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TRADE IMPACT
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Stakeholder meeting on Non-Tariff Measures

NTM Business Survey in Nepal 2016





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NTM Business Survey in Nepal 2016

Samidh Shrestha
14 September 2016
Kathmandu, Nepal



Agenda

WEDNESDAY 14 SEPTEMBER 2016,
KATHMANDU, NEPAL

NTM Business Survey: Stakeholder meeting on NTMs

Morning Session

- NTM Business Survey and implementation in Nepal
- Results of the survey and key issues
- Expert panel discussion

Afternoon session

- Two parallel roundtables
 - Quality SPS/TBT
 - Trade Facilitation / Border Clearance

Coffee Break

- Summary of the round table discussions
- Recommendations – the way forward

Refreshments & End of workshop

What is ITC?



UNCTAD

The UN body for design of policy recommendations to achieve economic and social development through trade and investment.



WTO OMC

The forum to negotiate multilateral trade rules, monitor their implementation and handle trade disputes



ITC works with local and regional institutions and businesspeople to build trade capacity.

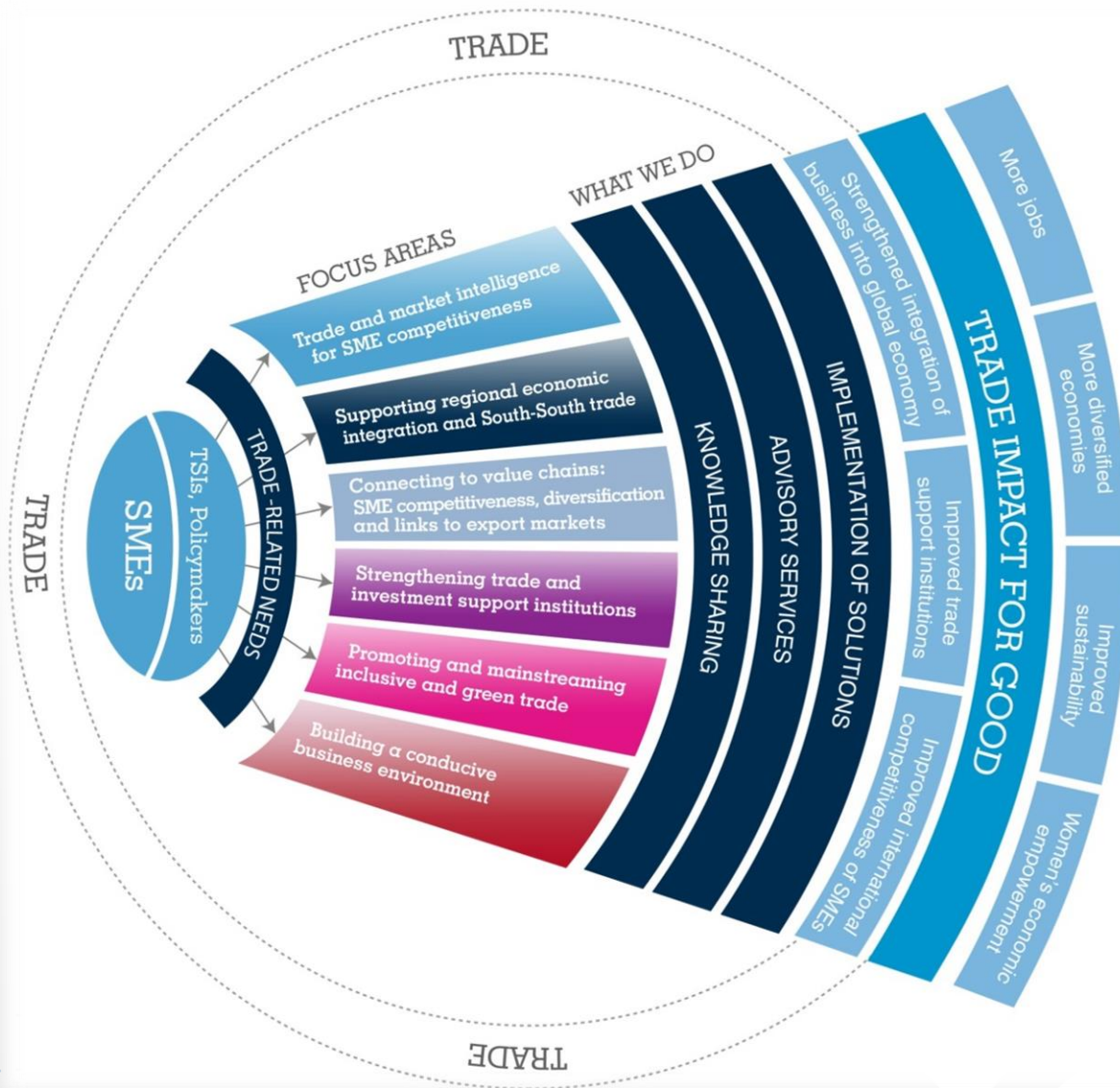
Our mission

To foster inclusive and sustainable growth and development through trade and international business development.



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ITC's six focus areas and goals

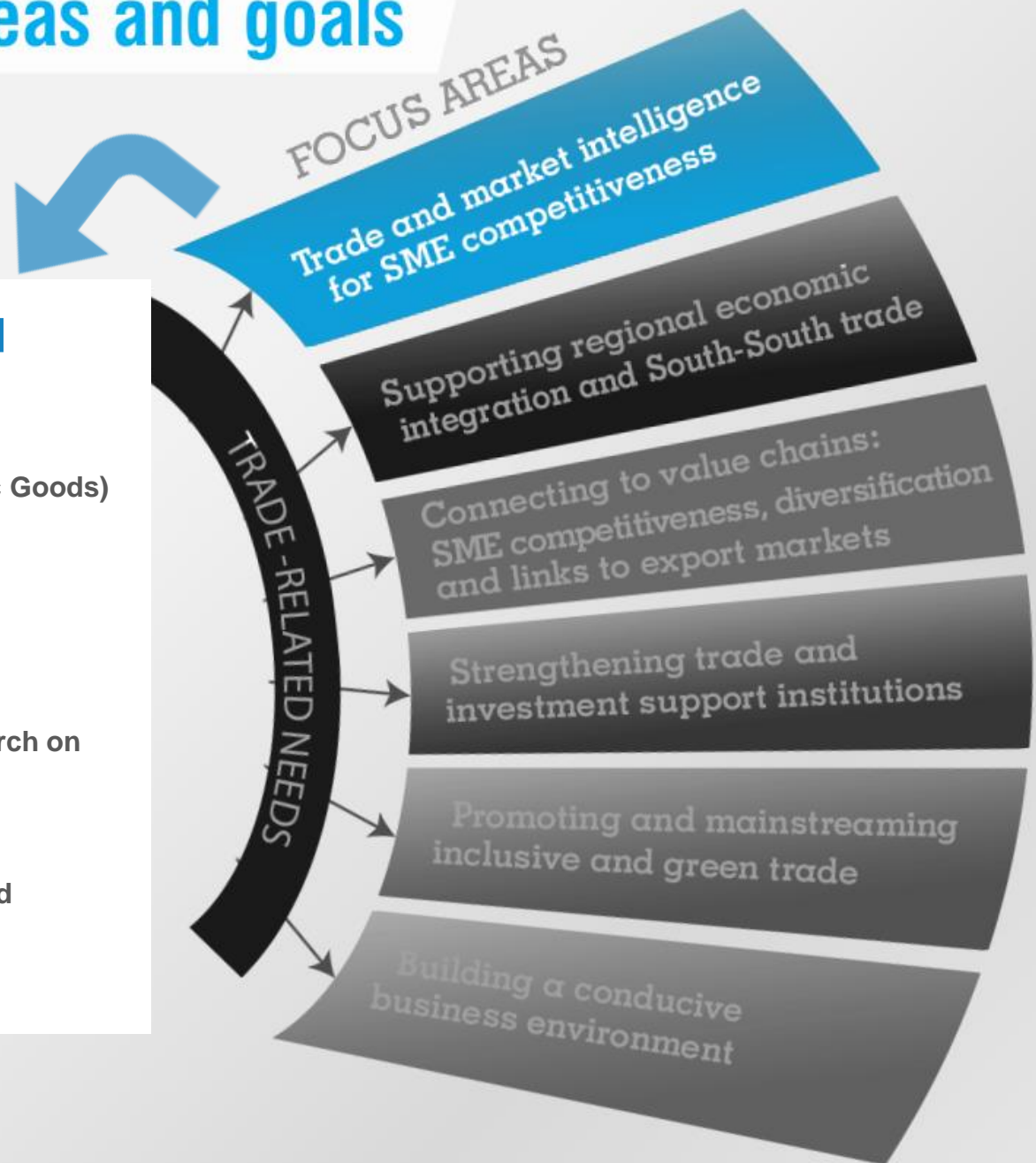


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ITC's six focus areas and goals

ITC's Market Analysis And Research Services

1. Information transparency (Global Public Goods)
 - Trade Map
 - Market Access Map
 - Investment Map
 - Standards Map
2. Country-level trade diagnostics & research on global trade trends
(including **NTM Business Surveys**)
3. Building Capacity in market analysis and research



Understanding Non-Tariff Measures

What are non-tariff measures (NTMs)?



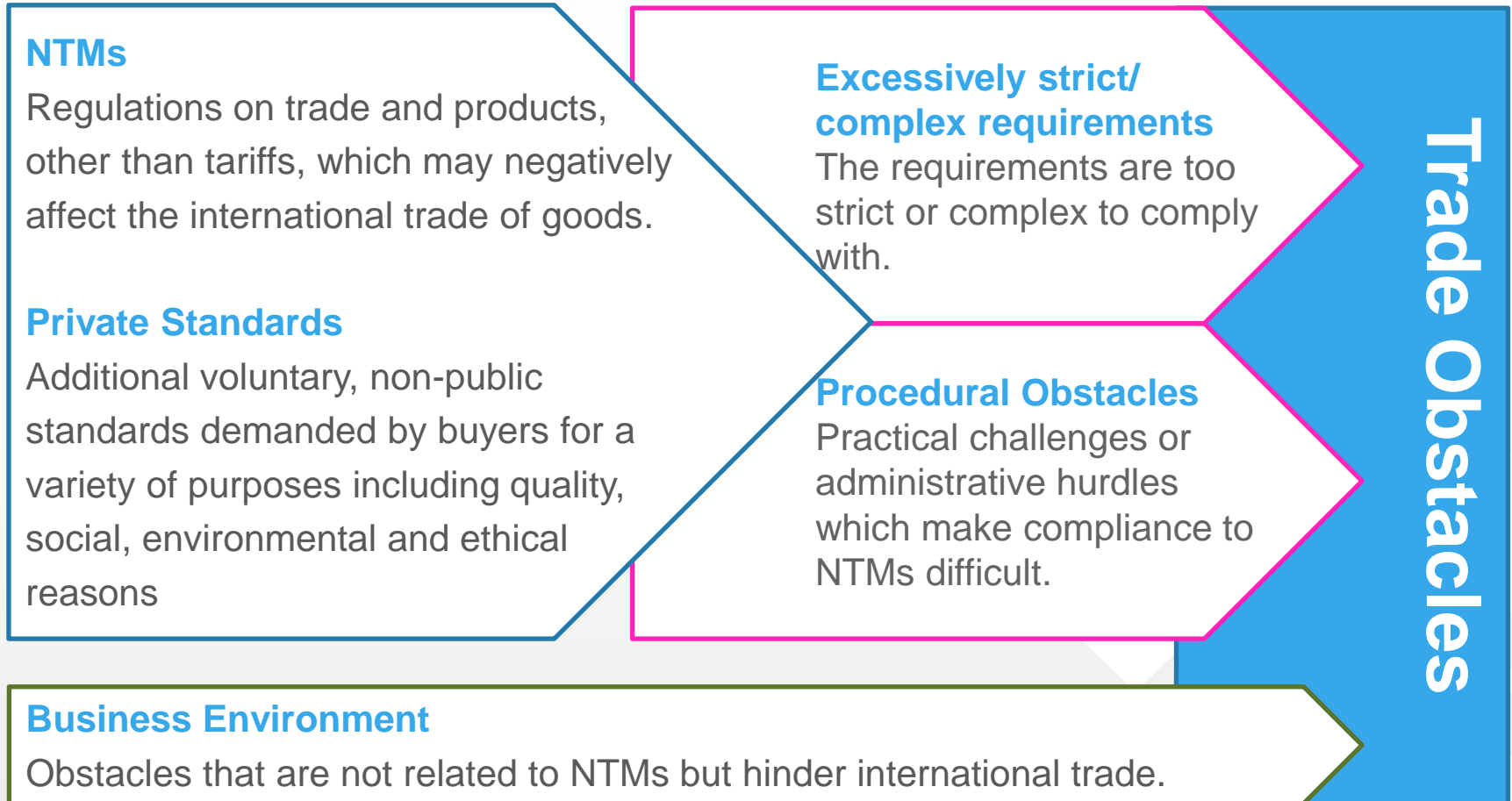
Official policy measures on export and import, other than ordinary customs tariffs, than can potentially have an effect on international trade in goods, changing quantities traded, or prices or both.

Mandatory requirements, rules or regulations legally set by the national authorities of the exporting, importing or transit country (in contrast to private standards which are not legally set)

Can affect both export and import

Include technical measures and standards, as well as regulations on customs procedures, para-tariff measures, financial measures, prohibition, etc.

ITC NTM Survey: NTMs and other trade obstacles



Why do countries use NTMs?

NTMs can be applied by importing countries, exporting countries, and in some cases also by transit countries for various different reasons. While many NTMs are in place for legitimate purposes, they may still be perceived as burdensome by exporters if they are applied in a manner that interferes with their ability to export.



Why do countries use non-tariff measures? Importing Countries

- Health and safety of consumers
- Environmental protection
- Protect domestic industries
- Achieve political goals

Why do countries use non-tariff measures? Exporting Countries

- Ensure adequate supply for the domestic market
- Maintain quality
- Ensure best value for their exports

ITC's Programme on NTMs

Motivation, projects and methodology

NTM programme motivation

Greatest Challenge to Developing Exports from Client's Country/Company



TSO Respondents:

- Lack of / access to market information
 - Obtaining financing / attracting investment
- Non-tariff barriers (regulations, standards, etc.)

Large Enterprise Respondents:

- Non-tariff barriers (regulations, standards, etc.)
 - Transport issues
 - Logistical issues other than transport

Government Respondents:

- Non-tariff barriers (regulations, standards, etc.)
- Lack of / access to market information
 - Production capacity / productivity

SME Respondents:

- Marketing/communications (finding buyers/contacts)
- Lack of / access to market information
- Non-tariff barriers (regulations, standards, etc.)

Classification of NTMs

- International taxonomy used to classification different types of regulations related to trade in goods.

- Prepared in a multi-agency framework

Non-tariff measures classification for surveys	
A to O. Import related measures	
Measures imposed by the country importing the goods. From the perspective of an exporter, these are the measures applied by the destination country of his product. From the perspective of an importer, these are the measures applied by his own country on the goods that he imports.	
Technical measures	A. Technical requirements
	B. Conformity assessment
Non-technical measures	C. Pre-shipment inspection and other entry formalities
	D. Charges, taxes and other para-tariff measures
	E. Quantity control measures (e.g. licences, quotas, prohibitions)
	F. Finance measures
	G. Price control measures
	H. Anti-competitive measures
	I. Trade-related investment measures
	J. Distribution restrictions
	K. Restriction on post-sales services
	L. Subsidies
	M. Government procurement restrictions
	N. Intellectual property
	O. Rules of origin and related certificate of origin
P. Export related measures	
Measures imposed by the country exporting the goods. From the perspective of an exporter, these are the measures imposed by his own country on the goods he exports from his country. From the perspective of an importer, these measures are imposed by the country of origin on the goods he import from this country.	
P.O. List of procedural obstacles	
This list provides a categorization of the problems related to NTMs that exporters and importers experience.	

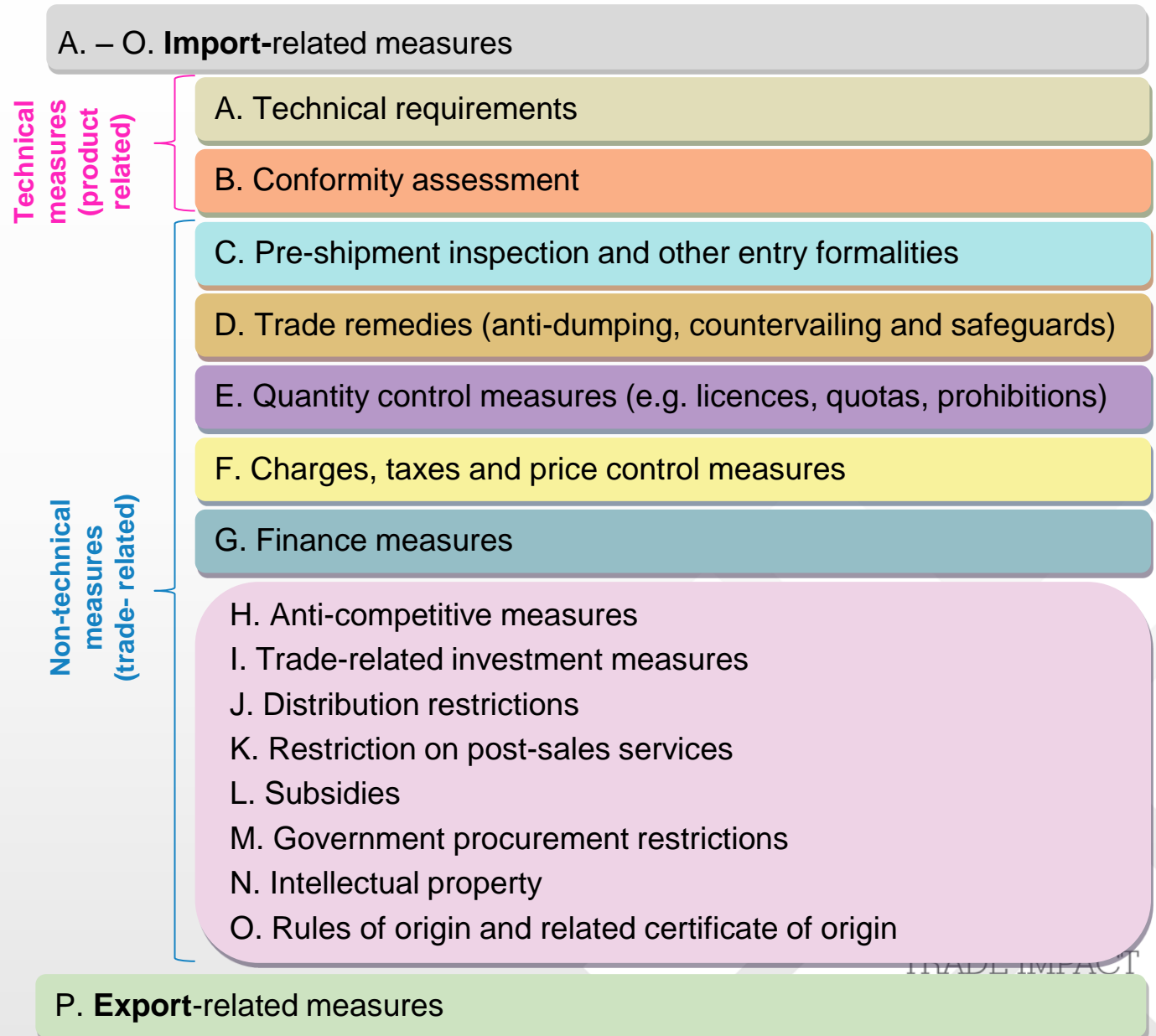


- Covers

- mandatory, government-imposed regulations:
- both import and export of goods
- technical and non-technical measures

- Trade in services not covered

NTM Classification for Surveys



List of Procedural Obstacles (PO) to comply with the measures, and other obstacles to trade

List of procedural obstacles (PO)

PO are related to the regulation and explain why the regulation is burdensome.

A.	Administrative burdens related to regulations	A1. Large number of different documents A2. Documentation is difficult to fill out A3. Difficulties with translation of documents from or into other languages A4. Numerous administrative windows/organizations involved, redundant documents
B.	Information/transparency issues	B1. Information on selected regulation is not adequately published and disseminated B2. No due notice for changes in selected regulation and related procedures B3. Selected regulation changes frequently B4. Requirements and processes differ from information published
C.	Discriminatory behavior of officials	C1. Arbitrary behavior of officials regarding classification and valuation of the reported product C2. Arbitrary behavior of officials with regard to the reported regulation
D.	Time constraints	D1. Delay related to reported regulation D2. Deadlines set for completion of requirements are too short
E.	Informal or unusually high payment	E1. Unusually high fees and charges for reported certificate/regulation E2. Informal payment, e.g. bribes for reported certificate/regulation
F.	Lack of sector-specific facilities	F1. Limited/Inappropriate facilities for testing F2. Limited/Inappropriate facilities for sector-specific transport and storage, e.g. cold storage, refrigerated trucks F3. Other limited/inappropriate facilities, related to reported certificate/regulation
G.	Lack of recognition/accreditation	G1. Facilities lacking international accreditation/recognition G2. Other problems with international recognition, e.g. lack of recognition of national certificates
H.	Other	H1. Other obstacles (please specify)

Important: where further information can be given e.g. number of days of delay, number of documents to be submitted, type of facilities required, please ensure these are specified.

Three Pillars of ITC's Programme on NTMs

Pillar 1

NTM Regulatory Mapping

- Codifying and classification of national trade-related regulations
- Data dissemination through Market Access Map (MAcMap)

Pillar 2

Business Surveys

- Large-scale surveys of businesses on their experiences with government regulations when exporting or importing

Pillar 3

Solution Packages

- Design and implementation of actions to address companies' difficulties with NTMs

NTM Business Survey: Why & How

Global methodology

...based on large-scale
company level surveys

...representative by
sector and company size

...adjusted to country-
specific requirements

Identify trade impediments faced by
companies on product and partner
country level.

**Enable companies to voice their
concerns** and needs regarding the
identified problems and create dialogue
among national stakeholders.

Reinforce country capacity: survey and
analysis implemented in collaboration
with local specialists, after intensive
training.

Surveys Methodology: Scope

Goods

- Covers companies involved in international trade in goods.
- Products from all sectors included except minerals and arms.
- Sectors with more than a 2% share in total exports are included
- Cumulatively, sectors covered account for at least 90% of country's total export value

Services

- The survey does not cover companies involved in cross-border trade in services such as tourism, banking, finance, telecommunication and BPO.
- A survey on trade in services requires a different methodology

NTM Survey covers the following sectors:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computers, telecommunications; consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

Two-step interview process

Step 1 Phone Screens (PS)

- **600** PS in Nepal
- 6-8 min per interview
- Identify products exported by the company and partner countries
- Identify if the company face problems with burdensome regulations



Step 2 Face-to-Face interviews (FTF)

- Companies facing problems with NTMs as identified in PS interviewed
- **250** face-to-face interviews in Nepal
- 40-60 min per interview
- All details of the problem faced by the company recorded



Type of data: Telephone interviews

1. Phone screen data gathering company level information (representative sample by sector) on:

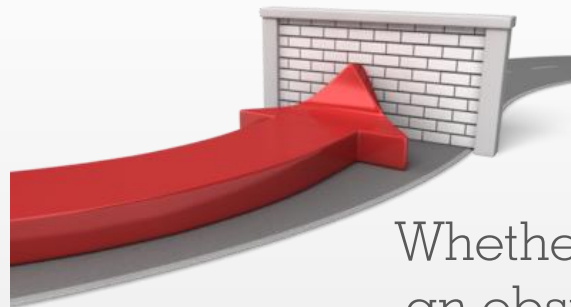
Main
exported/imported
product (HS6)



Destination/origin
markets (at region
level)



Number of
employees



Whether or not
an obstacle is
faced

Gender information
(firm management /
ownership / employment)



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Type of data: Face-to-face interviews

2. Face-to-face data gathering company-level information (only those facing trade obstacles) on:

All affected trade flows



Burdensome regulations
(description, official name, category of NTM, implementing body, applying country)



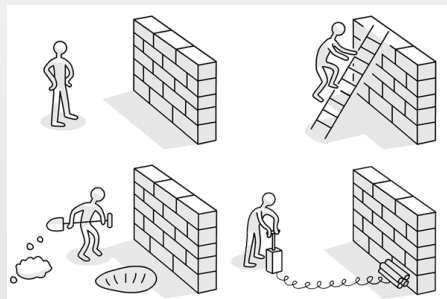
All traded products and partner countries



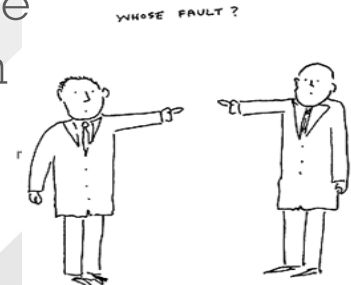
Related obstacles
(description, category of obstacles, implementing agency, location)



Recommendations to overcome the obstacles



Where the problem occurs



NTM Business Surveys in numbers




 **22,744**
Phone Interviews

6,364 
Face-to-face interviews

From over developing countries **30**
+ **28** EU countries

More than **21,000** 
reported trade obstacles...

...concerning trade with partner countries **185**

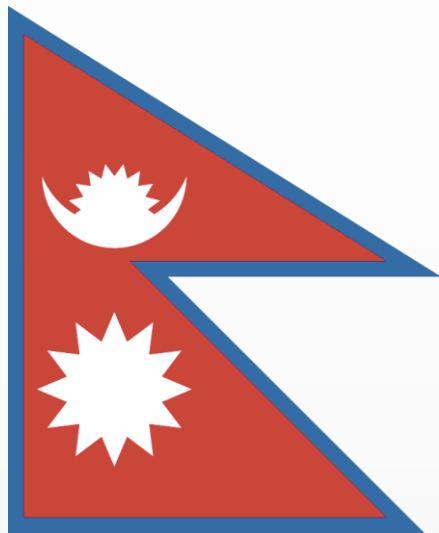
 Complete  Ongoing  Planned

As of 01 September 2016

Survey Implementation in Nepal

Profiles of interviewed companies

In close collaboration with national and international partners



Ministry of Commerce, Nepal
National Partner



Main Donor



Kusom
Ahead in Management

Survey Implementation Partners

Government of Nepal
Ministry of Commerce
Trade and Export Promotion Centre

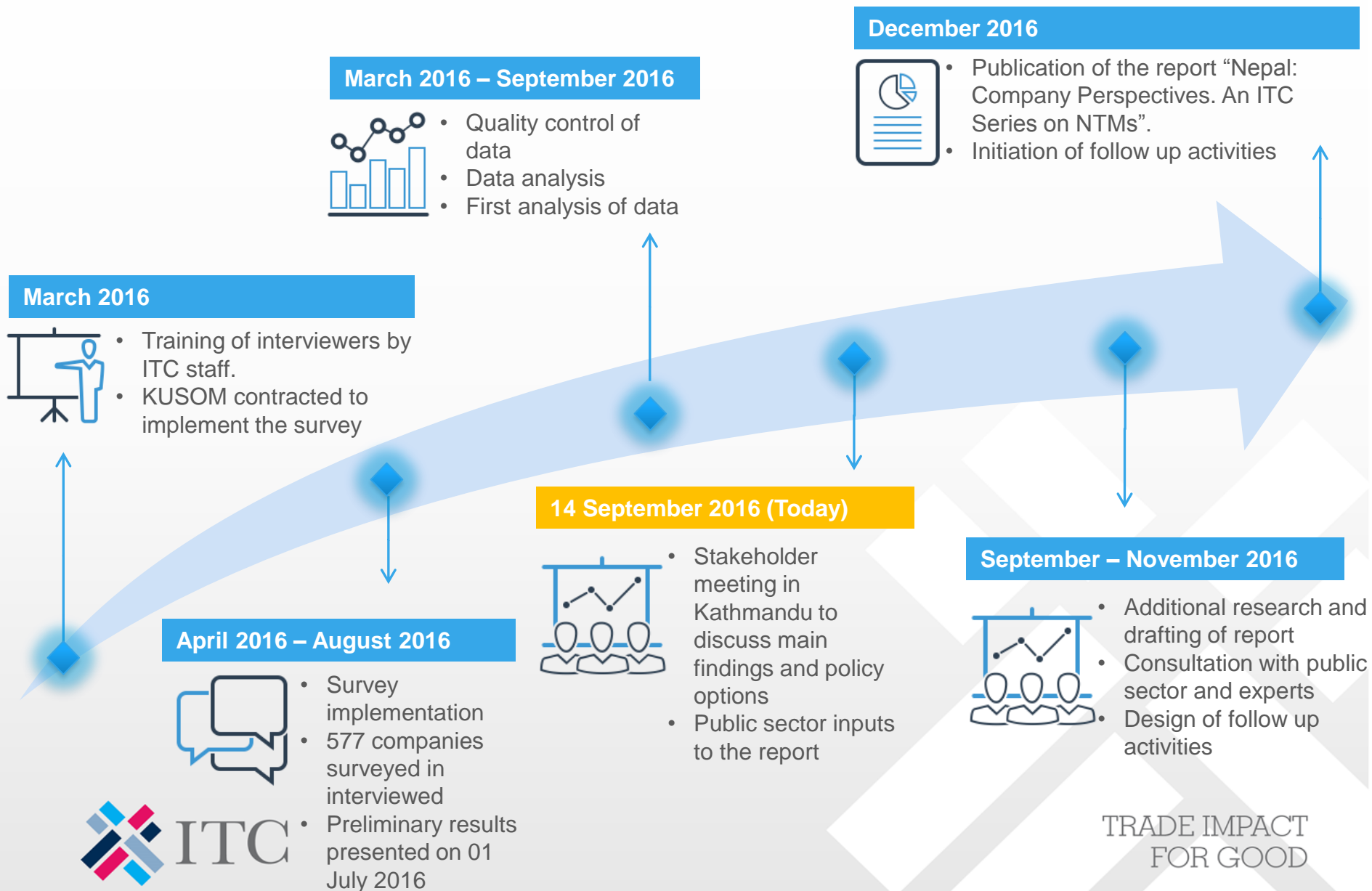


Main Company Data Providers



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NTM Survey Implementation: Timeline



Why a survey in Nepal? And for whom?

Who will benefit from the ITC survey on NTMs:

1. Exporters

- Channel for reporting the obstacles to trade they face in their daily business to raise awareness among other exports and importers, trade support institutions and policy makers
- Exchange of experiences with other exporters and importers
- → final beneficiaries of removal of NTM-related trade obstacles

2. Trade support institutions

- Better understanding of sector-specific needs;
- Better support for business sector; fostering of transparent and dynamic commercial activity

3. Policy makers

- Understanding specific needs of business sector; better formulation of national and regional strategies and policies
- Removal of procedural obstacles

4. Researchers

- Better understanding of the impact of NTMs on international trade – from the perspective of the business sector

Objectives of the survey

The NTM survey

...studies the private sector perspective on NTM-related trade obstacles with a view to identify feasible options to overcome these.

...is per definition “biased” as it concentrates on the company perspective. In the analysis of survey results, the views of additional stakeholders will however be sought and taken into account. The survey report will not be finalized and published before this stakeholder consultation has taken place through additional interviews and a final stakeholder meeting.

...aims at identifying concrete actions that enable Nepal to reach greater efficiency in the export process and reduced trade cost.

The NTM survey is NOT

...a collection of or platform for complaints.

...intended to single out specific institutions to blame for inefficiencies.

ITC survey on NTMs – Methodology

- **Global Methodology**, adjusted to specific requirements of Nepal.

The survey will prioritize companies that export the following products, deemed of high importance by the Government of Nepal:



Coffee



Ginger



Tea



Woolen Products



Large Cardamom

Honey

Pashmina

Handicraft



- **Confidential**

- **Focus on exporting companies (capturing also imports)**; in addition, buyers in target markets will be interviewed. If required, further actors are taken into consideration (trade agents, non-exporting producers, indirect exporters)
- **Representative by sector** : covers all export sectors **excluding services, minerals and arms** that accumulatively account for +90% of a country's export value. Several geographic regions included.

Things to keep in mind



- Information collected from the survey is perception data
 - Respondents may have different scale for judging what constitutes an impediments.
 - Perceptions across countries can differ due to cultural, political, social, economic and linguistic differences.
- Companies may not have full understanding of the purpose of the regulation
- Scope of the survey limited to legally operating companies
 - Informal trade not covered

Survey Implementation

- Survey implemented in Nepal by:



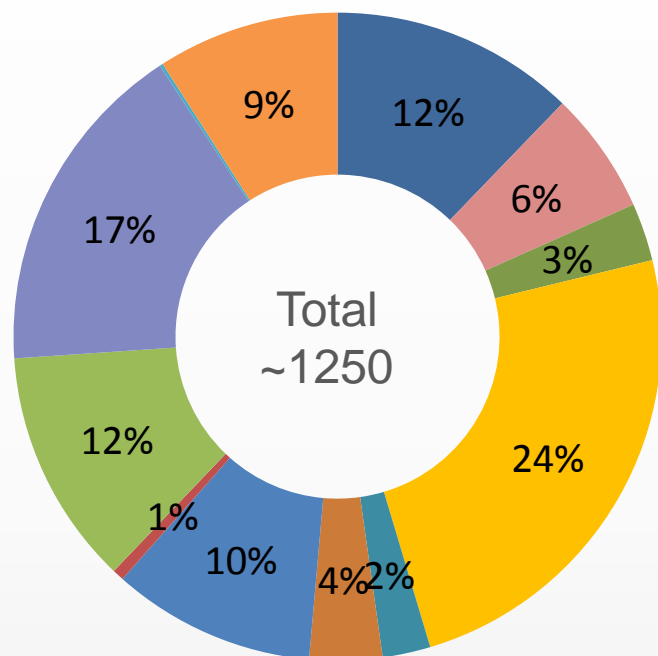
KUSOM
Ahead in Management

**Kathmandu University
School of Management**

- Selected through a competitive UN Process
 - Training of KUSOM team by ITC in March 2016: 5 days
 - KUSOM Team:
 - 1 Project Manager
 - 4 Supervisors
 - 4 Project Associate
 - 16 Field Interviewers
- } Faculty
- } Students



Business Directory: Exporters by sector*



Company contacts obtained from:

- Trade and Export Promotion Centre (TEPC), MoC

Additional contacts sourced from:

- Federation of Nepalese Chambers of Commerce and Industry (FNCCI)
- Various regional Chamber of Commerce
- Federation of Handicraft Association of Nepal (FHAN)
- Federation of Woman Entrepreneurs Associations of Nepal (FWEAN)
- Nepal Herbs and Herbal Products Association
- Nepal Freight Forwarder's Association (NEFFA)

- 01. Fresh food and raw agro-based products
- 03. Wood, wood products and paper
- 05. Chemicals
- 07. Metal and other basic manufacturing
- 12. Clothing
- 14. Minerals

- 02. Processed food and agro-based products
- 04. Yarn, fabrics and textiles
- 06. Leather and leather products
- 10. Electronic components
- 13. Miscellaneous manufacturing
- Freight Forwarders/ Logistics Service Providers



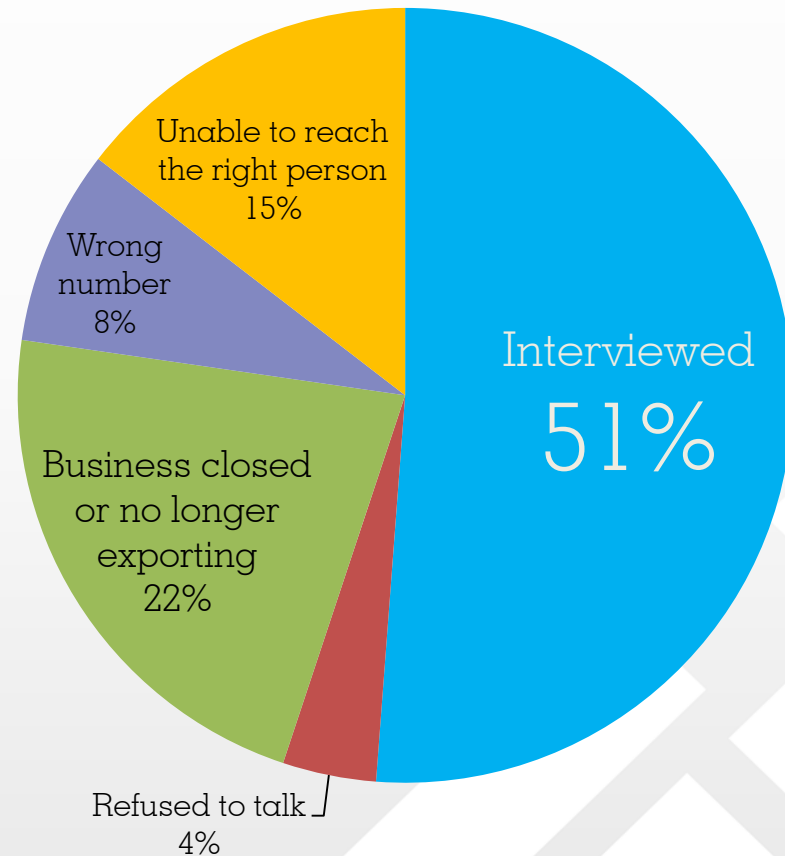
*Sector based on the HS code of exported products.

Note: some companies may export products which may fall under multiple sectors. Only the *main* products' sector of a company is taken into consideration for this chart

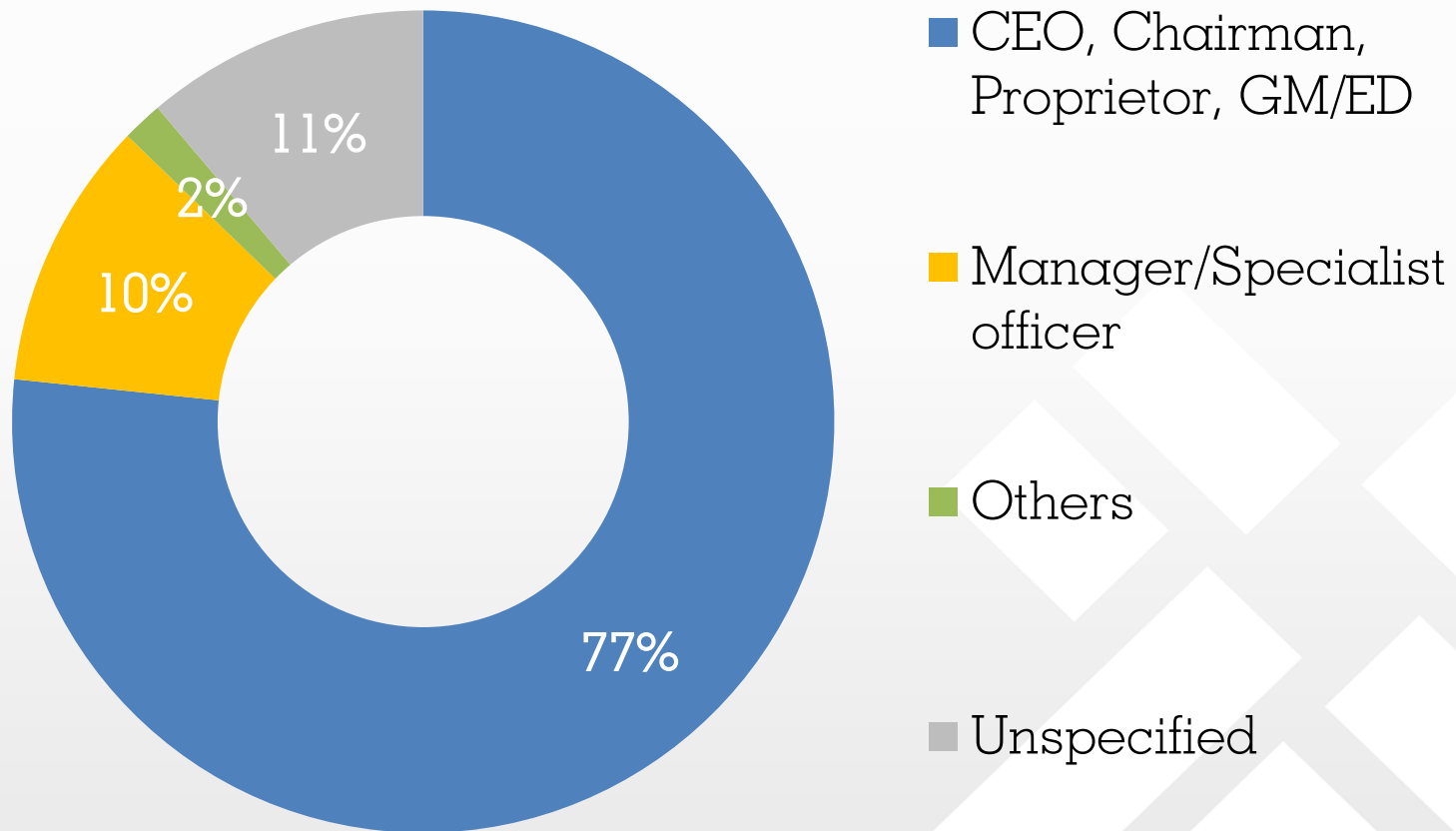
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Over 1100 companies contacted... ...good response from the private sector

- Companies randomly selected
- A total of **1137 companies** contacted
- Quality Control of data – jointly done by KUSOM and ITC



The survey targeted high level managers familiar with trade related issues



Survey Implementation

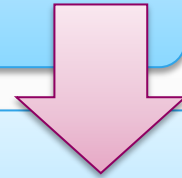
- Survey Questionnaire has 4 sections:
 - **Business operation** - questions about the company
 - **Main products and partner countries** - products export/import *and the origin and destination country or countries*
 - **Barriers to Trade** - challenges face with certain regulations or procedures
 - **Business environment** – problems with business environment
- Questionnaires in English and Nepali
- All interviews conducted in Nepali
- Extensive training to the Field Teams - jointly given by ITC
- Quality Control of Data – jointly done by KUSOM and ITC

NTM Survey in Nepal: Sample



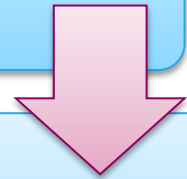
~2000

Active exporting
companies in Nepal in
2014



~600

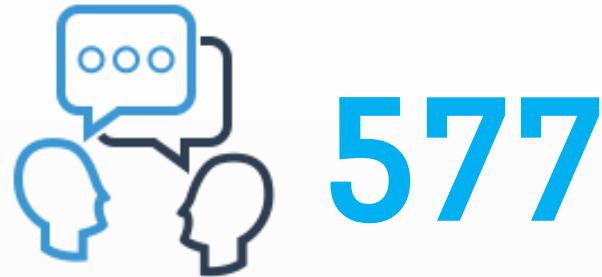
Companies to be
interviewed by phone



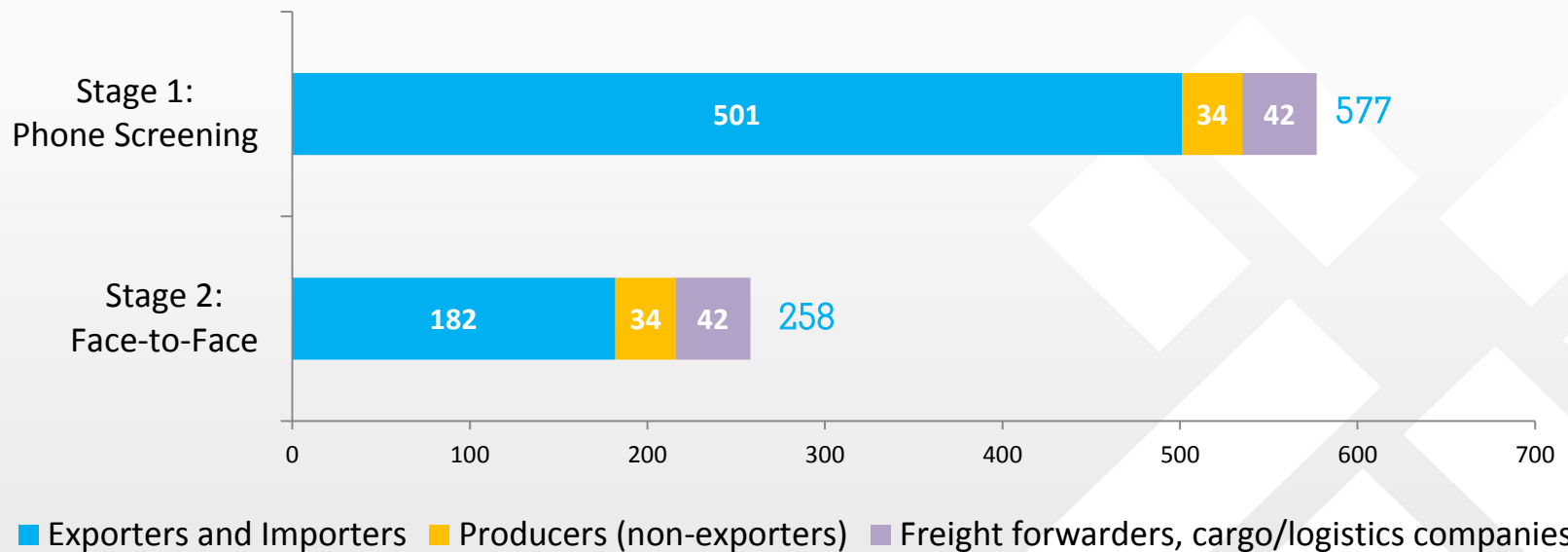
~250*

Companies to be
interviewed face-to-face

Nepal NTM Business Survey



Companies interviewed



Nepal NTM Business Survey

Covered
Export of **214** Products at
HS 6 level

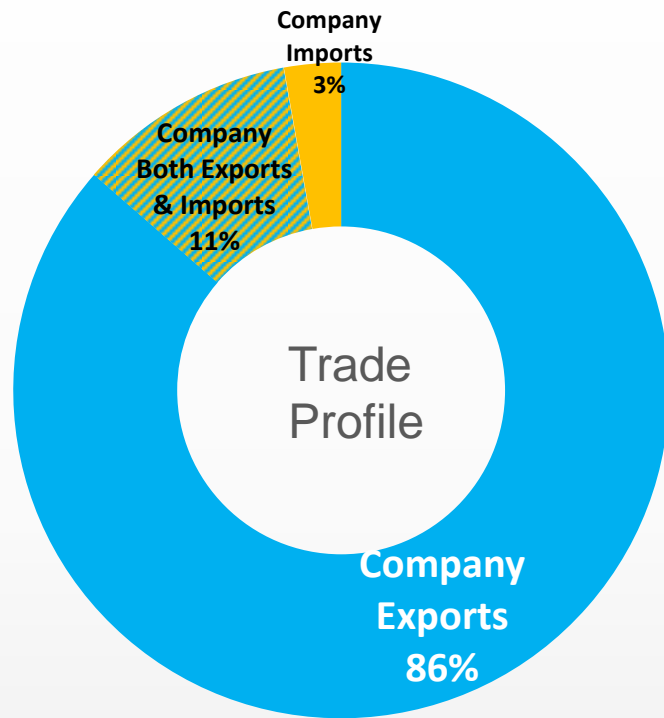
040510	091099	200490	390210	441510	510510	560312	611780	630492	710399	830610
040630	100620	210690	390422	441810	510529	560721	620112	630510	710812	841011
040900	110100	220840	391310	441820	510610	570110	620332	630520	711311	853630
060311	120600	270119	391710	441900	510820	570190	620342	630533	711319	930700
070200	121120	270810	391721	442010	510910	570231	620411	640399	711320	940330
071159	121130	283650	392010	442090	520420	570232	620412	640411	711411	940360
071310	121190	300420	392310	442110	520511	590310	620432	640510	711420	940410
071340	130219	300490	392350	470321	520811	590699	620441	640520	711719	940490
090111	130239	320740	392690	480210	520831	610220	620442	640590	711790	940520
090121	140490	330112	410120	481029	530130	610431	620452	640620	720836	960190
090210	151110	330124	410411	481420	530210	610462	620462	650590	720990	960310
090220	151211	330125	410419	481710	530290	610510	620520	650700	721550	961900
090230	151590	330129	410621	482010	530310	610690	620590	680229	721720	970110
090240	151620	330190	410719	482020	531090	610910	620630	681591	730110	970300
090411	160232	330410	410799	482050	540211	611011	620690	691010	730690	
090619	170111	330741	420222	482320	540720	611012	620721	691200	730711	
090620	170410	330790	420229	482390	560210	611020	621410	691310	740321	
090830	190219	340119	420292	490900	560221	611420	621420	691390	741999	
091010	190531	340120	420299	500720	560229	611691	621490	691490	760711	
091030	200390	340130	441210	500790	560290	611710	630231	710310	790111	

Nepal NTM Business Survey

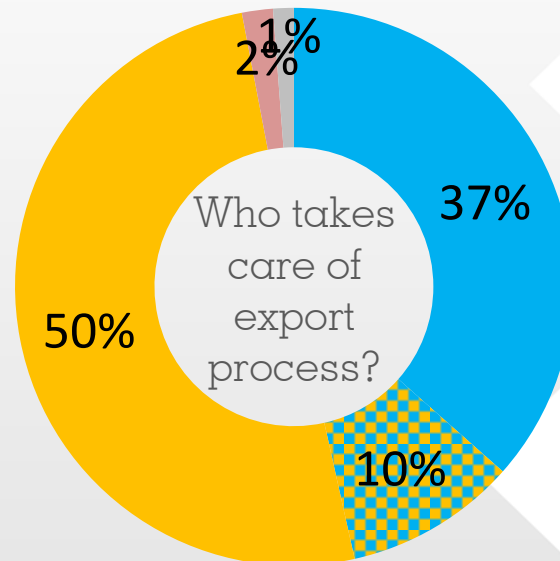
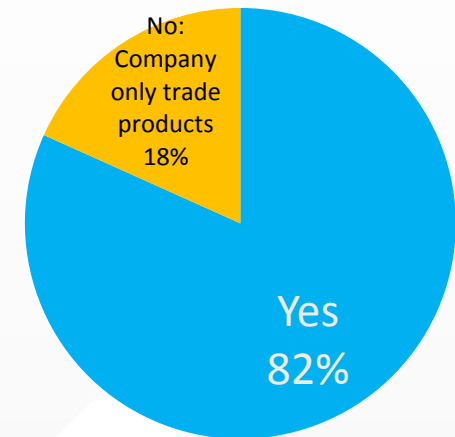
Covered exports to **52** Countries

Afghanistan	Egypt	Mexico	South-Korea
Australia	Finland	Netherlands	Spain
Austria	France	New Zealand	Sri Lanka
Bangladesh	Germany	Nigeria	Sweden
Belgium	Hong Kong, China	Norway	Switzerland
Bhutan	Hungary	Pakistan	Thailand
Brazil	India	Paraguay	Turkey
Cambodia	Israel	Poland	Ukraine
Canada	Italy	Portugal	United Arab Emirates
Chile	Japan	Qatar	United Kingdom
China	Kenya	Russian Federation	United States of America
Czech Rep.	Malawi	Saudi Arabia	Viet Nam
Denmark	Malaysia	Singapore	Yemen

Nepal NTM Survey: Company Profile

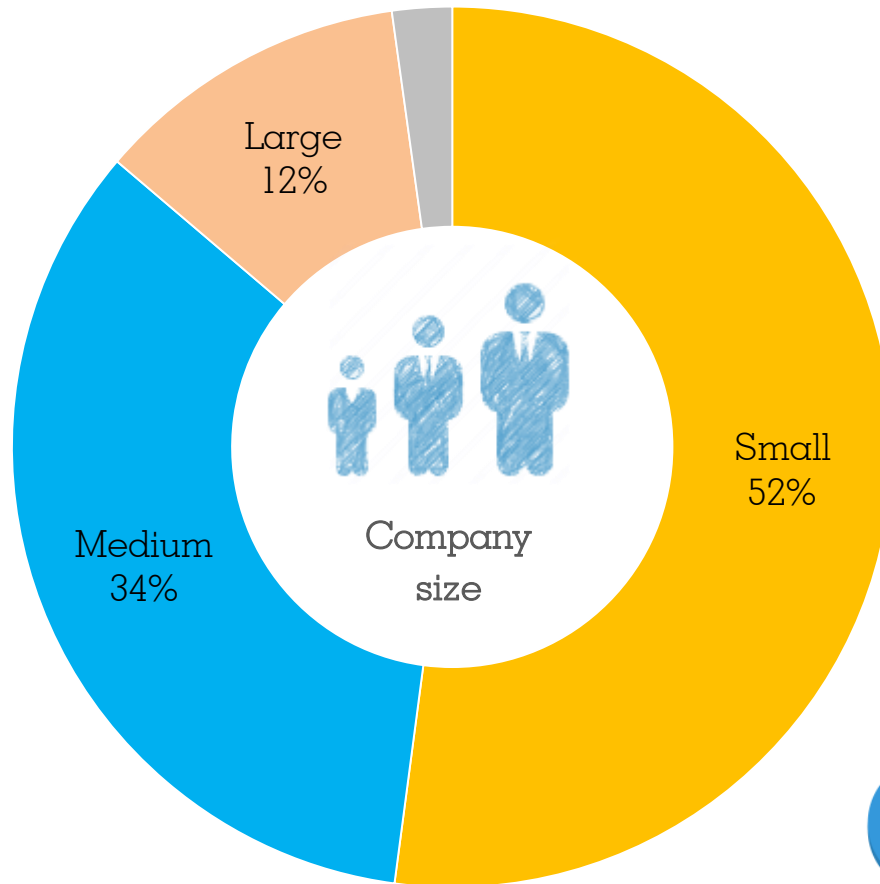


Does company produce the good it exports?



- Company itself
- Company itself + Specialized forwarding company
- Specialized forwarding company
- Partner company abroad
- Unspecified

Distribution of interviews by company size

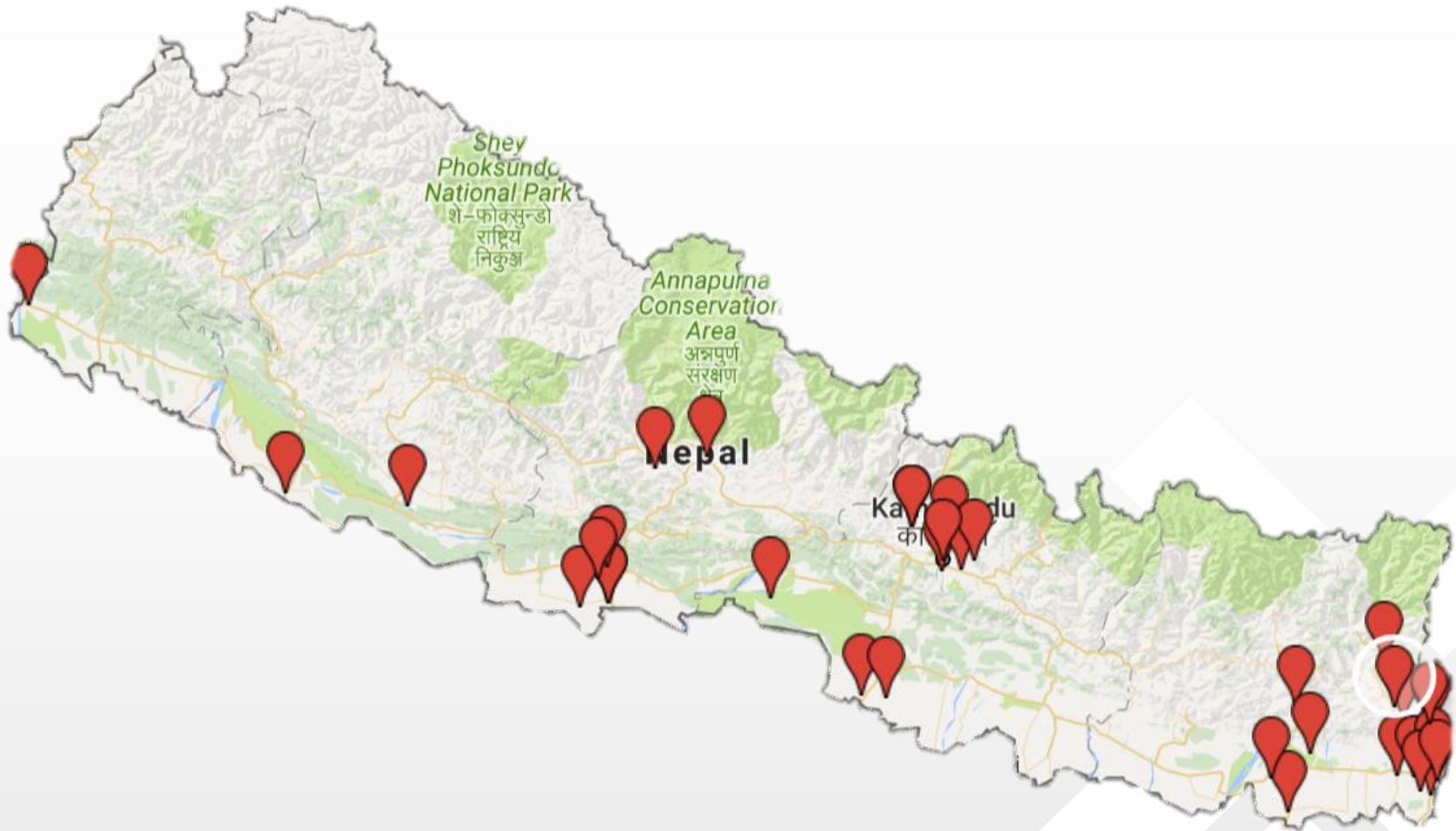


Company size determined based on the number of employees



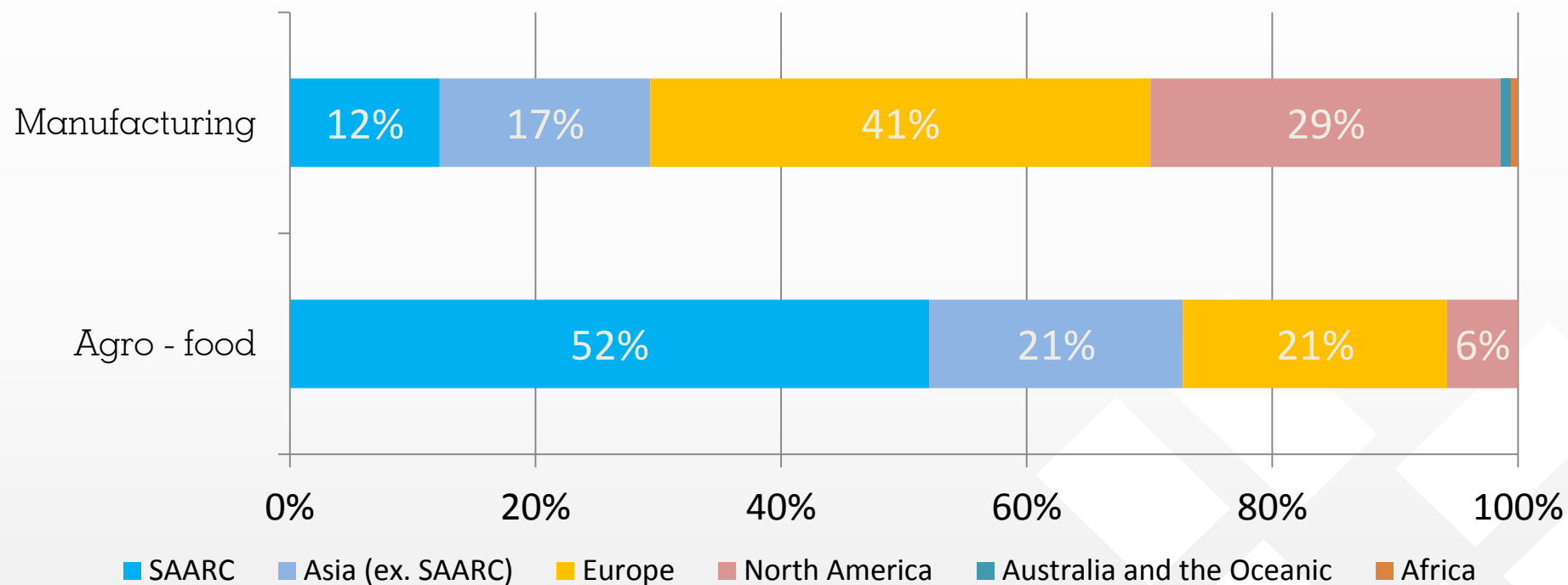
Small: Up to 20 employees
Medium: 20 – 100 employees
Large: +100 employees

Distribution of interviews by company location



Regions covered: Bhairahawa, Bhaktapur, Biratnagar, Birgunj, Butwal, Chitwan, Dang, Dhankuta, Ilam, Jhapa, Kaski, Kathmandu, Lalitpur, Lumbini, Mahendranagar, Nepalgunj, Nuwakot, Pabot, Panchthar, Pokhara, and Sunsari.

Exporters' main export destination: by sector

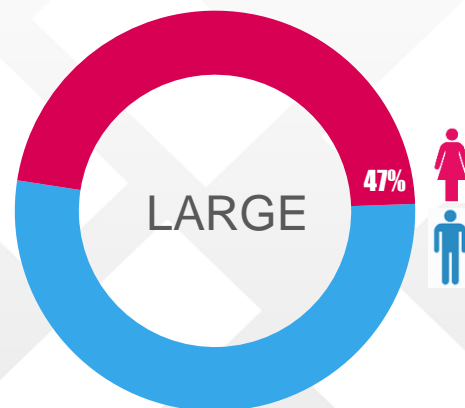
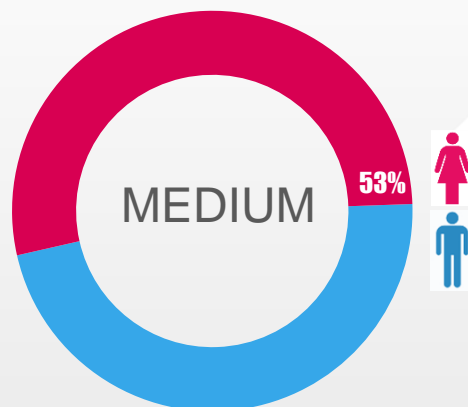
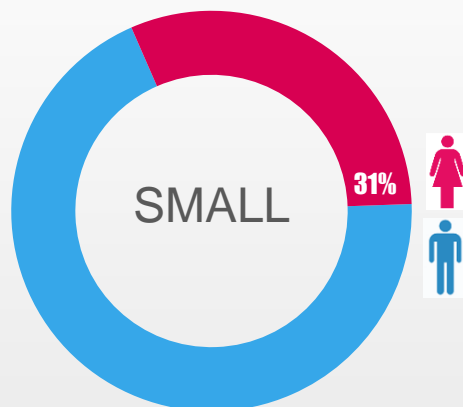


Company Profile: Women Employment



40%

Employees in trading companies are female



Company Profile: Women Employment

17%

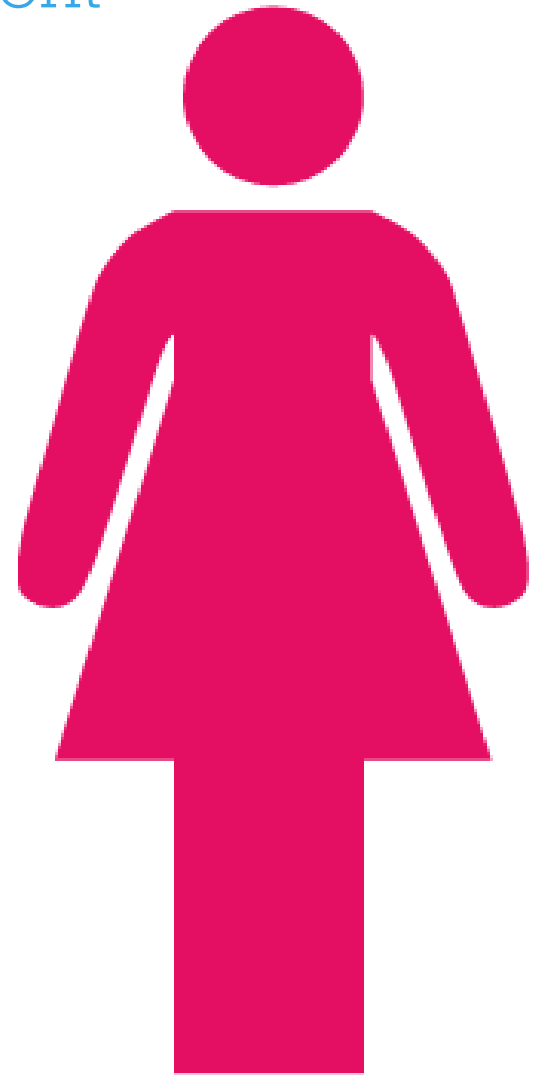
Companies (mostly small)
employed no women

39%

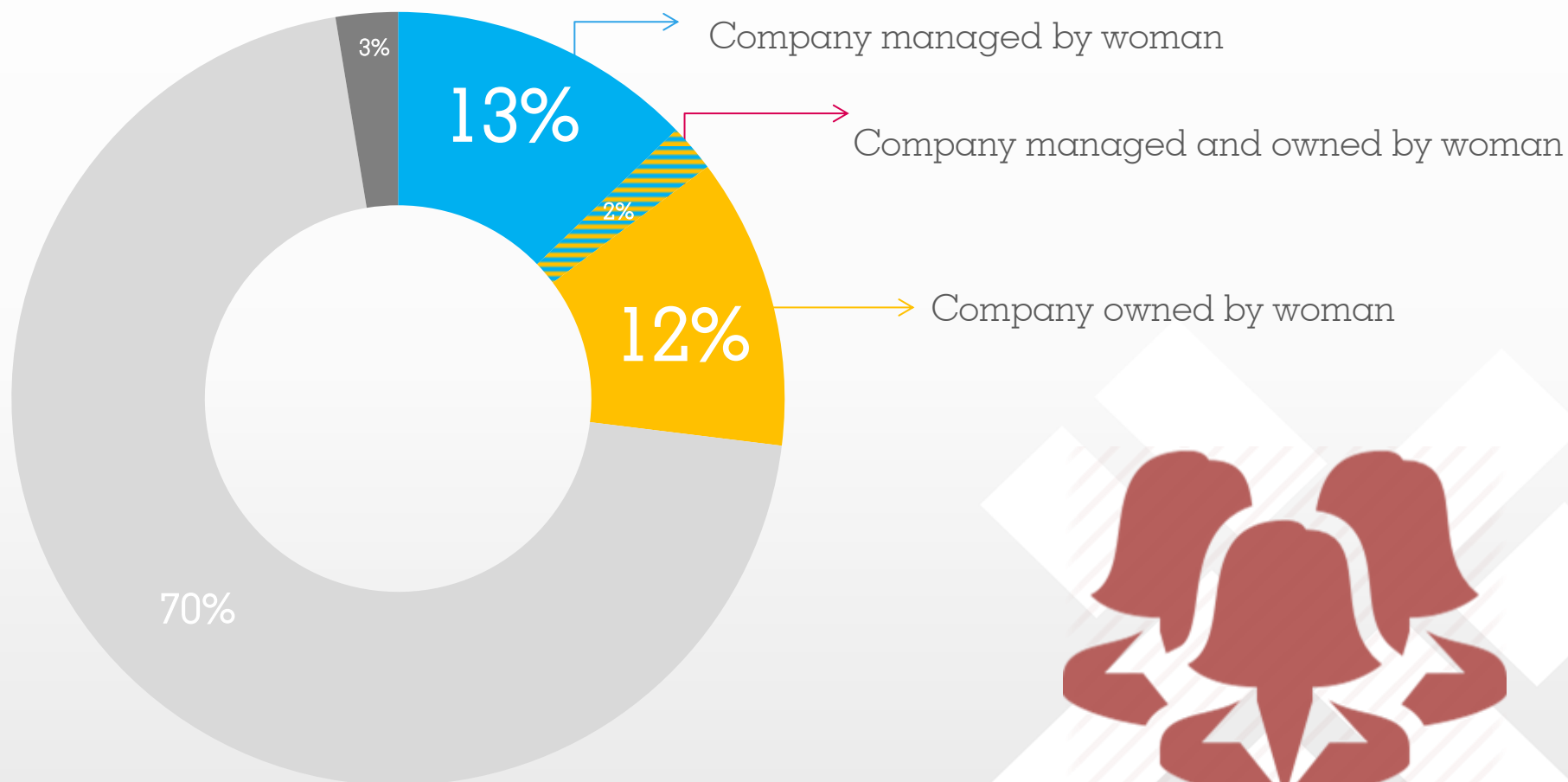
Companies employed
more women than men

20%

Companies with over
three-quarters of their
workforce women



Company Profile: Women in leadership position



Aggregate results

Trade barriers affecting Nepali exporters

Understanding the companies' difficulties with NTMs: Three aspects

Affectedness

Share of companies facing difficulties

Intensity

Which NTMs are more burdensome

Reasoning

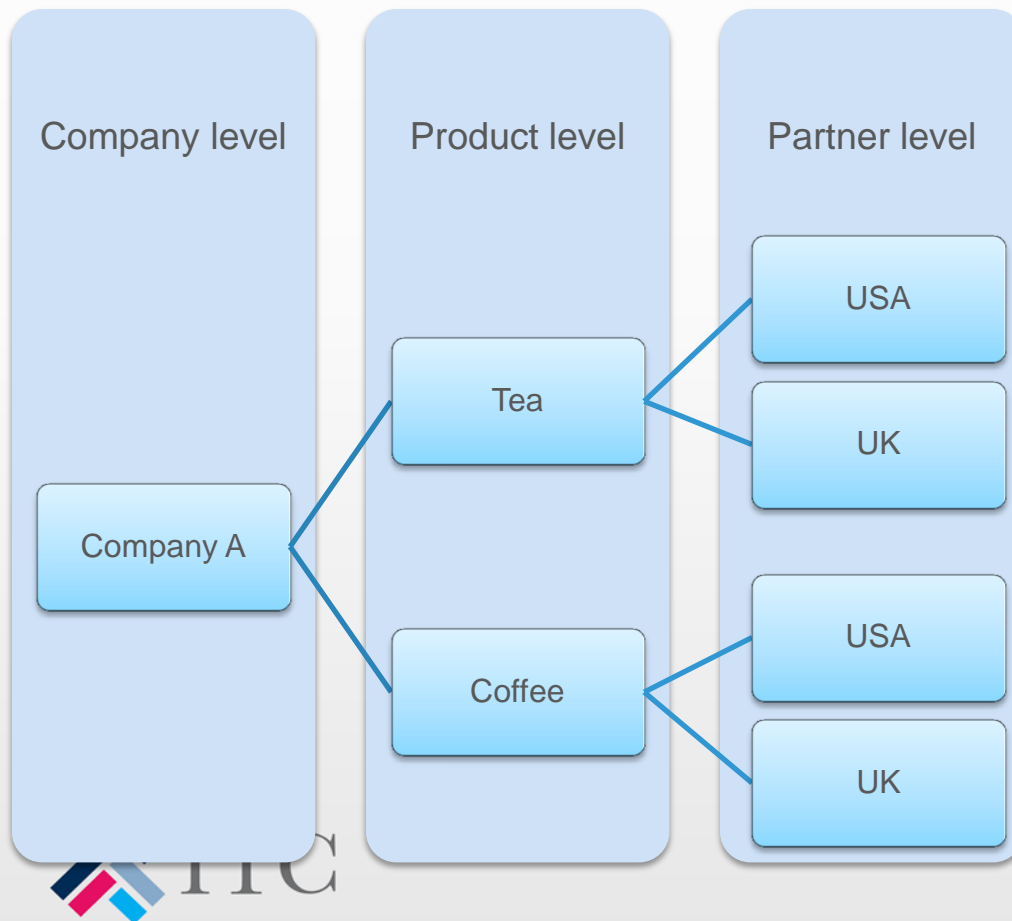
Why NTMs are burdensome

Definitions: NTM case

Export Cases

If measures are applied by partner country

Each case is counted for a unique **Company-Product-Measure-Partner** level

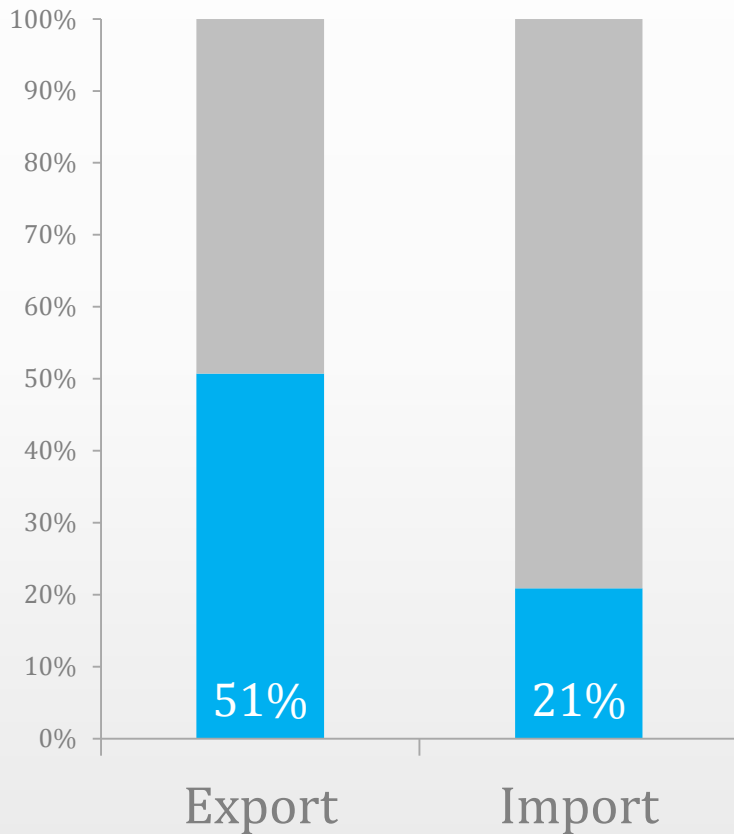


Example: If both the USA and UK require both Tea and Coffee to be tested before allowing entry

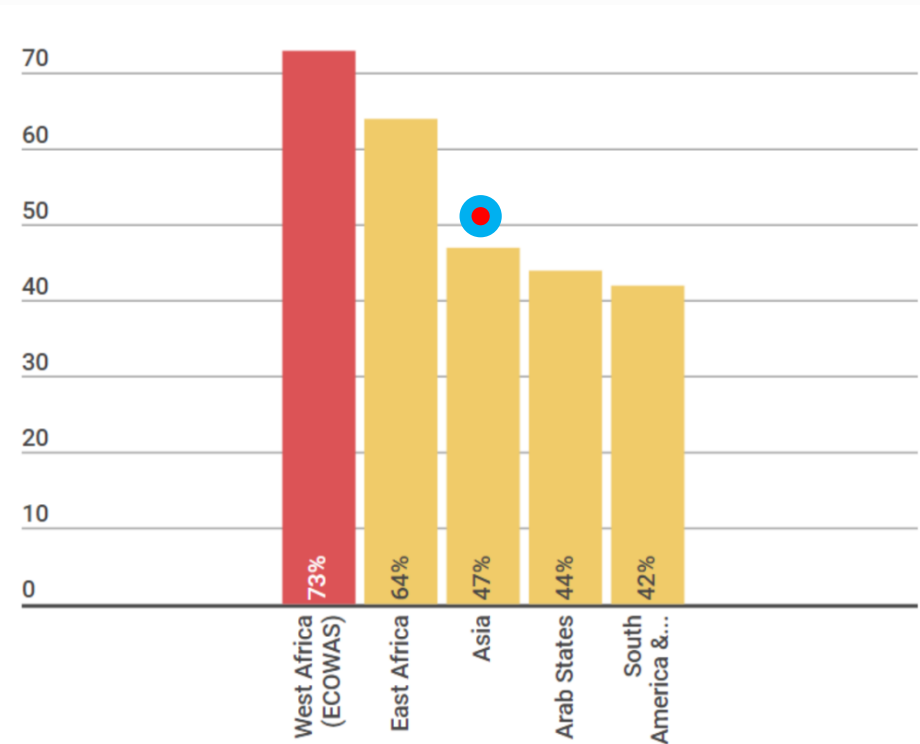
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1

4 NTM Cases

Share of Nepali companies facing difficulties with NTMs



Share of companies affected by NTMs across different regions

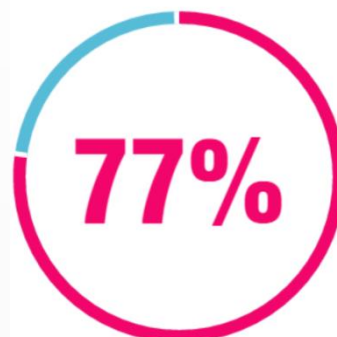


Share of Nepali companies facing difficulties with NTMs

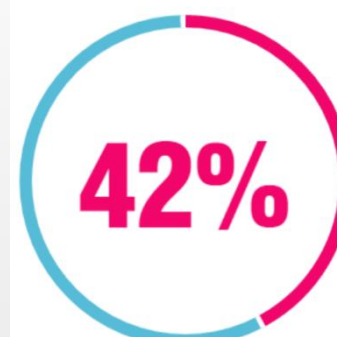
Affected exporters



487 Exporters surveyed



Agriculture



Manufacturing

74%



Fresh food

84%



Processed food

35%



Textile products

38%



Clothing

41%



Miscellaneous manufacturing

71%



Leather products

64%



Wood & paper products

Most of the NTMs perceived as burdensome by exporters are foreign regulations

Share of burdensome NTMs applied by partner and home country

Destination or Transit country (79%)

Nepal (21%)



Foreign
regulations



Nepalese
regulations

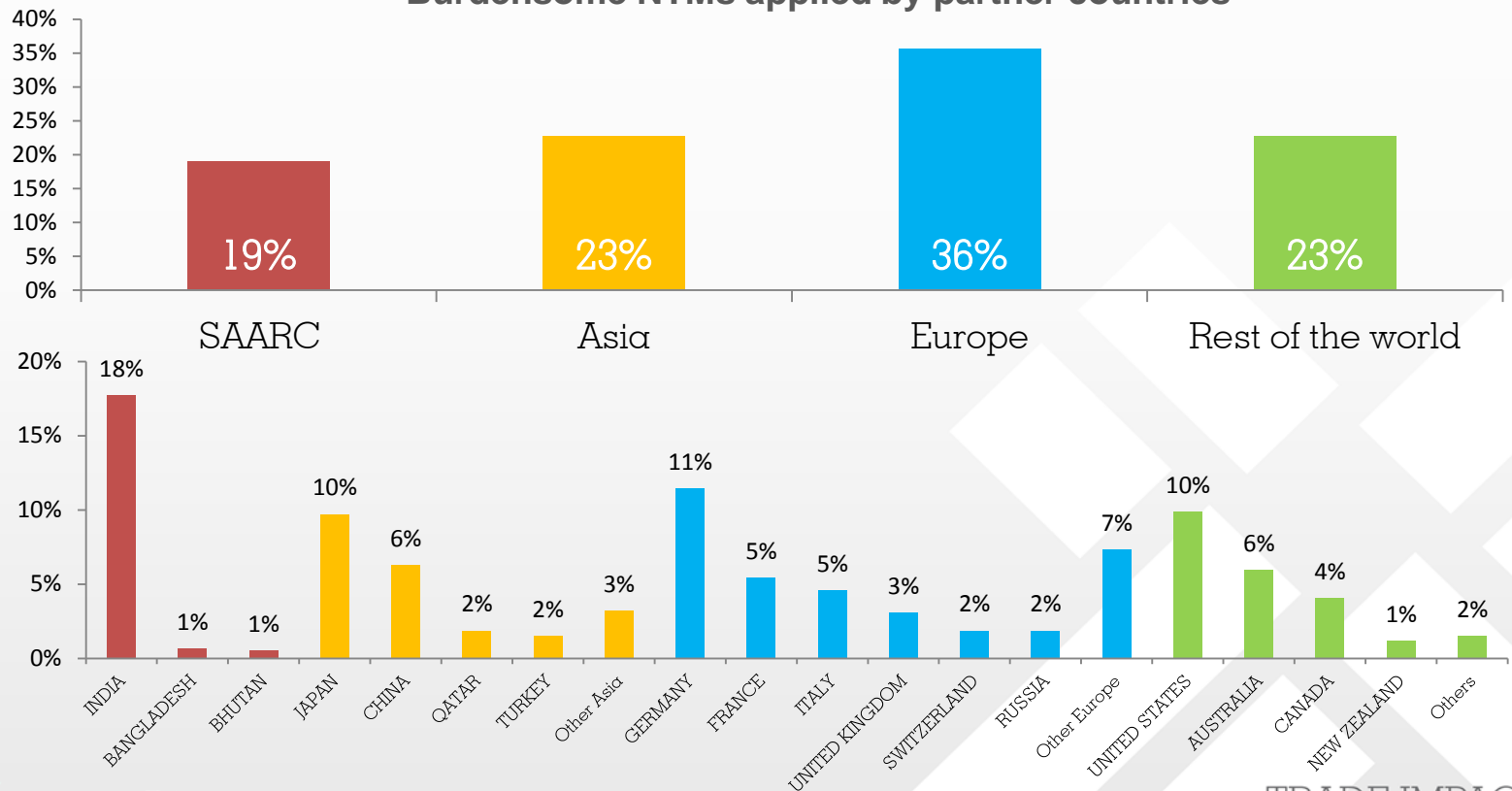
Most of the regulations perceived as burdensome are Indian NTMs

Share of burdensome NTMs applied by partner and home country

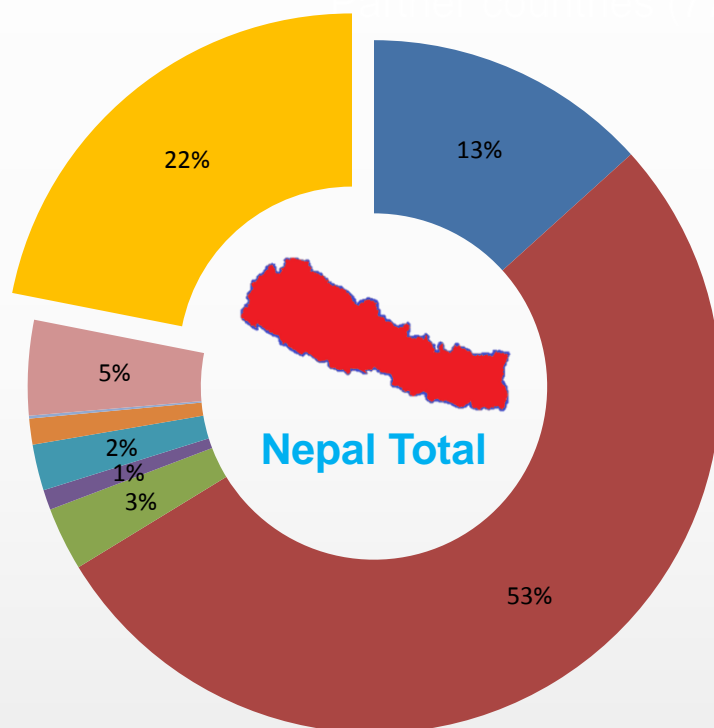
Destination or Transit country(79%)

Nepal (21%)

Burdensome NTMs applied by partner countries

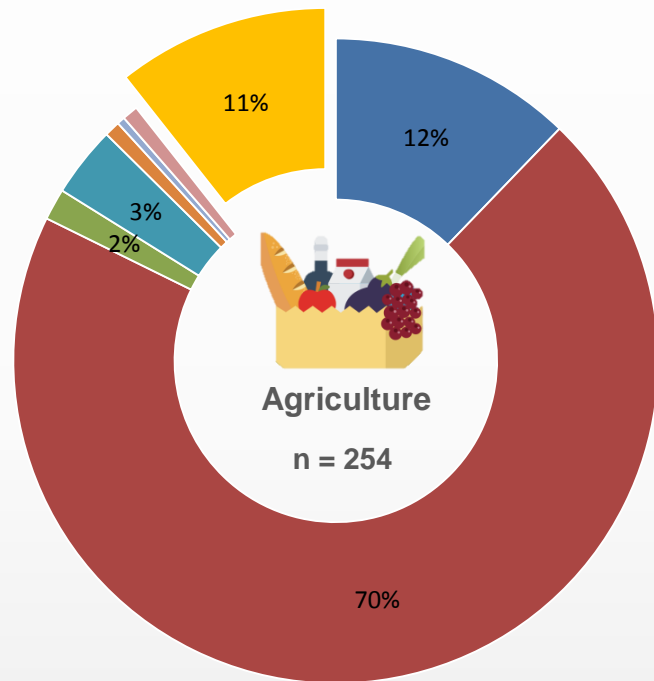


Types of NTMs faced by exporters

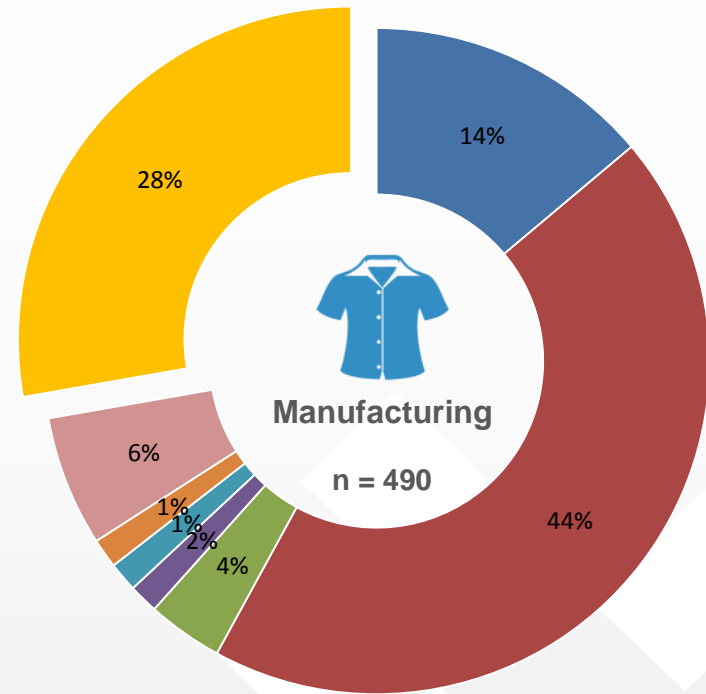


- A - Technical requirements
- B - Conformity assessment
- C - Pre-shipment inspection and border clearance
- D - Trade remedies
- E - Quantity control measures
- F - Charges, taxes and price control measures
- G - Sanitary and phytosanitary measures
- H - Anti-competitive measures
- O - Rules/Certificate of origin
- P - Export related measures.

Types of NTMs faced by exporters: by Sector



- A - Technical requirements
- C - Pre-shipment inspection and border clearance
- E - Quantity control measures
- H - Anti-competitive measures
- P - Export related measures.



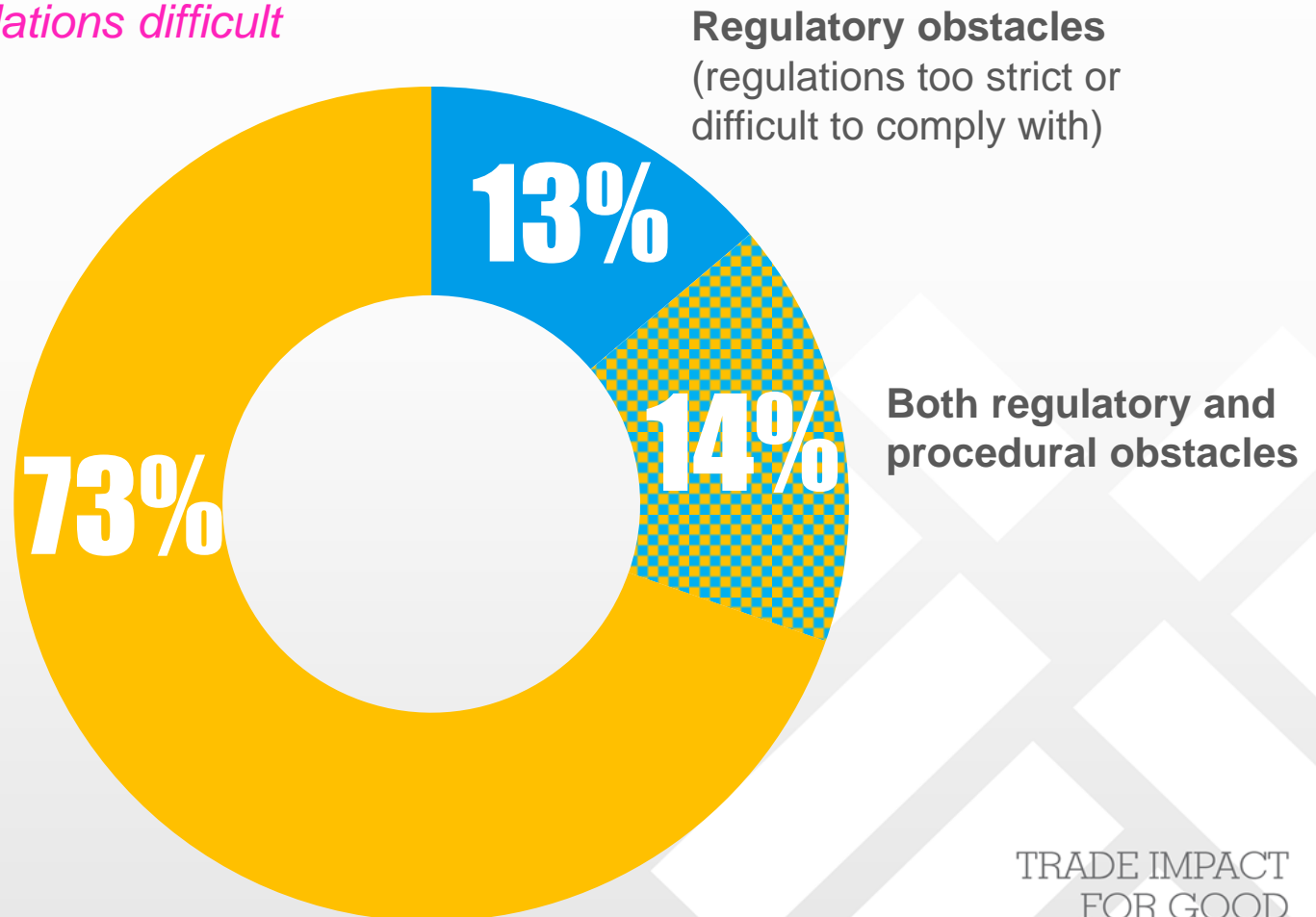
- B - Conformity assessment
- D - Trade remedies
- F - Charges, taxes and price control measures
- O - Rules/Certificate of origin

Types of NTMs faced by exporters

NTM Chapter	Measure Name and Code	Share
A - Technical requirements	AB3 - Tolerance limits for residues of or contamination by certain substances	7%
	AG3 - Fumigation	3%
	AJ9/1 - Prohibitions or restrictions of products or substances	2%
	A - Other (Labelling, characteristics)	1%
B - Conformity assessment	BA3 - Product certification	23%
	BA2 - Testing	23%
	BC0 - Quarantine	4%
	BA4 - Inspection requirement	2%
	B - Others	1%
C - Pre-shipment inspection and border clearance	C - Pre-shipment inspection and border clearance	3%
D - Trade remedies	D - Trade remedies	1%
E - Quantity control measures	E - Quantity control measures	2%
F - Charges, taxes and price control measures	F - Charges, taxes and price control measures	1%
H - Anti-competitive measures	H - Anti-competitive measures	0%
O - Rules/Certificate of origin	OA0 - Rules of origin and related certificate of origin	4%
P - Export related measures.	PA1 - Export inspection	9%
	PA2 - Certification required by the exporting country	3%
	P - Other	10%
Grand Total		100%

Why exporters find NTMs burdensome

Procedural hinderances is a major concern to exporters that make compliance to regulations difficult



Where do the Procedural Obstacles (POs) occur?

Nepal 

Destination 

65%

3%

32%

Transit



Types of POs experienced by exporters



19%

Lack of appropriate facilities
for testing or certification

16%



High fees and charges

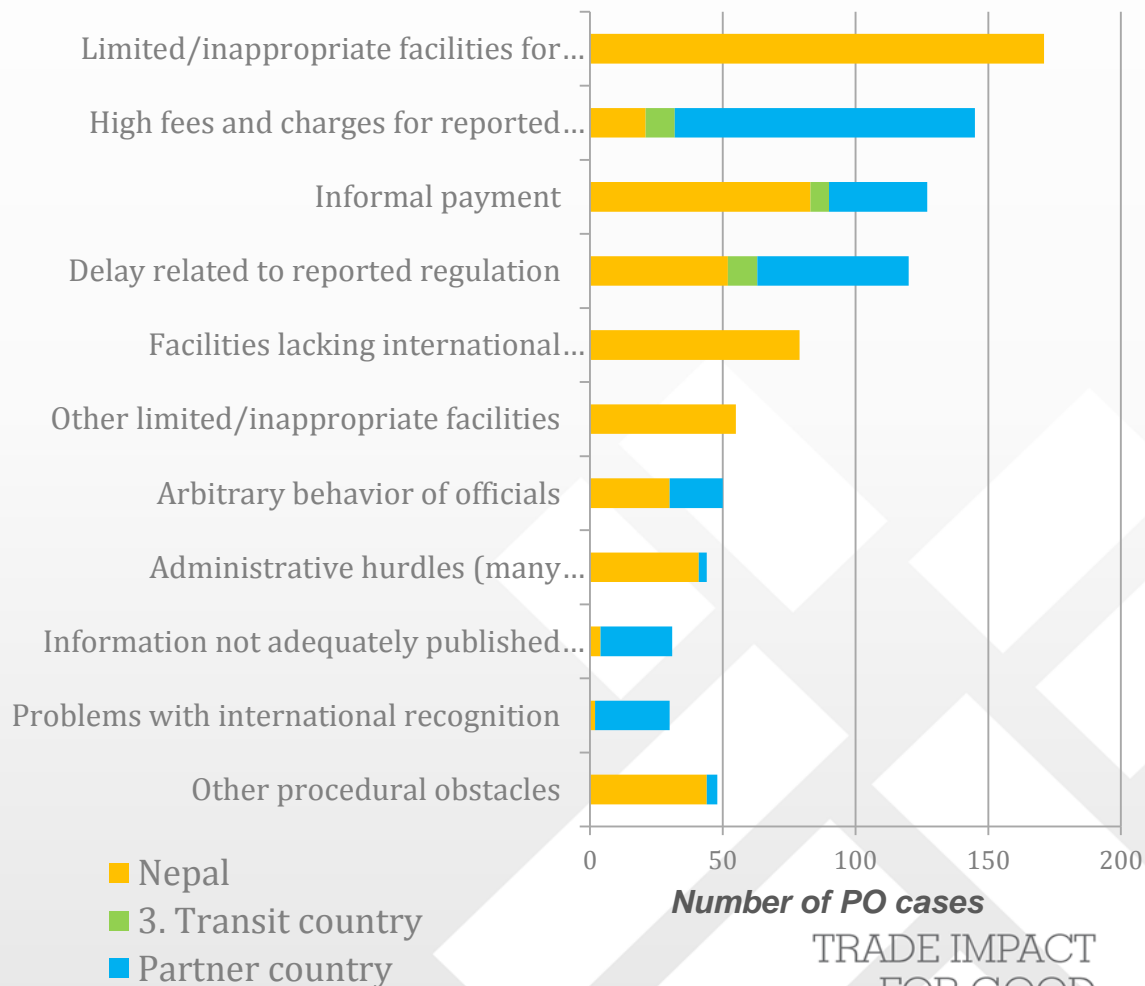


13%

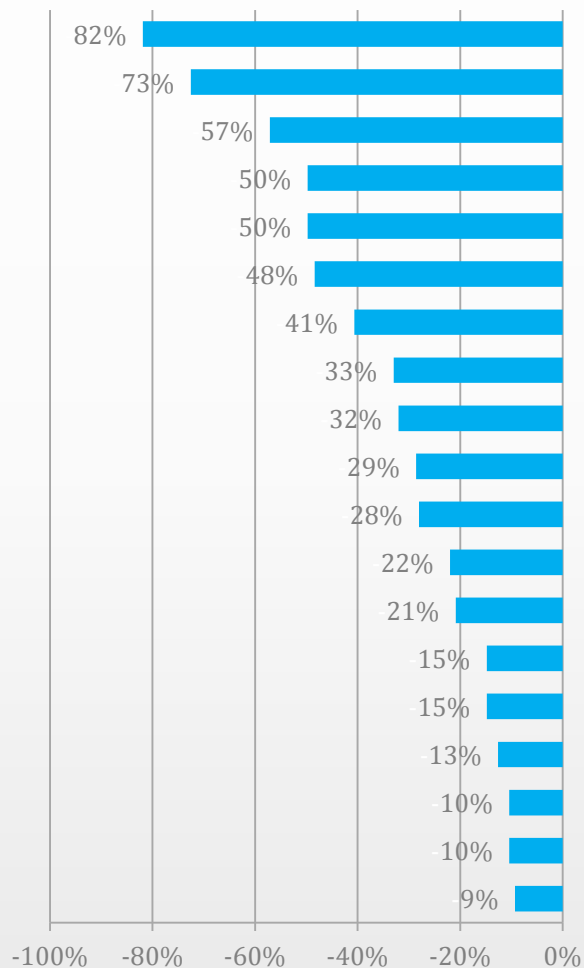
due to **delays** in administrative
procedures



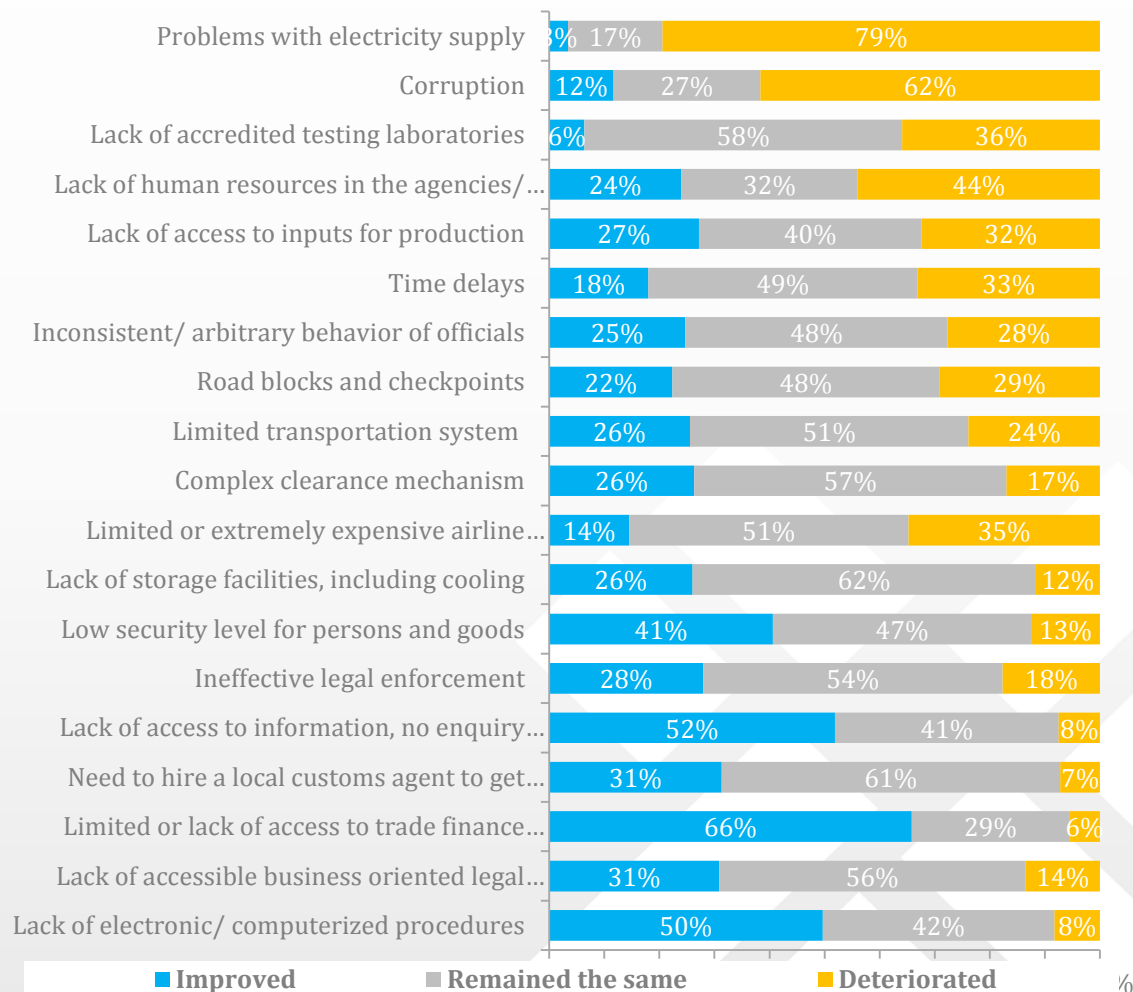
ITC



Share of companies whose business is negatively affected by the current business environment condition



How the business environment conditions have changed in the last 5 years



Concerns of agricultural sector

Difficulties with foreign regulations and requirements



Difficulties of Tea exporters with foreign regulations

1. Compliance with EU MRL of Anthraquinone in Tea

- Anthraquinone (AQ) is an organic compound
- European Food Safety Authority set the **MRL threshold** to **0.02 mg/kg**.
- Most exporters to EU have faced difficulties complying with this requirement – several incidents of shipment being rejected
- No clarity on how it appears in tea
- No testing facilities available in Nepal
 - Samples usually sent to EU for testing
- Positive test results of samples no guarantee for customs clearance
- Overall lack of information on the cause and solution.

Difficulties of Tea exporters with foreign regulations

2. Various test and certification needed for various countries (for both mandatory and private standards)
 - Eg: USDA certification for United States, JAS for Japan, NASAA for EU, organic certification
 - Samples sent to importing country for testing as facilities not available in Nepal
 - Very expensive. Exporters reported to have spent 10 – 20 Lakhs rupees per year on certification
3. Health Certificate for exports to Qatar
 - No provisions to obtain such a certificate in Nepal
 - Consignments have to be quarantined for 2-4 weeks instead

Tea – Border Problem India

India requires MRL testing

- Testing facilities not available at the custom points.
- Testing to be done at the Central Food Laboratory (CFL) located in Kolkata.
- Multiple testing required – for each shipment and buyer
 - Multiple testing requirements can lead to high cost
- Long waiting times:
 - minimum 2 weeks to a month
- Large quantity of tea taken as “sample”
- Harassment at the CFL and Indian customs
 - Required to pay bribes to resolve any issues and clear shipments

Tea – Production Constraints

- Farmers not having adequate knowledge / information on different kinds of pesticides and fertilizers and their risks/benefits
- During dry season electric water pumps are the only way to water the plants. Electricity cuts have been very problematic.
- Labour shortages
- One fertilizer dealer per VDC not enough to meet demand
- Farmers don't have info on real market price – rely exclusively on the dealers

Honey

Buyers demand honey in large quantities of the same taste and quality. But exporters struggle to meet these demands due to:

- Exporters sourcing from many small producers
- Variation in taste/quality due to location and season
- Lack of adequate storage facilities

Some buyer demand honey type to be specified in quality certificates

Incidents of Quality certificate issued by Nepalese Authority is not recognized (eg., by Australia, Japan, Turkey).

- Nepalese testing facility not well equipped.

Nepal not in the EU Third Country List permitted to export to the EU

- Hence, access to large importers such as Germany still not possible

Ginger

All shipment required to under go testing in Central Food Laboratory (CFL) in Kolkota.

- Lab test done in Nepal is not recognized by India.
- 5 random sample test conducted – failure in one leads to shipment being rejected.
- It can take up to 75 days for testing ginger which creates delay in export.

Any consignment above export valuation of Rs. 10,00,000 needs to have custom bill signed by Assistant commissioner.

- One has to go to Siliguri just for the signature.

Next year onwards Indian will not permit import of unwashed ginger. Exporters are concerned because:

- India is the largest (only) market for Nepali ginger
- Most of Nepali ginger exported is unwashed

Production side difficulties:

- Diseases hindering production
- Can sell to only one buyer – no price competition
- Lack of market information

Cardamom

- Difficulties while exporting from the West Bengal border of India.
- The state of West Bengal requires the product to be tested against harmful contaminations for each consignment.
 - The samples are sent to Kolkotta for testing
 - which is very far from the custom point.
- It takes more than 14 days to get the report and clear the goods from custom.
- Difficult to pass the shipment without making unofficial payments to the Indian officials – even when test results show no problems

Cardamom – Production Constraints

- Lack of good quality seeds
- Reliance on traditional means
- Traditional dryers used which can impact quality due to smoke
 - Modern dryers not easily accessible
- Labour shortage
- Cardamom disease spreading
 - Farmers unsure how to tackle this issue
- Farmers have no knowledge of market price of the cardamom. The prices are set by the collectors and farmers have no say in determining the price of their product.

Coffee

- Main concern related to obtaining of various organic certifications (JAS- Japan, USDA - United States and Canada, NASAA- New Zealand and Australia) for different importing countries. High costs of these certification which have to be obtained from foreign agencies is the main concern.
- Strict fumigation requirements in Australia: Exporters are not able to export coffee in wooden crates as Australia require wooden crates to be fumigated – but there is lack of such facilities in Nepal.
- Quarantine requirements in Australia is also burdensome for the exporters. They do not accept quarantine certificates issued by the Nepalese Quarantine agency.

Other food products:

- Exporting food items (noodles) require a Halal certification. This is not available in Nepal.
- Exporters express unhappiness on having to pay 1% export duty on exports of Lentil.

Herbal & Medicinal Products

- Some countries such as Japan and those in the EU require Good Agriculture Practice (GAP), Good Manufacturing Practice (GMP) and organic certificates. However, there are no agencies in Nepal that can issue such certificates.
- Overall lack of adequate standards and certification system in Nepal for herbal products.
- To get safety certification of Essential oil products lab tests in Nepal are conducted on mice. European countries do not accept certification based on animal testing. Companies usually resort to sending their products abroad for necessary tests.
- Difficulties in obtaining necessary paper works for liquid products (essential oil) to use air transport
- The “Forest Act” and Nepal Customs only have a list of 160 herbs. Herbs that are not listed are usually exported under a false name. Sometimes, this has been a problem as some countries recognize that the product is being exported with the wrong name and hence the shipment rejected.
 - Alternatively a special permit is required from the Government of Nepal

Concerns of manufacturing sector

Difficulties with foreign regulations and requirements

Handmade paper

Issues relating to grading / quality certifications:

- Buyers demand pure *lokta* papers
- Certification needed to prove the content
- Lack of certification body leads to exporters selling in cheaper price

SPS requirement hindering trade:

- Handmade paper / products with flower contents have been rejected from Australia
- Products with leather content (eg. Diaries) requires additional certification to prove leather does not originate from restricted wildlife

Difficulties with Indian authorities when transiting through India

- Indian officials demand bank guarantees issued by Indian Banks, but Indian Banks don't issue such to Nepali exports

Handmade paper – Production constraints

- Lack of regulatory clarity on collection of lokta from the forest
 - Regular harassments and “arbitrary” checks
 - Tedious to get necessary permits
- Labour shortage and inadequate technical skills to collect lokta
- Non-exporting producers lacking capacity to produce fine paper of export quality

Carpets

Australia & New Zealand require **Foot and Mouth Disease Free Certificate** (FMD).

- Regulation imposed to ensure that sheep are not infected by the disease.
- There is certifying agency in Nepal but certification is done through a meeting chaired by the head of health department.
- The meeting takes place only every six month.

Big buyers in importing countries demand **azo and acrylic free** felt products.

- In Nepal there is no laboratories to test whether the products are azo and acrylic free or not.
- The company can take products to India and Hong Kong for testing purposes but testing in these countries is costly.

Large retail stores like Walmart, etc., require **social compliance certificate**.

- Some exporters lacked capacity to comply with such requirements and hence have not been able to sell.

Additional duties imposed by Turkey on Nepalese carpets has restricted exports there.

Garments, Pashmina & Wollen Products

Buyers need **quality certification**

- For example about:
 - wool/cotton content,
 - Pashmina content
 - AZO content – a chemical used in dyeing process
- There is no quality testing facility in the country.
- Testing has to be done in other places (eg. in Delhi)
 - Higher cost and longer waiting times

Zippers used in cotton bags and garments need to undergo test in the United States:

- **Lead contain** in zipper should be below **90 ppm** (part per million).
- Similarly, the nickel contain shouldn't cross certain limit
- There is no reliable testing labs in Nepal for zipper test. Experience of some exporters:
 - Tests in Nepal showed lead and nickel content was below the allowed limit but when the same product was tested in SGS (Hong Kong), the lead and nickel contain were 3-4 times higher than the limit.

Leather products

- Leather exports to India has stopped since the last 2-3 months
- Indian custom at Raxaul demand “Animal Quarantine Certificate” but do not accept certificates issued by veterinary doctor of Nepal.
- Officials not complying to the Notification No. 18 (RE-2013) 2009-2014 sent by Ministry of Commerce and Industry, India:
... health certificate as per the Indians requirement issued either by the official veterinarian or by a veterinary doctor authorized to issue an export certificate by the government of the country of origin shall be furnished at the time of custom clearance.
- Officials demands Animal Quarantine certificate issued by Kolkota Quarantine Office:
 - Kolkota Quarantine Office do not accept Animal Quarantine certificate request from Nepal claiming that there is no provision to provide Animal Quarantine certificate to Nepali exporters.
 - Previously, there used to be no problems

Metal, wood and other handicraft items

- Silver jewelry items cannot have cadmium content higher than 0.01%.
 - There is no proper accredited testing lab in Nepal for such testing.
- Exporter must obtain clearance from the Archaeological Department, stating that the products (statues) being exported is not antique or stolen, and is new.
 - Complaints of slow services and demand for informal payments to expedite the process.
- European Union demands nickel and **cadmium free test** in all copper items and **lead free tests** on ceramic products.
- Since there is no such agency in Nepal, test is done in India and Hong Kong.
- To export stone carvings, exporters need a certificate from the Department of Archaeology but stone carving product is not listed in the Export list of Archaeology Department. Hence, they are not being able to export through formal channels.
- Difficulties in exporting wooden products to Australia due to moisture level in Nepali woods being higher than allowed in Australia.

Concerns of exporters

Difficulties with Nepali regulations and requirements

Advance Payment Requirement

- Advance Payment Requirement (100%) has been widely reported, especially by the handicraft exporters, to be a big hinderance:
 - Many buyers are not willing to pay the full amount before the delivery of goods. As a result exporters are losing some business.
 - Very strict implementation of this measure by Nepal customs, e.g. if the amount do not match between the invoices and the confirmation from the bank on received amount (usually bank deduct some amount as fees), or if the name of the buyer is not exactly the same (occasionally the order comes from one company and the payment via its sister or subsidiary company).

Difficulties at the customs

- At Nepal customs, officers demand certificate to prove that the wool is processed.
 - Nepal does not allow export of raw wool (minimum 30% value addition required).
 - Exporters say certifications not required and visually raw and processed wool can be identified easily
- Difficulties with re-import
 - Sometimes, exporters reimport goods if shipments are rejected
 - While bringing back these rejected goods, the customs at Nepal imposes import tax.
- Some complaints of reckless handling of handicraft and delicate goods (eg. Pashmina) by customs officers which have led to product damage.
- Some complaints on having to pay informal payments to unblock the shipment or expedite the process.

Other issues

Cash back policy

Some traders (non-producers) question why traders are not given the 2% cash back incentive provided to producers.

Question / Comments?

Thank you!



For further information:
www.ntmsurvey.org/nepal

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