2,275	9
United States of America	256,285	156,685	7	3	9,922	8
United Arab Emirates	92,906	102,383			1,080	5
Sri Lanka	24,762	21,840	15	7	3,146	1
Nepal	15,861	18,534	-24	-24	768	1
Egypt	12,876	15,438	4	14	1,789	1
China	15,868	12,233	-10	10	8,479	1
Germany	4,954	7,239	19	11	725	0

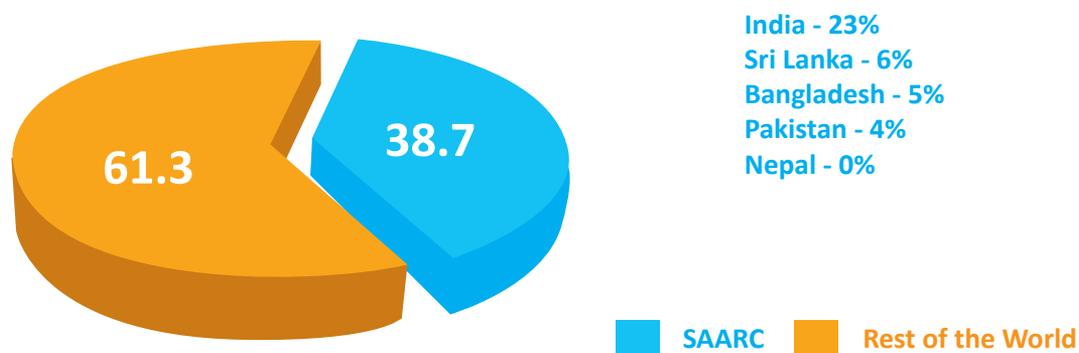
Source: ITC calculations based on UN COMTRADE statistics

Table 3: List of importers for Lentils in 2014

Trade Indicators						
Exporters	Quantity exported in 2014	Value exported in 2014 (USD thousand)	Annual growth in quantity between 2010-2014 (%)	Annual growth in value between 2010-2014 (%)	Average distance of importing countries (km)	Share in world exports (%)
World	3,123,488	2,062,913	14	3	8,009	100
India	729,759	480,504	50	42	11,858	23
Turkey	303,155	201,880	3	-4	8,403	10
United Arab Emirates	178,271	123,387	13	5	10,874	6
Sri Lanka	153,381	121,148	0	-2	10,363	6
Bangladesh	128,924	93,180	9	-1	8,258	5
Egypt	477,281	90,926	42	-6	8,951	4
Iran						
Islamic Republic of Pakistan	73,106	82,728	-1	20	1,271	4
	118,481	80,344	1	-2	10,606	4
Sudan (North+ South)	54,717	57,887	12	0	2,842	3
Spain	77,840	56,241	9	2	6,488	3

Source: ITC calculations based on UN COMTRADE statistics

Figure 3: Market share of SAARC countries in World Lentils Import, 2014



Source: ITC calculations based on UN COMTRADE statistics

4.1.2 Non-Tariff Measures

Table 4: Cost Factors Involved in Lentil Trade to Bangladesh

Sn.	Particulars	Cost Involved (NPR)
1	Commercial Invoice	0
2	Certificate of Origin	.12% of Invoice Value
3	Custom Clearance Form	NPR 113
4	Export Tax	NPR 1 per kg
5	Truck receipt	As per arrangement
6	L/C and Banking Documentation	As per arrangement
7	Packing/Weight list	0
8	Copy of VAT Reg.	0
9	Letter of Authorization for C&F Agent (if applicable)	0
11	Radiation Certificate/ Quality Certification	NPR 1100
12	Sanitary and Phytosanitary Certificate	NPR 100 - 200 per consignment
13	Custom Transit Declaration and Transit Service	.4% of Invoice Value

Source: Monitoring Templates, NTM Desk, CNI

In terms of specific NTMs as per UNCTAD classification applicable for lentil trade include:

i. NTM Classification (P5) – Export taxes and charges:

NRs.1 per kg tax is levied on export of Lentils by the Government of Nepal for revenue generation and to encourage local supply of lentils.

ii. NTM Classification (C3) - Requirement to pass through specified port of customs:

The lentils destined for Bangladesh are all subject to be channelled through the Kakarvitta based Mechi Custom Port. Nepal Transit and Warehousing Company (NTWC) issues the Custom Transit Declaration and ensures that the goods safely reach Banglabandha and required documentations are forwarded to the Clearing and Forwarding agent from Bangladesh. Surcharge taken is .4% of the total invoice value.

iii. NTM Classification (A52) Irradiation:

The radiation testing facility for exports is conducted at the Food Technology and Quality Control Office where cost incurred is of NRs.1,100- 1,500 for the testing.

iv. NTM Classification (P62) - Certification required by the exporting country

Lentil exporters are required to receive permit from Nepal for export processing. An export permit is issued by the Plant Quarantine Office at the border. The SPS certification cost are of NPR 100 per certificate at the Nepal Plant Quarantine Office.

4.2 HS Code 091010 (Ginger)

The export of ginger is predominantly dependent on trade with India with almost 98% of the production going to India. It should be added that much of what is exported to India especially dried ginger is re-exported to Pakistan.¹⁸ While there have been fluctuations in exports with decline in export value from USD\$12.4 million (52 million kg.) in 2012 to USD \$7.2 million (27 million kg.) only in 2013, there is potential for growth in export value.

Based on imports figures obtained from ITC, Bangladesh, Pakistan and India are among the major importers of ginger in the world and these countries have also been identified as the most attractive market for export of ginger from Nepal.¹⁹

18 Government of Nepal, Ministry of Commerce and Supplies, 2010, Nepal Trade Integration Strategy

19 Government of Nepal, Ministry of Commerce and Supplies, 2010, Nepal Trade Integration Strategy, Table 10

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Table 5: Nepal's Ginger Exports, 2010 - 2014

Yearly Times Series					
Importing Countries	2010	2011	2012	2013	2014
World	4,581,326	4,886,674	12,451,618	7,255,995	3,928,082.23
India	4,501,652	4,857,049	12,435,367	7,255,598	3,927,789.36
Bangladesh	49,831	5,280	4,900		-
Belgium					
U.S.A.					
Japan	28,402	21,557	11,338		
Sri Lanka	1,441				
U.A.E.		2,650			
Germany		138			
China P. R.			13		292.87
U.K.				397	

Source: ITC calculations based on UN COMTRADE statistics

Table 6: Top 15 Importers of Ginger, 2014

Trade Indicators						
Importers	Quantity Imported in 2014	Value Imported in 2014 (USD thousand)	Annual growth in quantity between 2010-2014 (%)	Annual growth in value between 2010-2014 (%)	Average distance of supplying countries (km)	Share in world imports (%)
World	555,222	1,006,932	4	11	5,816	100
Japan	60,741	131,481	-1	4	2,417	13
United States of America	58,757	124,966	7	17	10,189	12
Netherlands	33,824	93,201	12	23	7,426	9
United Arab Emirates	34,552	70,544	10	17	5,759	7
United Kingdom	20,175	54,538	1	10	7,397	5
Germany	14,343	52,648	13	14	6,255	5
Pakistan	69,450	48,091	6	-3	3,582	5
Malaysia	34,355	46,317	-1	7	3,517	5
Bangladesh	49,543	40,753		0	2,914	4
Saudi Arabia	21,371	40,373	1	10	6,687	4
Canada	12,464	35,735	6	22	9,717	4
Russian Federation	7,216	24,268	34	42	4,020	2
Singapore	9,527	18,895	2	14	3,143	2
India	25,062	17,914	-3	1	5,667	2
Spain	4,624	15,626	30	44	7,588	2

Source: ITC calculations based on UN COMTRADE statistics (Value in thousand)

4.2.1 Non-Tariff Measures

Ginger trade is also subject to NTMs with a range of different fees levied on Nepali ginger. The NTIS Report identifies some of these NTMs such as Nepalese exporters only able to sell their produce to licensed Indian traders limiting traders not registered under the PAN (traders' registration under the Indian Act). Furthermore, all ginger entering India from Nepal have to undergo a further pesticide residue test at border crossings. The samples are not tested at border crossings, but are sent to specific locations, often in each state capital that has been allotted by the Indian government. It takes about three days for the result to return, during which time the truck has to wait at the Indian custom point. Nepalese trucks are not permitted to enter India unlike Indian trucks allowed to travel for 72 hours for a nominal fee within Nepal.

The state level variances have affected traders especially in the Western parts of Nepal where costs can range from INR 10,000 to INR 25,000. Given below are the cited costs for a 15 ton consignment exports by 3 individual traders exporting from different Custom Ports in Nepal.

Table 7: State Level Variance in Exports of Ginger

Particulars	Rani – Jogbani	Kakarvitta – Panitanki	Sonauli – Belahiya
CFL Certification INR 3000	Not Applicable	INR 3,500	INR 8,000
SPS Certification INR 1450 per ton INR 37.5 per additional ton	INR 2,500	INR 1,975	INR 2,830
Letter of Approval for value exceeding	Not Required	Required for goods exceeding INR 1 lakh	Not Required
TOTAL (15 Ton)	INR 2,500	INR 5,475	INR 10,830

Source: Interactions with stakeholders, NTM Desk, CNI

The ginger trade is also significantly affected by the unofficial costs associated with the trade of ginger. While general trade process and structure have remained uniform because of the unofficial costs associated with the trade, exports from certain regions in Nepal have become more costly than others.

Table 8: Costs Associated with Exports of Ginger

Sn	Particulars	Cost
1	Commercial Invoice	0
2	Certificate of Origin 0.12% of invoice value	NPR 75 per truck (Kakarvitta)
3	Custom Clearance Form	NPR 113
4	Packing/Weight list	0
5	Letter of Approval from West Bengal Custom Office	0
6	Copy of VAT Reg.	0
7	Copy of Importers Licence	0
8	Letter of Authorization for C&F Agent	0
9	Sanitary and Phytosanitary Certificate	NPR 100 per consignment
10	CFL Certification	INR 3500 per sample
11	Sanitary and Phytosanitary Certificate	INR 1450 for 1st ton INR 37.5 per all additional ton

Source: Monitoring Templates, NTM Desk, CNI

i. NTM Classification (P62) - Certification required by the exporting country

Ginger exporters are required to receive permit from both Nepal and India for SPS certification. The SPS certification from Nepal is based on spot visual inspections from Plant Quarantine Office at the border. The SPS certification cost is of NPR 100 per certificate at the Nepal Plant Quarantine Office.

ii. NTM Classification (A14) - Special authorization requirement for SPS reasons & NTM Classification (F61) Custom inspection, processing and servicing fee

SPS certification are handled by the Indian Plant Quarantine Office and payment of INR1450 for 1st Ton and INR 37.5 per additional ton per each consignment for the certification for clearance of import into India.

iii. NTM Classification (A82) - Testing requirement (applicable on all Customs except Biratnagar)

Ginger also requires Certification from the Central Food Laboratory where quality standards check is conducted. The sampling requires sending of samples to the laboratory not located at the borders and cost incurrence are of INR 3,500 per test.

iv. NTM Classification (B14) - Authorization requirement for TBT reasons (applicable only at the Panitanki- Kakarvitta Customs)

There is a requirement for exports of ginger of value above INR 1 lakh to receive authorization from the Custom Office of West Bengal in Siliguri. While there are no direct cost implications for such authorization, the costs are based on commuting to Siliguri and back for the purpose of approval and creates barriers to export of high volume of goods. This is applicable only for access through Mechi Custom office in Kakarvitta and not at the Rani Custom Office in Jogbani.

v. NTM Classification (O) - RULES OF ORIGIN (applicable only at Rani Path – Jogbani Customs)

Rules of origin laws have come under certain level of scrutiny with certification of origin provided even to goods not produced in Nepal. Cases of Chinese ginger being passed as being Nepali product have led to issues in the past with regards to the Certificate of Origin. Requirement for recommendation letter from the District Development Committee ascertaining that the ginger was produced in that district is required to be presented to Morang Chamber of Commerce prior to issuance of the Certificate of origin. It requires exporter to get recommendation letter from all parties from whom the ginger is collected creating procedural complexities.

Procedure

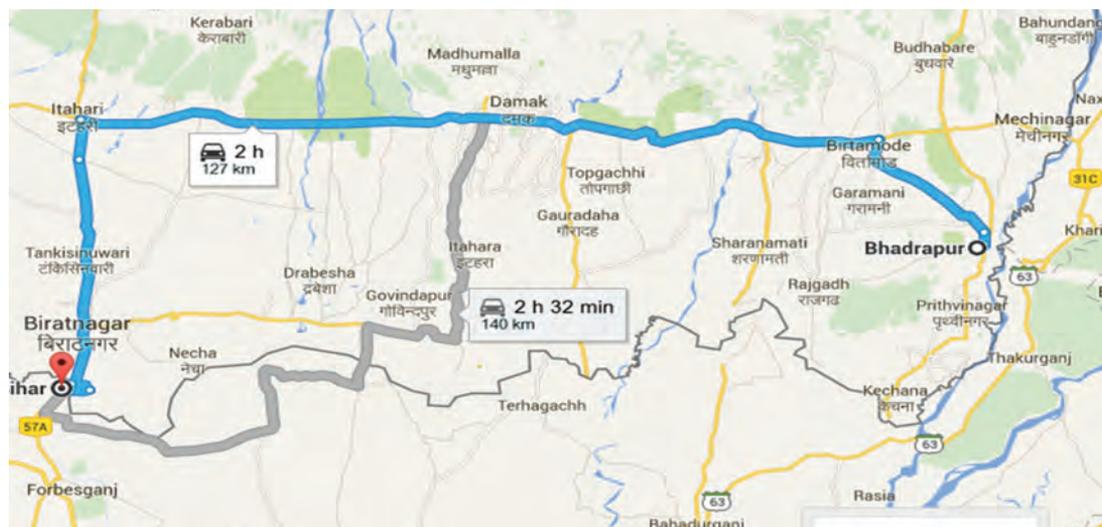
Procedural requirements affecting ginger trade pertain to SPS requirements of India, primarily the CFL certificate. The CFL certification testing requires sending samples of first five consignments to Central Food Laboratory for testing after which tentatively 20 consignments are allowed access into India. For exports there onwards testing needs to be processed only for one random sample which then allows access for 20 to 30 consignments prior to retesting. These are however informal arrangements that are made and can be changed by the Indian Custom officials at any given time.

4.3 HS Code 090240 (Black tea (fermented) & partly fermented tea in packages exceeding 3 kg):

Black tea is among the 19 commodities with export potential that NTIS has prioritized. Tea production and exports have increased very significantly and today, tea is one of the largest agricultural exports of Nepal. ²⁰ The export of black tea has been primarily with India with USD\$ 19.7 million exports being made to India. There have been sporadic exports to other countries within the SAARC in the past 5 years but none which has been on a continuous basis.

Imported value in this category, products worth US\$39.24 million were imported by India from the world. In India, import of products under this HS Code is subject to SPS-related (A14) special authorisation requirement in accordance with import permit granted under Plant Quarantine Regulations of India, which is difficult to comply with for the SAARC exporters of black tea. ²¹ Pakistan remains one of the major world importers for tea worldwide while tea imports into Bangladesh are also of significant portions within the SAARC region. As per MoCS, Pakistan grants a 10,000 MT duty-free quota for SAPTA LDCs (of which only Nepal and Bangladesh export tea). ²²

Figure 4: Rerouting tea exports from Bhadrapur, Nepal to Jogbani, Bihar.



Source: Google Maps, 2015

20 Government of Nepal, Ministry of Commerce and Supplies, 2010, Nepal Trade Integration Strategy

21 SAARC – TPN, 'NTM's in South Asia: Assessment and Analysis', 2014

22 USAID Nepal, 2011, 'Value Chain/Market Analysis of the Orthodox Tea Sub-sector in Nepal'

The cost factors involved with tea exports is the duties and education cess of 3% applicable. Testing from the Central Food Laboratory is also required for tea which has cost implications both at official level of INR 3,485 for the testing and unofficial charges which can range from INR 20000 and above.

Internally transportation charges are incurred with the District Development Committee levying fees from NPR 40 paisa to NPR 2 per kg.

Table 10: Costs Involved with Exporting Tea

Sn.	Particulars	Cost Involved (NPR)
1	Commercial Invoice	0
2	Certificate of Origin	.12% of Invoice Value
3	Custom Clearance Form	NPR 113
4	Bill - District Development Committee	NPR 40 paisa – NPR 2 per kg
5	Packing/Weight list	0
6	Copy of VAT Reg.	0
7	Copy of Income Tax Certificate	0
8	Letter of Authorization for C&F Agent	0
9	Custom Duty	0.5% per kg 2% education cess 1% secondary and higher secondary education cess
10	Quality Certification – Nepal	NPR 500 – 600
11	CFL Certification – India	INR 3485

Source: Monitoring Templates, NTM Desk, CNI

4.3.1 Non- Tariff Measures

i. NTM Classification (A82) - Testing requirement

The quality certification from Nepal is not accepted in India and is a document forwarded by exporters to parties more as goodwill and quality credentials rather than official certification. The Quality Certification is issued by Central Food Laboratory which costs INR 3,485. This is however subject to unofficial fees as well.

ii. NTM Classification (F7) – Internal taxes and charges levied on imports

The tea exports are subject to Custom Duty of 0.5% per kg and additional 2% educational cess and 1% higher secondary education cess.

iii. NTM Classification A14 - Testing Requirement

For the processing of the Quality Certification, sampling has to be sent to the Central Food Laboratory or Export Inspection Agency. The first certification requires 5 samples having to be sent; the subsequent Quality Certification has to be renewed every 6 months by sending 1 sample with billing of minimum 210 kgs. The Quality Certification requires 15 to 20 days for processing and requires to be sent for renewal every 6 months.

Such certification processing is usually handled by Clearing House Agent (CHA) who have built rapport and links with the Custom Officials thus simplifying the process of gaining certification. In normal circumstances exporters would require to detaining there trucks till test sampling results are confirmed which would mean detaining vehicle for 15 to 20 days without proper warehousing facilities. This involves demurrage costs of INR. 1,000 for 10 wheelers and INR 600-700 for 6 wheelers per day as well.

It is for these reasons that CHA agents are used to process for the testing of the consignments with costs ranging from INR 10,000 to INR 15,000.

The major time based constraint with regards to exports of tea is the CFL certification which can take from 2 weeks to 3 weeks for sending for testing at the laboratories situated in central locations such as Lucknow, Calcutta, Patna. The on border processing of the exports are handled by CHA and provided that all required documentations are presented processing time at the border is short.

Procedural Steps

The processing of the documentations and procedures are handled by C&F agents who have established channels within the customs at both borders to ensure that goods are released on a timely manner. The use of ASYCUDA for generation of Custom Declaration Form has helped ease the process of export facilitation at the border but automation is only at the Nepal side of the border. Exporters have not raised much concerns regarding the number of copy requirements.

4.4 HS Code 1211 (Medicinal and Aromatic Plants)

The issue of Transit Permit is one of the major external impediment for exports of MaPs from Nepal to India. Traders even upon fulfilling the formalities as per provisions of Treaty of Trade are required by the authorities of Forest Department to obtain transit pass and moreover compelled to get their respective firms registered with stipulation of estimated exports to the Forest Authorities. These regulations have been imposed only by the Uttar Pradesh and Uttar Khand State Government and not applicable from Bihar and West Bengal. As per the protocol to the Treaty of Trade, paragraph II with Reference to Article II, ‘all goods of Indian or Nepalese origin shall be allowed to move unhampered to Nepal or India respectively without being subjected to any quantitative restrictions, licensing or permit system.’ The official costs for processing of the transit permit is INR 750 and additional payment of INR 76 per ton of export. However, time for processing of the permit can take anything from one month to three months and is also subject to unofficial fees which can range from INR 30,000 to 50,000.

4.4.1 Non-Tariff Measures

Table 11: Costs Involved with Exporting MaPS

Sn.	Particulars	Cost Involved
1	Commercial Invoice	0
2	Certificate of Origin	.012% of Invoice Value
3	Custom Clearance Form	NPR 113
4	Release Order	NPR 150 - 250
5	Export Permit for CITES	250 - 500
6	Plant Quarantine Certificate	(Nepal) NPR 100 (Nepal)
7	Plant Quarantine Certificate (India)	INR 1,250 for 1st ton and 37.5 per additional ton
8	CFL Certification - India	INR 3,000
9	Transit Permit License	INR 750 – 1,000 (supporting cost INR 30,000 – 50,000 for official permits renewable annually)
10	Transit Permit	INR 76 per ton
11	Export Tax	INR 1 – 50/kg depending on product

Source: Monitoring Templates, NTM Desk, CNI

NTM Classification (F6) - Additional taxes and charges levied in connection to services provided by the government. The cost for Transit Permit Licenses include a processing component (and varying unofficial fees) which can amount from INR 30,000 to 50,000.

4.5 National and Regional Trade Facilitation Initiatives

4.5.1 Domestic Trade Facilitation Efforts

The Nepal Trade Integration Strategy, 2010 identified a list of 19 products with high export potential. This strategy was a critical component of the Government's efforts to coordinate Trade Related Technical Assistance (TRTA) and Aid for Trade (Aft). It focused on capacity development actions and short to medium term priorities that would support growth. A revised Trade Integration Strategy, NTIS 2016 is in the pipeline and has been modified based on priorities of Trade Policy 2015 which envisages promoting domestic industries and boosting exports. NTIS, 2015 will focus on nine products - tea, medicinal plants, cardamom, ginger, carpets, leather products, pashmina, footwear and all fabric (textile, yarn and ropes) -and three services - semi- skilled, skilled professional services, information technology/ business process outsourcing and tourism.²³

There have also been several trade facilitation initiatives taken by the Government of Nepal to facilitate trade and ease the cross border movement of goods. Among these has been the establishment of dry port facilities, also known as Inland Clearance Depots that (ICDs) at major trade ports of Bhairahawa, Birgunj, Biratnagar, and Kakarvitta to provide inland facilities that offer customs offices, security check points, container stacking yards, parking areas, and freight stations.²⁴ The recent visit of the current Prime Minister KP Sharma Oli to India has also given fresh impetus to the use of Vishakaptnam port to serve Nepal.

In recent years, with the assistance of donor agencies such as the World Bank and ADB, substantial investment has also been made to increase border management efficiency with the implementation of the ASYCUDA++ (Automated System for Customs Data) for processing and recording of customs transactions. The government's plans for implementation of a national single-window system is also expected to facilitate one-stop clearance of paperwork for traders.²⁵

The Department of Customs, ADB and World Customs Organization have also embarked on undertaking Time Release Study to identify bottlenecks affecting trade processes and guide in the implementation of measures to facilitate trade, thereby bringing benefits to all

23 NTIS products' export likely to improve - The Himalayan Times. (2015). Retrieved March 14, 2016, from <https://thehimalayantimes.com/business/ntis-products-export-likely-to-improve/>

24 Pamphlet on 'Inland Clearance Depot/Dry Port in Nepal, Nepal Intermodal Transport Development Board, Ministry of Industry, Commerce and Supplies, Government of Nepal

25 Trade Facilitation Workshop: Towards a National Single Window', UNESCAP, February 2011

stakeholders. The Birgunj and Mechi Custom offices have been designated as the first two custom offices for the Time Release Study.²⁶

4.5.2 Efforts at the Bilateral and Sub Regional Level

In terms of bilateral initiatives, the Government of Nepal has initiated the Nepal India Regional Trade and Transit Project (NIRTTP) with the assistance of the World Bank. The project is being implemented by the Ministry of Commerce as the lead agency and has three major components -- transport and transit agreement with India, integrated check posts (ICP) at major custom points, and Electronic Data Interchange (EDI) and Inland Container Depot (ICD) for Kathmandu.

The Project also envisages the establishment of two internationally-accredited labs to certify products and facilitate foreign trade. The Project will also bring on board an NTM Consultant to help the government better assess, monitor and get feedback on the non-tariff measures affecting bilateral trade.

There have also been several initiatives at the bilateral and sub-regional level like SASEC's (South Asian Sub Regional Economic Cooperation) Trade Facilitation Strategy 2014-2018 and Sub regional Transport Enhancement Project which will upgrade the country's road network to provide a north-south link between the North Eastern Region and the east-west highway, and improve major international trade corridors in the country in conjunction with the modernization of customs systems.²⁷ The BBIN MVA (Motor Vehicles Agreement) also aims to facilitate connectivity and increase trade between member countries. On June 15, 2015, Bangladesh, Bhutan, India, Nepal (the BBIN group of countries) signed a sub-regional Motor Vehicles Agreement (MVA) for facilitating easy cargo movement across their borders. It is expected to reduce trade transaction costs significantly and can be an effective tool to realise their trade and investment potentiality.²⁸

There have been other multilateral initiatives such as the immigration facility in the Banglabandha -Phulbari Land Port between Bangladesh and India—jointly inaugurated on 18 February 2016— which is expected to ease people-to-people connectivity between the two countries and is expected to boost trade and commerce not only between Bangladesh and India, but also with Bhutan and Nepal.

4.5.3 SAARC Level Initiatives

At the regional level tariff liberalization and reduction in the sensitive lists of member countries

26 <http://sasec.asia/index.php?page=project&pid=31&url=subregional-transport-enhancement-project>

27 <http://sasec.asia/index.php?page=project&pid=31&url=subregional-transport-enhancement-project>

28 http://www.cuts-citee.org/pdf/BBIN_Motor_Vehicles_Agreement_Unlocking_the_Potential_for_Vibrant_Regional_Road_Freight_Connectivity.pdf

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has helped increase trade among SAARC nations. The South Asian Regional Standards Organization (SARSO) is one such initiative that aims to harmonize national standards of SAARC Member States to develop SAARC standards on the common products of regional interest. SARSO has so far finalized standards for sugar, biscuits, hessian, two types of cotton and jute. After a final nod from the SAARC countries in March, the process will begin for SAARC standards to be followed in the case of these products in regional and international trade. It has also finalised a general code of hygiene for products of South Asian countries. This will remove bottlenecks and facilitate smooth regional trade among South Asian countries.²⁹

All of these initiatives at the national, bilateral, sub regional and regional levels have gathered pace and can be seen as steps in the right direction towards the overall vision of a more integrated SAARC.

29 <http://www.en.prothom-alo.com/economy/news/91647/SA-countries-fix-standards-on-six-products>

Recommendations

5. Recommendations

5. Recommendations

The NTM's faced by Nepali exporters mainly relate to SPS measures and the procedural complexities arising out of their application. The Policy Advocacy Group formed by CNI as part of the NTM Desk Project will aim to create awareness of the effects of NTM's on Trade and advocate for the removal of NTM's at the policy making levels. The proposed strategy will involve interactions with commodity associations and traders, using the formal and informal channels and meetings to convey the message and advocate to the policy makers, organize workshops and training programs, writing of the newspaper articles to create awareness of the issue and presenting findings in national and international forums.

The recommendations on the basis of identified issues through field visits, interactions and research are as follows:

- I. Policy Lobbying needs to be done in coordination with the Ministry of Agricultural Development for the inclusion of medicinal and aromatic plants currently not listed within the Plant Quarantine Order (PQO). At present only 17 plants are listed in Schedule VII of the PQO out of approximately 100 species of MaPS exported to India.
- II. The Government of Nepal needs to address on a bilateral level the state level variance with regards to Transit Permit required by the Uttar Pradesh and Uttar Khand States.
- III. If the price competitiveness of MaPs exports is to be boosted the government has to look at the local VDC/DDC taxes and perhaps consider centralizing the payments to discourage extortion in the form of unofficial payments.
- IV. The Government of Nepal should take steps to establish accredited labs in the border points of Nepal and lobby the Government of India to accept the quarantine certificate issued by these labs or to draw up mutually recognizable standards. As SPS measures have been seen as a major trade barrier not only between Nepal and India but throughout the SAARC region, activities need to be planned in line with the SARSO (South Asian Regional Standards Organization) to forward the agenda of Mutual Recognition Agreements.
- V. The bank guarantee requirement for exports to third countries is very restrictive. While it erodes the price competitiveness for bigger traders it severely handicaps small producers and traders who cannot table huge sums of money required for the bank guarantee. The Government of Nepal should lobby with the Government of India to effect changes to the system.

VI. There is a need to create integrated border management system in order to reduce procedural constraints. It will allow traders to submit all paperwork to customs related to product certification, quarantine clearance, and transit declarations, thereby reducing the need for interfaces with multiple entities.

VII. The Government of India has introduced a strict provision that requires producers of tea to obtain individual certificates, which need to be renewed every six months to export processed tea. This has both the time and cost (Rs 40,000 to 50,000 NPR) implications and the government should actively lobby India to remove this provision and allow the exports of processed tea under a common certificate.³¹

VIII. There is also the issue of transportation access granted to Nepalese trucks who need permission from the India Embassy to allow trucks into India. Nepalese trucks with ginger should be granted reciprocal access of 72 hours (as afforded to Indian trucks) to markets in India.

IX. The Nepal India Regional Trade and Transit Project (NIRTTP) should be prioritized and fast tracked in it's implementation in order to boost trade with India.

X. Nepal's trade can also greatly benefit through the creation of a platform for increased trade consultation between the government and business. As trade facilitation comprises of complex set of functions involving multiple ministries and agencies and private stakeholders. Inter-agency and inter-ministerial coordination is a significant challenge which through a common platform can benefit all stakeholders through increased ownership, teamwork in developing strategic trade development frameworks.

XI. There is also a lack of clarity on the information and sufficient understanding on the import, export, transit process and procedures which at present has acted as a major trade barrier to trade. There is a lack of awareness on the rights and obligations with regards to the trade processes. Increasing access to information on trade processes through the development of information centre can enhance in creating an enabling environment to increase trade volumes.

30 <http://kathmandupost.ekantipur.com/news/2016-03-05/paperwork-hassles-stymie-tea-industry.html>

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6. References

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