

An Assessment of Export Barriers of Nepalese Products to India

Submitted to

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**Submitted by
Research Team**

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Research Team

PREFACE

Nepal has been integrating with the global economy, particularly with its neighbors, in the areas of trade, finance and investment. Despite the increased openness, the export trade of Nepal is circumscribed by multiple problems, leading to low growth of exports with less diversification. To cite an example, the country's exports to India account for about two-thirds of total exports, with the export basket concentrating on just a few commodities such as zinc sheet, textiles, polyester yarn, jute goods and cardamom. In addition, the average growth rate of exports to India in the last five years was barely 6 percent. Likewise, the ratio of exports to import from India has also been taking a declining trend. A number of factors have been responsible for the poor performance of Nepal's exports to India including supply side constraints, low productivity and lack of competitiveness.

In this light, Nepal Rastra Bank (NRB) acknowledged that a detailed study on export barriers, including procedural, institutional, policy and structural barriers needs to be undertaken as its recommendations would be crucial for policy formulation purposes. It is against this backdrop that NRB outsourced this study to Department of Economics, Patan Multiple Campus.

I would like to thank the Research Team of Patan Multiple Campus for their painstaking effort in the timely completion of this comprehensive study which attempts to address the core issues related to different barriers in Nepal's exports to India. My appreciation also goes to the staff of the Balance of Payments and International Finance Division of Research Department, Nepal Rastra Bank, for their cooperation rendered to the Research Team during the course of the study.

Last, but not the least, the views and opinions expressed in this study report are those of the researchers of Patan Multiple Campus themselves and do not necessarily reflect and represent the views and policies of Nepal Rastra Bank.

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EXECUTIVE SUMMARY

1. **Examining the various barriers perceived by Nepalese traders and other stakeholders while exporting Nepalese products to India can provide useful insights to policymakers in designing appropriate strategies to promote export trade to India.** India has been the most important export and import destination of Nepal with over 60 percent of Nepal's imports and exports traded with India. With increasing imports relative to exports, trade deficit with India has been rising. In spite of the removal of tariff barriers, the export to India has not increased in recent year. This study focuses on enhancing better understanding of the current stock of barriers to export Nepalese Products to India.
2. **The study seeks to better understand the export barriers to export Nepalese products to India with specifying threefold objectives:** to identify barriers related to procedural, institutional, policy and structural aspects in course of exporting Nepalese products to India; to identify products to be emphasized in terms of comparative advantage for export to India; and to recommend steps for promotion of export of Nepalese products to India.
3. **The study uses primary as well as secondary sources of information. Various sources of information and ideas are triangulated through iterative process.** The study is primarily based on cross sectional data collected from the field survey using qualitative and quantitative methods. Pre-test and pre-designed questionnaires were administered to export traders, customs/ tax officers, customs clearing agents, quarantine officers and focus group discussions were conducted among the stakeholders in six trading outlets: Kakarbhitta, Biratnagar, Birgunj, Bhairahawa, Nepalgunj and Dhangadi and trade points in the Indian side across the Nepal India Border.
4. **The study assesses the procedural, institutional, policy, and structural barriers in terms of incidence, intensity and severity of barriers. The probabilities of these barriers experienced by the firm are explained by utilizing the logistic regression.** Incidence of barriers is the percentage of respondents who experienced the barriers while exporting the products to India. Intensity of barrier measures the vertical in-depth of the single barrier and severity of barrier measures the horizontal in-depth among barriers. In the logistic regression, the outcome of interest is measured as a binary variable, whether one experiences any of the various barriers or not. Explanatory variables for the logistic regression analysis include years of experiences of the firm, number of employees, distance of destination to India, certainty of demand of commodity, time taken to process export, barriers faced in the process in Nepal, barrier faced in the process in India, barriers in production process, and dummy of six export outlets among others.

5. **Almost 50 percent of the respondents or stakeholders experienced the procedural barriers; however, intensity of the barriers is reflected in low or moderate scale. A medium severity is reported for procedural barrier. The results derived from primary survey indicated that procedural barriers and certainty of demand for the products have an inverse relationship.** Procedural barriers emerge due to the governance and bureaucratic mechanism of the government agencies concerned with the export trade sector. Procedural barrier also arise due to the time taken in completing the administrative process, transportation, insurance and settlement of finance. Quarantine approval from India is a major export barrier for Nepalese products to India. If the demand for products with given price (including cost and time of procedural barriers) is certain, the procedural barriers are at acceptable level.
6. **Institutional barriers were perceived by around one third of the respondents. Intensity of institutional barriers is perceived to be low by exporters and clearing agents; however, quarantine officials perceived high intensity of institution barriers. Institutional barriers are problems but not most severe ones. The firm which has certainty of demand for the product to export to India is less likely to experience institutional barriers.** Institutional barriers in export trade to India emerged due to lack of clarity in the rights and responsibilities of various agencies; overlaps and undefined areas of rights and responsibilities. Approval requirements from several institutions are also regarded as institutional barrier.
7. **Around 60 percent of the respondents perceived some form of policy barrier. The intensity of policy barriers is reflected in low and moderate. The severity of the policy barriers seems to be low. In spite of demand certainty of the product, a firm with a long experience in export trading along with a long destination is more likely to experience policy barriers.** Policy barriers are barriers created by current policies that raise the cost of production of exportable commodities, raise export prices of exportable commodities and causes loss of comparative advantage of trade. Policies are relatively clear and revised for the manufacturing sector but more complicated and confusing for forest and agriculture sector products.
8. **All the respondents reported the highest level of barrier on structural aspect. Structural barriers are the most critical barriers to export trade to India in terms of intensity and severity of barriers. The analysis of severity also indicates that it should be addressed with high priority. The firms which have both barriers namely barriers in exporting process and barriers in production process of the product at the same time are more likely to experience structural barriers.** Structural barriers are barriers created by the existing state of infrastructure, technology and market imperfections created by non-market forces. Structural barriers broadly include insufficient power, infrastructures, problems in labour relations, excessive politicization of labour among others. Due to lack of conducive environment in the country, competitive capacity has declined; products for exports have declined

significantly and export based industries have been pushed to the limit in terms of their size and numbers.

9. **The numbers of commodities which had revealed comparative advantages are reducing over the years and the degree of comparative advantages is also declining.** Analysis of secondary information revealed that Nepal captured more than 50 per cent of total import by India from South Asia in 2001; however, it has declined to 20 percent in 2013. Most of the commodities suggested by stakeholders to have comparative advantage for export to India are traditional primary products and raw materials. Stakeholders could not identify new potential products that could be competitive in the Indian market probably given the structural barriers and production bottlenecks in Nepal.
10. **Structural and procedural barriers jointly caused negative impacts on volume, size and number of products and competitive capacity of the Nepalese export product to India.** It doesn't mean that structural and procedural barriers have increased during the last decade, but cumulative effects of these barriers on export trading to India have been observed in the volume of trade during this decade.
11. **The raw materials or semi-processed products such as stone/stone dust/stone concrete, medicinal herbs which are low valued products and import based export products such as iron, copper or metal products which have low backward linkages, have increasing tendency to dominate the export market.** Both primary and manufacturing goods for export to India have comparative advantages. Imported raw material based export products have limited power to reduce trade imbalance for the country; for example, paddy is imported from India while husk, which is a low value commodity, is exported to India. It is a bitter reality that Nepalese exporters have not been able to identify specific high value commodities of comparative advantage for export to India.
12. **Current trade policy and trade agreements with India does not have the power to increase the export trade to India as compared to other South Asian countries; for example, Bangladesh, Pakistan and Sri Lanka have significantly increased export trade to India after having trade agreements with India.** Bhutan also maintained or increased export trade to India after its trade agreement with India. However, Nepal's export trade to India compared to other South Asian countries have continually reduced although Nepal had trade agreement with India in 2009.
13. **Formulating trade policy by addressing current issues is the most important starting point to remove export barriers, and to increase and encourage the export trade to India.** Current trade policy primarily focuses on manufacturing products, but as mentioned earlier raw materials and semi-processed products are not mentioned properly in the trade policy. Exporting the products based on Export and Import

(control) Act 2013 (updated) doesn't create the room for innovation and technology and doesn't encourage the entry of new products to export market. On the other hand, existing trade policy encourages exporters to operate on loopholes in the rules and regulations or to go for informal trading instead of initiating long term and efficiency based production.

14. **The number of quarantine facilities and food testing facilities at border points from the existing facilities should be increased.** Lack of quarantine facilities increases the number of days in the process of exporting the products. The Government of Nepal should talk about quarantine related issues with the Government of India to include the list of plants (as given in Appendix C) in Plant Quarantine regulatory Act 2003 Government of India, SCHEDULE-VII.
15. **Clear institutional roles and responsibilities related to export of products should be made by Ministry of Agriculture and Cooperative, Ministry of Forest and Soil Conservation and Ministry of Finance to reduce institutional barrier.** There are gaps in information and provision related to export of primary products such as vegetables and agriculture products, herbs, among the concerned institutions such as district forest office and customs office at the local levels. The SEZ Bill should be passed as soon as possible. Parking, storage facilities should be developed in the customs point.
16. **Addressing market failures includes improvement in knowledge and understanding, innovations, encouragement in entrepreneurship, creating the environment for competition, among others as the starting point of reducing structural barriers.** It should focus on accelerating development of infrastructure in the key areas power, road transport, and irrigation to improve connectivity. Excessive politicization of labor, frequent strikes and political interference, employment legislation, trade unions, and labor relations are indicated as structural barriers that need to be handled carefully by the political parties by developing common consensus. Effective policies are required to overcome market failures particularly in the use of natural and environment related export products such as herbs, stone/stone dust/stone crush/stone aggregates among others.
17. **Stakeholders have given primary emphasis on structural barriers in terms of incidence, intensity and severity; however, it requires medium term or long term strategy to remove or minimize the barriers.** Some procedural and policy barriers can be removed or minimized within a short period of time. Some of the procedural barriers are generated due to the lack of comprehensive trade policy.

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List of Abbreviation

BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
COO	Certificate Of Origin
FGD	Focus Group Discussion
FNCCI	Federation of Nepalese Chambers of Commerce & Industry
GON	Government of Nepal
MOCS	Ministry of Commerce and Supply
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NRB	Nepal Rastra Bank
NTB	Non-Tariff Barrier
RCA	Revealed Comparative Advantage
SAFTA	South Asian Free Trade Area
SEZ	Special Economic Zone
WTO	World Trade Organization

CHAPTER 1: INTRODUCTION

1.1 Background

India has been the most important export and import destination of Nepal since a long time back. India is often considered Nepal's 'natural' trading partner because two countries share about 1,800 km long border with 26 export-import outlet points. Over 60 percent of Nepal's imports and exports are traded with India. Trade is considered an engine of economic growth and it generates positive impacts on the resource mobilization, economic development and poverty alleviation as it generates forward and backward linkages for the country. However, Nepal's trade outcomes are not satisfactory.

In spite of Nepal's participation to several trade treaties and arrangements such as WTO, SAFTA, BIMSTEC etc., share of total trade has skewed to India, with about two third of total trade. One way to alleviate the trade deficit problem is to attract more business into exporting. For this purpose, several efforts, in terms of introduction of new policy to encourage the export, reducing tariff, introducing one window policy and simplifying administrative procedures among others, have been initiated from the Government of Nepal (GON) side. The GON has revised the Trade Policy formulated more than one and a half decade ago to meet the challenges and opportunities created by the new dynamisms in the sector and has put Trade Policy (2009) into effect. It has acknowledged the supply side constraints in the sector and has tried to address specific issues by barrier category and product specifications; however, in response to these efforts, the reported data have not shown positive impacts on promoting export. Due to the large volume of trade with India and some other reasons such as historical, geographical, cultural proximity, the GON has focused to increase the export of Nepalese products to India; however, several economic surveys published by Ministry of Finance demonstrated that the expected outcomes have not been achieved. Nepal has not been able to make desired progress in the production and promotion of exportable goods, except for engaging in the production of a limited number of traditional items. Export products of Nepal are limited to a few commodities such as textile, jute products, polyester yarn, juice, yarn, GI pipe, copper wire, tooth paste and cardamom among others.

The policy makers seek to better understand, why the exports to India are narrowing down; what are the export barriers experienced by the Nepalese exporters to export to India? Some of the barriers such as procedural, structural, institutional and policy barriers are raised by the media, experts and academia in the different forums. In contrast, exporters' perceptions and experiences about the export obstacles are important to design the policy. Existing policies and working policies to promote the exports can be based on misinterpretation of behaviour of the firms. Barriers to exporting defined by the firms including institutional, structural,

operational, and other constraints hinder the firm's ability to initiate, develop, or sustain international operations. Therefore, removal or minimization of these obstacles experienced and perceived by the firms contributes toward a better understanding of the problem for higher export propensity and performance. Beside an increase in the volume of exports, the GON has paid attention to diversify the export products. The obstacles encountered not only by the firms already engaged, but the firms intending to engage in exporting are required to be addressed to increase the volume of the exports and to diversify the export products.

The importance of tariffs as barriers to trade has gradually come down; however, there is a strong presence of Non-Tariff Barriers (NTBs) including other structural barriers such as high transportation costs, poor institutions, inadequate infrastructure, modern warehouse or container handling facility at border. Some of the studies, such as Nordas et al. (2006); Devlin and Yee (2005) and Djankov et al. (2005), few of them, have focused on time and logistic services to identify the trade barriers. Higher time, lengthy administrative procedures and inadequate logistics services increase the transaction cost or cost of trade. Some other studies such as Anderson et al. (2004); De et al. (2008) were interested to find out the cost of trade or transit barriers, as trade barriers. However, trading is a sequence of tasks and operations all of which are essential to be accomplished. If one task or operation or input is missing, the trading or production is not finalized. On the other hand, if there is certainty of demand for the products, time and other barriers may not be very important issues for the firms. The firm engaged in exporting can analyze and compare trade barriers robustly by utilizing the information on transaction cost, time, expected demand of export products, trading partners, trading procedures among others. Therefore, most of the studies such as Leonidas (1995) and Silva and Rocha (2001) focused on exporters' (or importers') perception of barriers to export activities. This study focuses on the empirical research on export barriers perceived and experienced by the exporters to export Nepalese products to India. The time series trade data can indicate the changing export situation over years; however, this study focuses on enhancing better understanding of the current stock of export barriers. This study is based on cross sectional data collected from the primary survey.

1.2 Objectives of the Study

The study seeks to better understand the export barriers to export Nepalese products to India and to provide the measures to reduce or remove the export barriers. Specifically, the study has threefold objectives:

- 1) to identify barriers related to procedural, institutional, policy, and structural aspects in course of exporting Nepalese products to India
- 2) to identify products to be emphasized in terms of comparative advantage for export to India
- 3) to recommend steps for promotion of export of Nepalese products to India

1.3 Methodology

1.3.1 Research design

The research study mainly relies on the primary sources of information from different stakeholders from Nepal. Secondary sources of information have been utilized to provide useful insights and validate findings from primary sources. This exploratory study is consistent with a stated governmental priority "to reduce barriers (if any) to exports". Obstacles encountered by Nepalese firms engaged in exporting to India are of special interest of this study. The study covers major export point bordering with India. Simple statistical as well as economic analytical methods including logistic regression are applied to analyze the data collected from the primary sources.

1.3.2 Conceptual framework

1.3.2.1 Concept of barriers

A decreasing trend of export trade data with India as suggested by various economic surveys indicate the existence of some obstacles. As a result, new firms may hesitate to enter foreign markets, and those already engaged in export activities may face serious problems in their future progression. This study analyzes the barriers in policy, process and practices to exporting in terms of four aspects: procedural, institutional, policy and structural barriers that hinder the firm's ability to initiate, develop, or sustain export trade operations. Barriers are derived from the perceptions and experiences of the firms, and other stakeholders.

Procedural barriers emerge due to the governance and bureaucratic mechanism of the government agencies concerned with the export trade sector. Procedural barrier also arise due to the time taken in completing the administrative process, transportation, insurance and settlement of finance (details are provided in appendix A). Similarly, institutional barriers emerge due to institutional ambiguities and lack of clear demarcation of roles and responsibilities. Structural barriers emerge due to inherent structures of the economy and can be corrected only through concerted efforts in the long run. Policy barriers are barriers created by inappropriate policies and can be addressed with relatively greater ease once they are identified and measures taken to remove them. The categorization of these barrier are not mutually exclusive. The problems faced by various stakeholders might overlap across these barriers.

The demand certainty is an important issue while analyzing export barriers. Demand certainty ensures the access of the trader to the adequate market information and market network that facilitates the export decision making. In other words, the certainty of demand for the products can be used as a reciprocal indicator to measure the tolerance level of export barriers.

The decline in the export trade of a country is due to the loss of its comparative advantage with respect to some other country. The decline of this trade must have been taken up by some other country if the total export volume is increasing. An analysis of trade flow between trading countries provide a picture of how Nepal's export trade share is being captured by other countries.

1.3.2.2 Measuring barriers

Barriers are measured in terms of incidence, intensity and severity. Incidence of barriers informs us how much share of firms or respondents perceived or experienced above mentioned barriers. Incidence of barriers may not be sufficient to understand the depth of the barriers. The intensity of export barriers conditional with incidence of barriers is measured by utilizing the ordinal scales (from 1 to 5: very low, low, moderate, high and very high). Intensity of barrier measures the vertical in-depth of the single barrier such as policy barrier; however, there may be several barriers experienced by the stakeholders. The horizontal measurement requires measuring the degree of barriers among the different barriers. The severity index (low, medium and high) has been used to measure the breadth of the barriers compared to other similar barriers. The major areas of collecting information include: problems encountered by exporters; perceived barriers to exports related to policy, institutional, structural, operational or procedural; potential areas of exports, comparative advantages; and expectation of future government support among others.

The probability of barriers experienced (or perceived) by the firms is explained by utilizing logistic regression. The outcome of interest is measured as a binary variable, taking values of either one or zero. This binary variable indicates whether a firm experienced the barrier or not. We have used maximum likelihood estimator to quantify the relationships between incidence of barriers and explanatory variables. There is not much empirical work on determining the trade barriers in low income countries.

Choice of explanatory variables and identifying their directions are challenging tasks. Available literatures suggested that cost, time and logistic services act as trade barriers (Nordas et al, 2006). Costs, time and logistic services are important to determine the export trade and new entry of the firm in the export trade market (Kremer, 1993). The logistics services that include the materials flow for the export trade play an important role for whether or not firms will enter international markets given the price of the products. Time is also the cost of the trade. Time taken in the process has two distinct effects on trade: first, it determines whether or not a manufacturer will enter a particular foreign market. This is a variable with two possible outcomes- enter or not enter. Second, time affects the volume of trade once a market entry is made. Time is found not only to reduce trade volumes, but more importantly lengthy procedures for exports reduce the probability that firms will enter export markets for time sensitive products at all. Lengthy administrative procedures and inadequate logistics services constitute a substantial disincentive to invest in quality and to upgrade their

products, since they cannot meet the reliability requirements typically found in markets for new and differentiated products. Consequently firms are confined to the domestic market and to exporting commodities and low value-added standard products where customers are less demanding (Nordas et al, 2006). Time also depends on planning and supply chain management, logistics services and distance to customers and suppliers. Time may not be a problem if delivery is predictable and demand is stable. If future demand has been underestimated, running out of stock has costs in terms of foregone sales and the possibility of losing customers. If future demand has been overestimated, excess supply must be sold at a discount. Border delays induce high cost and uncertainty for transport and logistics providers. There are differences in waiting time at different border crossings, which implies continued lack of predictability. Time does not affect all destinations in the same way. Therefore, explanatory variables for the logistic regression analysis include years of experiences of the firm, number of employees, distance of destination to India, predictability of demand or certainty of demand of commodity, time taken to export process, barriers faced in the process in Nepal, barrier faced in the process in India, barriers in production process, and dummy of six export outlet among others. It is possible that predictability of demand or certainty of demand of commodity modifies the effect of other variables such as the years of experiences, distance of destination and time taken to export process. The functional form of the equation can be written as:

$$\lambda(D_{ji}) = g(Exp_j, Emp_j, Dist_j, Day_j, Demand_j, Pronep_j, Proind_j, Production_j [Outlet_j], [Demand_j \times X_j]) \dots \dots (1)$$

Where, $\lambda(D_j)$ =logistic transformation of the barrier variable, which takes the value of 1 if the firm has experienced barrier and takes the value of zero when the firm has not experienced the barrier. $\lambda(D_i)$ represents barriers and i indicates four types of barriers: procedural barrier, institutional barriers, policy barriers and structural barriers . Therefore there are four dependent variables or equations. Exp_j = years of experiences (continuous variable); Emp_j =Number of employment (continuous variable); $Dist_j$ =Distance of destination (continuous variable). A firm can export the commodity in various place of India; therefore, mean of distance of destination is used in the regression analysis. Day_j =Number of days to complete the export process (continuous variable). Various activities such as preparing contract document, signing and exchanging contract, receiving L/C or advance payment, getting lab test certificate, packing of product, obtaining certificate of origin (COO) among others have to be completed for the export process. Taking time to complete the process varies with the activities; therefore, mean of days required for a firm is used in the regression analysis. $Demand_j$ =certainty of demand (dummy variable, 1= certainty), $Pronep_j$ =Barriers in process in Nepal (continuous variable). Barriers in various activities as mentioned above to complete the process faced by the firm in Nepal are measured in zero to five categorical scales. Mean value of these barriers used in regression analysis. ; $Proind_j$ = Barrier in process in India (continuous variable). Barriers in various activities as mentioned above to complete the process faced by the firm in India are measured in zero to five scales. Mean value of these

barriers used in regression analysis. $Production_j$ =Barrier in production of the commodity (continuous variable). The firm has experienced the barriers or problems due to political instability, labour problem or unionism, lack of regular supply of electricity among others in the production of commodity. These problems are also measured in zero to five scales. Mean value of these barriers used in regression analysis. $[Outlet_j]$ =Dummy of six export outlets. The field observation shows that Kakarbhitta has a relatively better facility; therefore, Kakarbhitta is used as a reference outlet for regression analysis. $[Demand_j \times X_j]$ is a set of interaction variables.

The survey questionnaires provide ordered categorical variables while measuring the barriers; however, due to small sample size, the result of test for proportional odds doesn't allow us to analyze data through ordered logit model. We therefore use binary logit with zero and one (1 to 5 categories are recoded into 1) for this analysis. It has a standard logistic distribution gives the logit model. The logit model is typically estimated by the method of maximum likelihood estimation. The heteroskedasticity in the regression can be corrected by using a robust estimator of the standard errors. The sign of the coefficients tells us about the qualitative effect of the explanatory variables. An attraction of the logistic regression model is that the regression coefficients directly measure both marginal effect of continuous explanatory variables and the average effects of dummy explanatory variables. However, due to small sample size of the firms, one should be careful to interpret the results. The logistic regressions, therefore, provide indicative results in this report.

1.3.3 Data collection

The study primarily relies on primary sources of information; however, secondary sources such as various economic surveys published by Ministry of Finance, published and non-published documents from Nepal Rastra Bank (NRB), Department of Commerce, Government of India, other research reports, articles and policy documents among others are utilized to enrich and validate the research. Mixed methods (quantitative and qualitative methods) were used to collect the data; for example, semi structured questionnaire were administered among firms currently engaged in export activities to collect the required information. The following table explains the data collection instruments and approaches.

Table 1: Data collection instruments

Respondents	Instruments	Approaches
Exporters	Semi structured questionnaire	Administrating the questionnaires to the managers
Tax officer/customs officers	Semi structured questionnaire	Administrating the questionnaires to the officers
Customs clearing agent	Semi structured questionnaire	Administrating the questionnaires to the agents
Container and truck business representative	Semi structured questionnaire	Administrating the questionnaires to the representative
Quarantine official	Semi structured questionnaire	Administrating the questionnaires to the officers
Local representative of Export/import organization	Check list	Focus group discussion
local intellectuals, professors, journalists	Check list	Focus group discussion

Source: Research team, 2013

Questionnaire was also administered with truck and container traders. However, in the case of truck and container traders, the respondents were not able to provide adequate information on the various perspective of export trade to India except for the transportation related issues directly faced by them. So the analysis of data from questionnaire survey from trucks and container traders was limited to analyzing trade barriers only.

Different questionnaires or checklists were developed based on respondents' expertise without violating above mentioned core areas of the research. Some of the issues, if not covered by the questionnaires, were covered by the discussions and related literatures. Before designing questionnaires and check lists, a scoping survey was undertaken to explore major issues related to export barriers with experts and institutions (a list is given in the appendix F). This scoping survey collected relevant documents related to trade agreements, policies, existing legal provisions and research reports among others.

1.3.3.1 Pre-testing and finalization of the instruments

Pre-designed questionnaires and check lists were pre-tested in a pilot survey in Birgunj in the third week of August, 2013. An interaction workshop with representatives of the major stakeholders of the export trade to India was organized during the pilot survey. The questionnaires were reorganized and finalized based on the results and feedback from the pre-test and in consultation with the research team from NRB. After finalizing the study instruments, a two days training was provided to the researchers (all university teachers) on how the data should be collected and how different biases such as the respondent bias, interviewer bias, can be reduced while collecting the data. The study team conducted the survey by administering the pre-designed and pre-tested questionnaires and conducted the focus group discussions (FGDs) during the months of September-October, 2013. In addition to this, interaction workshops/programs among the exports, related associations/organizations, researchers, and policy makers among others were organized at the central level to capture additional information that was not covered from the local level. The information from the FGDs were recorded and transcribed by study team members to produce qualitative data. The study covered a period of 6 months from June 2013 to November 2013.

1.3.4 Study areas and sample size

Six major export outlets were purposively selected as suggested by NRB. These export outlets were selected from the Nepalese side and the corresponding Indian side.

Table 2: Study areas

Market Centres/Customs Entry Points	Nepalese Side	Indian Side
1. Kakarbhitta	Kakarbhitta market area	Panitanki
2. Biratnagar	Biratnagar market area	Jogwani
3. Birgunj	Birgunj market area	Rakshaul
4. Bhairahawa	Bhairahawa market area	Sunauli
5. Nepalgunj	Nepalgunj market area	Rupaidia
6. Dhangadi	Dhangadi market area	Gaurifanta

Source: Research team, 2013

The sampling design consisted of purposively selecting six main export outlets of Nepal and trade points in the Indian side across the Nepal India Border. For this purpose, a list of potential informants were collected using tracing out method at the local level to identify local industrialists, traders, customs/ tax officers, officers of quarantine, customs agents, import/export organization and Chamber of Commerce and Industry among others. The numbers of respondents as mentioned below to administrate the questionnaires were selected

through random sampling from the list that was developed by the researcher while they were in the field. Two FGDs in each export outlets as mentioned in table 3 were conducted. A FGD with traders, representative of chamber of commerce and industry, representative of custom clearance agent, custom office, tax office, quarantine office, media persons, among others. Another FGD with intellectual, Professors, Journalist, civil society members among others were conducted. A total 12 FGDs at the local level were conducted. A FGD at the central level with the Director General of Customs, Deputy Director General and other officers of Customs Department, representative of FNCCI, university professors, researchers, representative of customs clearing agent among others was conducted. Interactions, observations and discussions with custom officers, quarantine officers and custom clearing agents in India were conducted at the local level.

Table 3: Sample size

SN	Respondents (Nepal)	Sample size from each site	Total sample size
1.	Exporters	9	54
2.	Customs/Tax officers	3	18
3.	Clearance agent	3	18
4.	Container and truck business representative	3	18
5.	Quarantine official	2	12
6.	Total		120

Source: Research team, 2013

1.3.5 Data management and analysis

A high priority was given to maintaining the internal and external validity of the data. Questionnaires were developed in a logical order, easy to understand. The collected data was entered into the SPSS software. Data was verified at the local level. A supervisor was provided in each research team. Data management and analysis was done by using statistical analysis software STATA v.11. Economic and statistical methods were applied to identify the export/import barriers. Prevalence and intensity of barriers were measured by utilizing dichotomous and ordinal scale given in the questionnaires. Logistic regression was used to estimate the probability of experience the barriers by the firms. Graphs, export propensity index, revealed comparative advantage were used to analyze the secondary data.

CHAPTER 2: PROCEDURAL BARRIERS

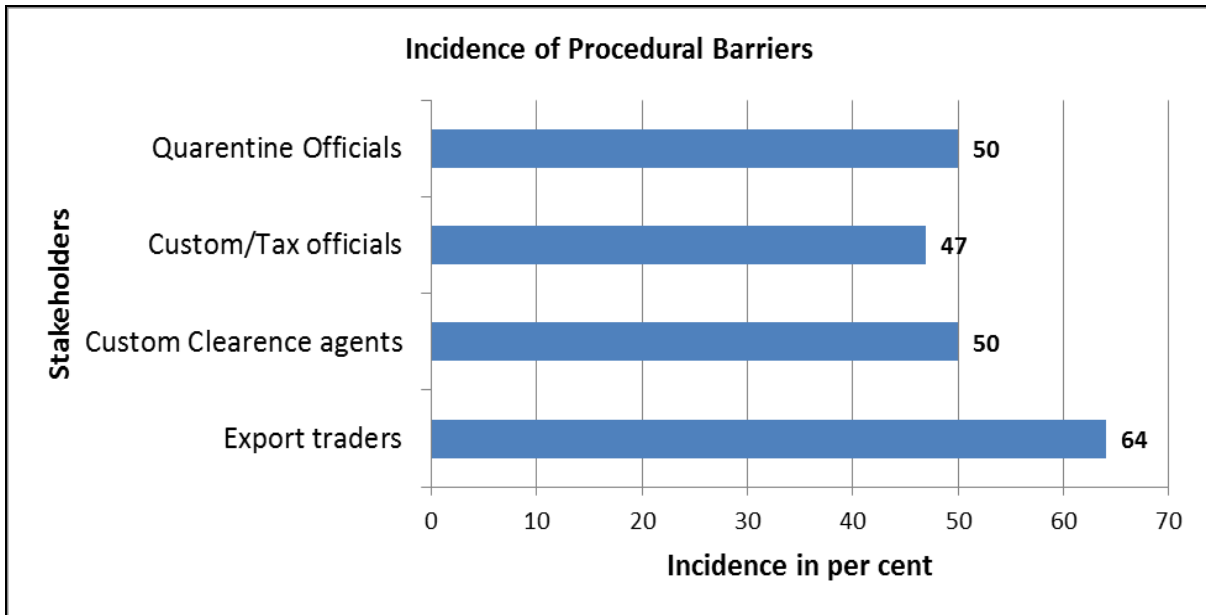
2.1 Introduction

Procedural barriers are barriers created by the administrative structures of the government system that is delegated with the authority to facilitate and regulate trade. These consists of providing trade related approvals such as the certificate of origin, quality test certificates, quarantine approvals, permissions for financial transactions, foreign exchange provision, provisions in the imports of raw materials, transportations etc. on the part of the exporting countries. Procedural barriers are also created by the importing countries in terms of import permissions, quarantine test provisions among others. Procedural barriers in this study have been measured in terms of perceptions of the stakeholders whether such barriers do exist or not (incidence), the perceived magnitude (intensity) of the barrier if they exist at all; and the priority with which the barrier need to be addressed (severity) if export is to be expanded. Due to core respondents and relatively larger sample size, firstly, the analysis is conducted for export traders. We triangulated other information collected from customs/tax officers, customs clearing agents, and quarantine officers among others through different ways such as identifying the similarities and differences, divergence and convergence in perceptions, among others. The analyses and findings are enriched with the information collected from FGDs. The regression results support to an additional dimensions of export barriers among existing firms and firms seeking new entry in the market.

2.2 Incidence of procedural barriers

The incidence of procedural barriers seems quite high as suggested by the result. Almost 50 percent of the respondents or stakeholders experienced the procedural barriers. Among the exporters/traders, 64 percent reported experiencing some kind of procedural barrier at some stage of exporting Nepalese products to India. Likewise, 50 percent for customs clearance agents reported existence of some kind of procedural barrier. Likewise 47 percent customs officials and 50 percent quarantine officials reported some kind of procedural barriers. With a relative large sample size for exporters/traders and as the most affected stakeholder, the incidence of procedural barrier appears to be significant. The incidence alone, however, is not a sufficient indicator.

Figure 1: Incidence of procedural barriers

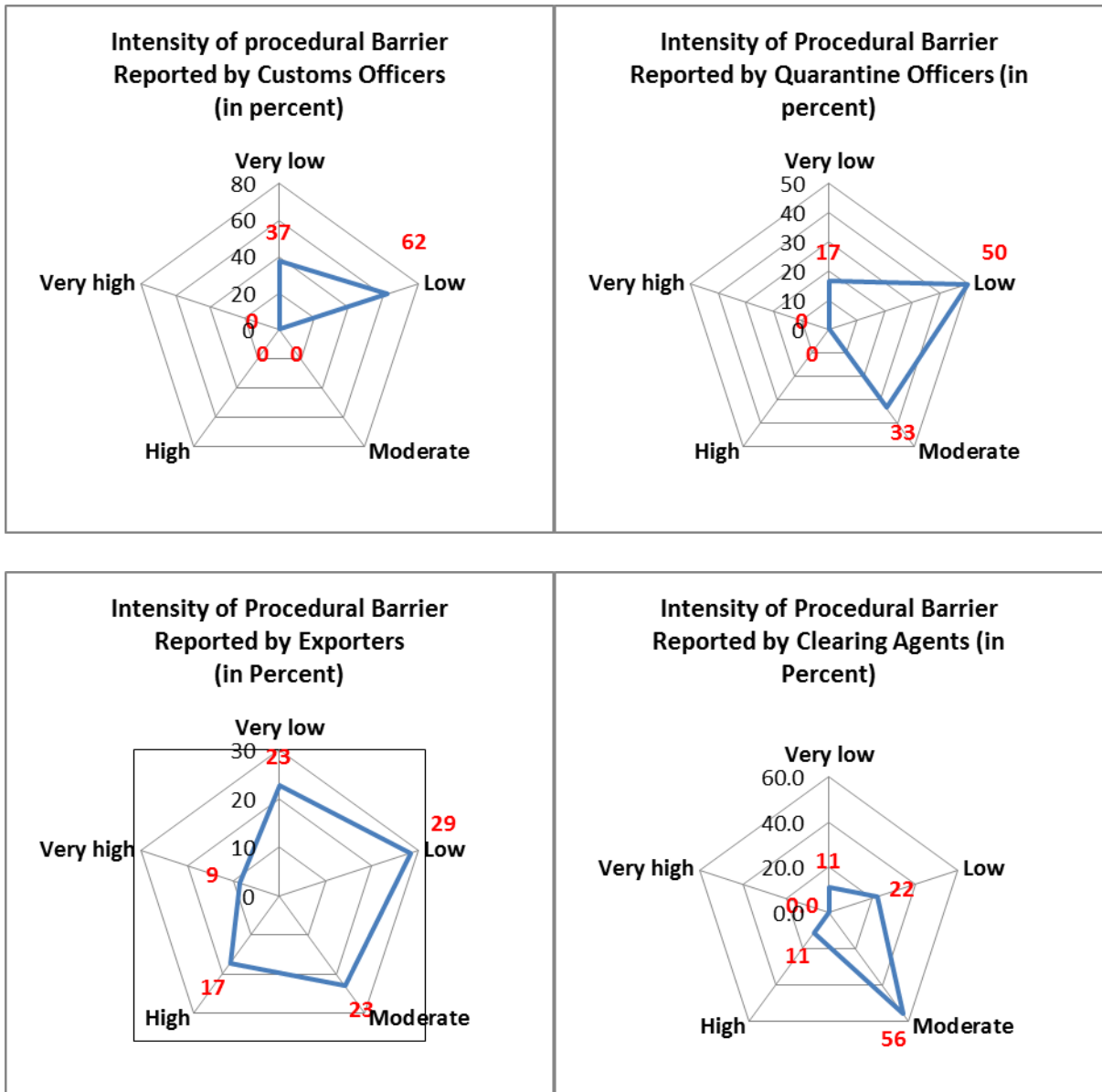


Source: Field Survey, 2013

2.3 Intensity of procedural barriers

Given the incidence, the intensity of the procedural barrier was measured in the scale of 1 to 5 with 1 indicating very low, 2 low, 3 moderate, 4 high and 5 indicating very high barrier. The majority of exporters, who were the core service recipients felt low to moderate procedural barrier. The largest percent of clearing agents perceived greater procedural barrier than all other kinds of stakeholder. This was perhaps due to their intensive role in completing the administrative process and thus provides an evidence of the presence of procedural barriers. It is natural that as providers of service, the customs officials reported of perceiving low procedural barrier while the quarantine officials, who are also service providers perceived low to moderate procedural barriers.

Figure 2: Intensity of procedural barriers

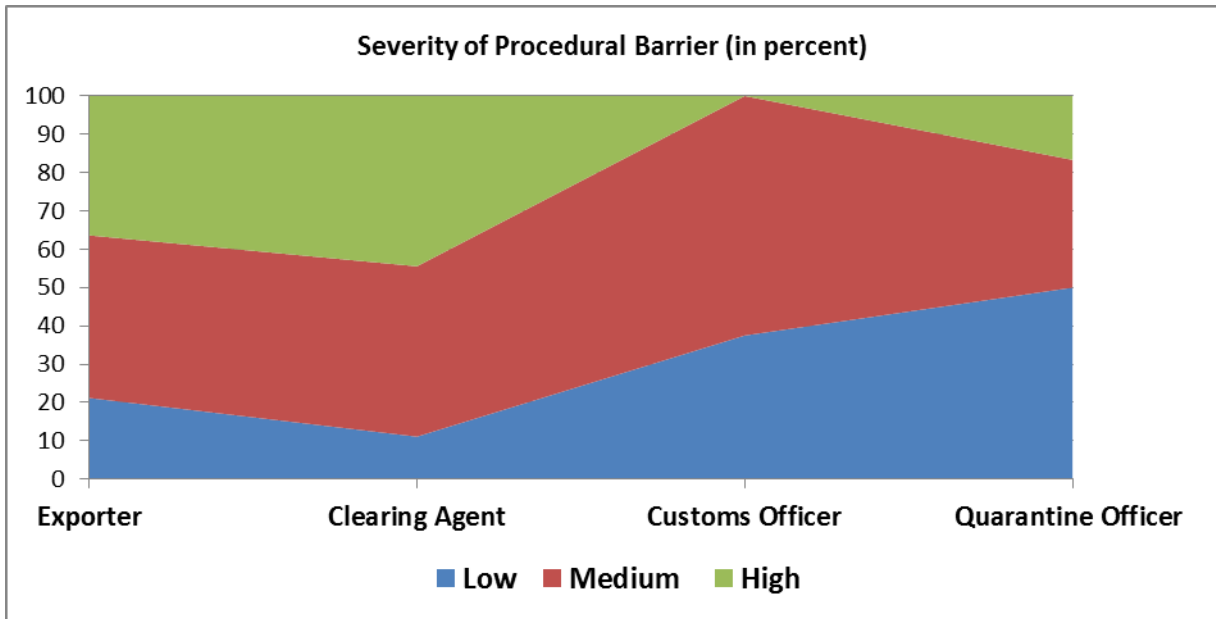


Source: Field Survey, 2013

2.4 Severity of procedural barriers

A medium severity was reported for procedural barrier by highest percent of exporters. A high severity being reported by customs agent is natural as customs agents have to deal throughout the process and become more sensitive even to slightest of administrative hassles, the cost of which would be high to their business in terms of client satisfaction. Customs officials considered procedural barrier as moderate while quarantine officials considered it as low to moderate. Overall, stakeholders including the exporters/ traders did consider it as a problem but not deserving the highest priority.

Figure 3: Severity of procedural barrier



Source: Field Survey, 2013

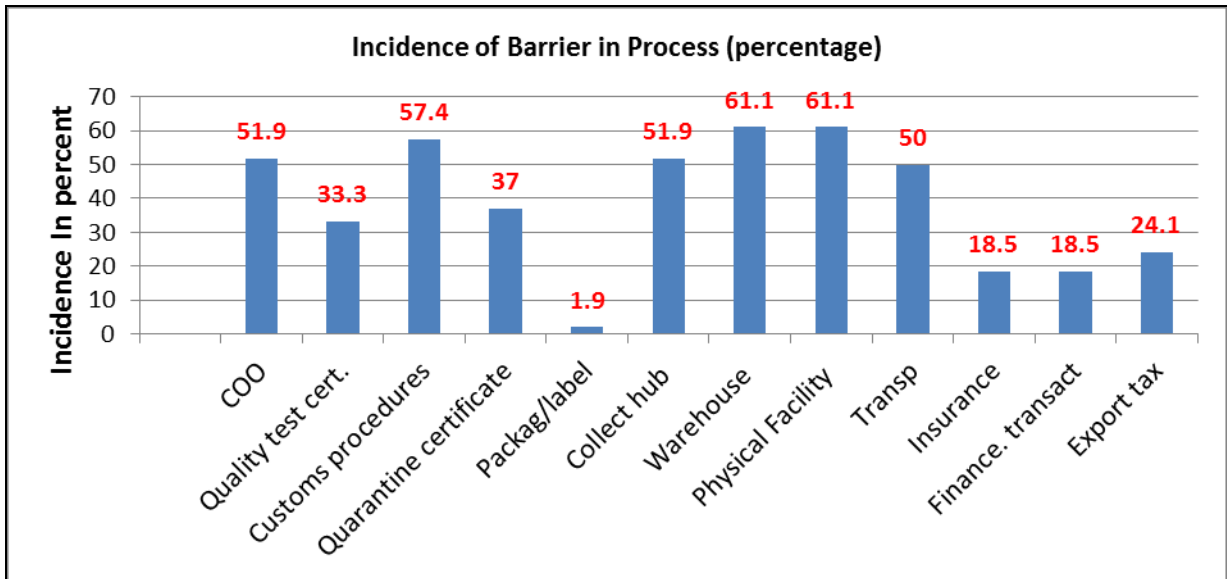
2.5 Further explanation of procedural barriers

2.5.1 Summary results from quantitative data

Detail data on the components of procedural barriers were collected from exporters/ traders. This data included time taken for processing the export from the producer to the importing trader in India, the predictability of demand and certainty of demand, barriers experienced at various stages of processing etc. The time taken for completing the process of export was found to be quite high of about 26 days and is higher than compared to countries like India (16 days) and Bangladesh (25 days: World Bank, 2011). The demand predictability and demand certainty for the products being exported by the sampled producers and traders was 63 percent and 52 percent level respectively indicating that existing export market for Nepalese products to India are relatively volatile.

Exploring into the depth of the procedural barriers, this study further analyzes barriers of export of Nepalese products to India in terms of 12 major steps in terms of the incidence, intensity and severity of barriers.

Figure 4: Incidence of barrier in process



Source: Field Survey, 2013

As mentioned above, the analysis of barrier incidence data collected from exporter/traders indicates that as high as 61 percent of the respondents perceive some kind of barrier in the process of exporting Nepalese goods to India. The highest incidence is in warehouse facility and physical facility at the border point while the lowest incidence is in packaging and labeling quality. Customs procedure, certificate of origin, transportation facility, quarantine certificate, standardization test certificate adds up to the list in declining order of incidence.

Once the incidence of the barrier is measured, the study re-examines the procedural barriers in terms of their intensity. In case of these components of procedural barriers, though incidence is somehow high, the intensity scores are relatively low. They are all below the score of 2 indicating that their intensity is very low or low. If the intensity of barrier of these activities were high or very high, it would indicate that serious attention is needed to address them as soon as possible as they are the major barrier to export of Nepalese products to India. This however does not emerge to be the case.

Among the indicated barrier intensity for these various steps, the respondents were asked about the severity of the barrier to rank the priority with which they wanted the barrier to be addressed. The most critical of these stages are the provision of COO, quarantine certificate, customs procedure, transportation and export tax. None of these issues have been indicated as the most severe issue and were not warranted highest priority for addressing them. Instead physical factors such as congestion in the border exit point causing problem in parking (65.4 percent) and problem of collection hub particularly for agricultural products (43.5 percent)

have emerged as a high priority issues followed to some extent by customs procedures (31 percent), COO(27.3 percent) and export tax (18.2 percent).

This finding was cross checked with the findings from the survey with customs agent, customs officers and quarantine officers. The highest barrier incidence in case of the customs agent was found for transportation (55.5 percent) customs procedure (50 percent) and insurance (50 percent); similarly, the highest incidence for barrier from customs officers was found for insurance (53 percent), quarantine certificate (47 percent) and transportation. It was 58 percent for transportation, 50 percent for transportation and warehouse. However the intensity of the barrier in all the cases was below 2 in scale indicating low barrier. These figures indicate that procedural barriers exist but are not major. It also indicates that there is a need for looking into other more important aspects of barrier to export of Nepalese products to India.

In a quest to analyze whether procedural barriers do exist, this report now analyzes the export barrier perceived by Nepalese Exporters in completing various export related stages in India. The respondents were asked what kind of barriers they faced in India while exporting Nepalese goods. The respondents indicated a highest incidence of barrier in customs procedures followed by problem in COO, quarantine procedures, transportation, export tax etc. Transportation of Nepalese products in India was raised as quite serious problem, and this would be particularly true for agricultural products.

Table 4: Incidence, intensity and severity of barrier faced by Nepalese products in India

S.No.	Barrier Category	Incidence, Intensity and Severity				
		Incidence (percentage)	Intensity (mean of 1-5 scale)	Severity (percentage)		
				Low	Medium	High
1.	Certificate of origin/export permit	29.6	1.44	16.7	41.7	41.7
2.	Standardization/quality test certificate	16.7	1.33	0.0	0.0	100.0
3.	Customs procedures	51.9	1.22	7.1	39.3	53.6
4.	Quarantine procedures/certificate	27.8	1.22	13.3	33.3	53.3
5.	Packaging and labeling quality	9.3	0.13	100.0	0.0	0.0
6.	Warehouse facility	9.3	1.22	0	33.3	66.7
7.	Physical Facility (such as parking etc)	14.8	1.67	42.9	57.1	0
8.	Transportation	25.9	3.11	41.7	33.3	25
9.	Insurance	22.2	1.11	50	40	10
10.	Financial transaction	1.9	0.00	0	0	0
11.	Import tax	24.1	0.56	27.3	27.3	45.5

Source: Field Survey, 2013

Higher incidence of barrier was felt for customs procedures and certificate of origin followed by quarantine. Quarantine approval from the India Quarantine was another important barrier imposed on Nepalese exports. Transportation of Nepalese products in Indian Territory was another problem. The respondents indicated that though barriers existed, they were mostly low or moderate. Respondents assigned priority for GON to addressing the quality test certificate, warehouse facilities and improvising the customs and quarantine procedures in India as well.

Summarizing the above discussion, the analysis revealed that procedural barriers were quite high with around 50 percent or more among all stakeholders perceiving procedural barrier. Regarding the incidence among the components of the procedural barrier, customs procedure was highest followed by COO, physical facilities at the customs, lack of warehouse, collection hub and transportation facility. The intensity of the barrier perceived however ranged between low to moderate for the majority. The severity of the barrier and thus the government priority suggested to remove it was medium.

Among the several barriers, though respondents did not indicate procedural barrier as the most severe barrier, it ranks second in severity and deserves immediate actions for improvement. Procedural barrier can be removed in the short run with administrative and policy reforms.

2.5.2 Summary results from qualitative data

“Till now the exports of Nepal rely only on the interest of India, but not the interest of Nepal.if they need Nepalese products, there would not be any procedural barriers.....”

(A participant of FDG in Dhangadi)

“.. Nowadays non-tariff barriers are major problem.....tariff barriers are negligible....”

(A participant of FDG in Kathamndu)

“...Quarantine approval is the greatest barrier for export of Nepalese products to India..... If Indian quarantine procedure can be simplified, export will drastically increase.....”

(A participant of FGD in Biratnagar)

“.....According to bilateral treaty between Nepal and India, the quarantine test of Nepal must be accepted by India,in practice they are not accepting it.”

(A participant of FDG in Bhairahawa)

“.... CVD (Countervailing *duty*) is one of the trade barrier in India.....”

(A participant of FDG in Kathamndu)

“....there are 23 Kattha industries in Nepalthey faced some kind of barriers in exporting to India....such as quarantine problem... it took 2 weeks to one month...”

(A participant of FGD in Bhairahawa)

“I faced some procedural barriers to export Kattha to India in Bhairahawa;then I decided to use Nepalgunj outlet.Although cost is higher due to transportation cost from Bhairahawa to Nepalgunj,..... I don't have any procedural barriers there”

(A participant in the FGD in Bhairahawa)

“.....Heavy informal trade between India and Nepal is a good indicator of procedural barriers. Informal trade not only in banned items,..... but also in regular items happens day to day between Nepal and India (both side).....”

(A participant of FDG in Nepalgunj)

“.....There is a large proportion of informal trade particularly for herbs,(about 70 %)Nepal to India.”

(A participant of FDG in Dhangadi)

“.....We encounter difficulties in the customs process for imports, but we are not facing these problems as a major problem to export trade.”

(A participant in a FGD in Birgunj)

“.....We generally do not obstruct vehicles with export items. We allow the green channels to exportable, just by examining the documents and even without examining the consignments when documents are trustworthy.”

(A participant of FGD in Birgunj)

“.....The issue of quarantine in trade is similar to issue of human rights in politics.....”

(A participant of FGD in Kakarbhitta)

Source: Field Survey, 2013

The above qualitative data and other findings from the FGDs indicate that quarantine approval from India is a major export barrier for Nepalese products to India. The quarantine approval seeking from India is also time consuming and imposes high cost to small scale traders. In addition, the permission from the Indian quarantine is arbitrary and unpredictable. This has led to decline in formal export trade of commodities requiring quarantine approval from India and has led to emergence of some informal trade. The CVD is another important export barrier imposed to Nepalese products.

There are procedural barriers in the Nepalese customs side but fewer barriers for manufacturing products as they possess better documentation. Traders exporting forest and agriculture products feel greater procedural barrier from the Nepalese side due to lack of clarity in rules.

2.6 Estimation of probability of procedural barriers

As mentioned in the methodology section, the logistic regression provides probability of barriers to export Nepalese products to India and for new firm to enter into the international market. The result suggested that the larger firm in terms of number of employees is more likely to experience procedural barriers. The firm with higher years of experiences alone does not perceive any effects on procedural barriers, however; the larger firm with higher experiences is less likely to experience procedural barriers. As expected, the firm that has certainty of demand is less likely to experience procedural barriers. The firm with higher distance to destination to export the commodity in India is less likely to experience procedural barriers. The interaction of years of experiences and demand certainty has modified the qualitative effects on procedural barriers. Although there is certainty of demand for the commodity, the firm with greater experience is more likely to perceive procedural barriers. Similarly the firm which has higher distance as well as demand certainty is more likely to experience procedural barriers. It might be possible if the firm recalled any event of experiencing procedural barrier in its long history and its long distance to destination, but there may be less frequency of such barriers because the size of the coefficient of demand certainty alone is higher. The result suggests that the firm is less likely to experience procedural barrier in Nepalgunj with reference to Kakarbhitta. Maximum likelihood estimation is an iteration process. Only six iterations show better model fit. P-value of Chi² that is less than 1% shows goodness of fit of the model.

Table 5: Maximum likelihood estimation for procedural barriers

Variables	Coef.	Robust Std. Err.	P>z
Years of Experiences	-0.2024	0.1621	0.2120
Number of employees	0.0152	0.0072	0.0360
Interaction of experience and employment	-0.0009	0.0003	0.0050
Demand certainty	-7.1370	4.3515	0.1010
Distance of destination	-0.0023	0.0013	0.0700
Interaction of experience and demand certainty	0.4772	0.2011	0.0180
Interaction of distance and demand certainty	0.0034	0.0017	0.0450
Interaction of number of days and demand certainty	-0.8568	1.0082	0.3950
Mean number of days	0.8273	0.7087	0.2430
Mean barriers in process in Nepal	3.7139	1.1944	0.0020
Mean barrier in production	-0.8270	0.3554	0.0200
Mean barrier in process in India	-0.1521	0.7983	0.8490
Biratnagar	1.6542	1.4734	0.2620
Birgunj	-1.9730	1.2814	0.1240
Bhairahawa	0.0111	1.3333	0.9930
Nepalgunj	-3.3792	1.9769	0.0870
Dhangadi	-1.9604	1.7673	0.2670
Constant	2.8976	3.6486	0.4270
Log pseudo likelihood	=		-20.5036
Number of obs	=		54
Wald chi2(16)	=		33.8
Prob> chi2	=		0.0089
Pseudo R2	=		0.4146

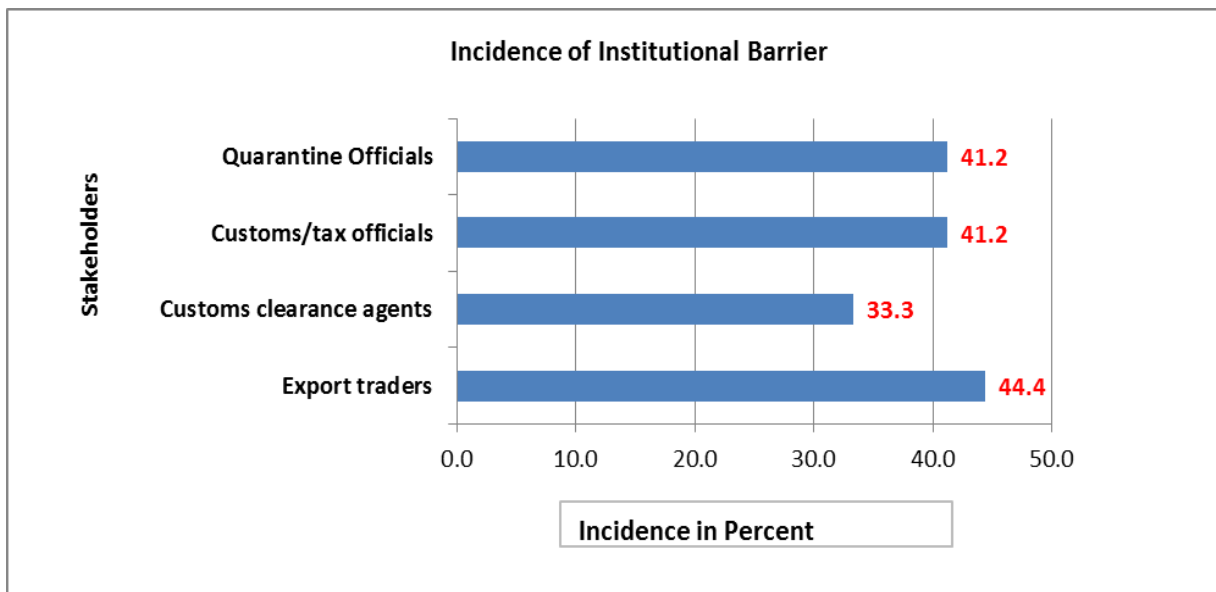
Source: Field Survey, 2013

CHAPTER 3: INSTITUTIONAL BARRIERS

3.1 Incidence of institutional barriers

Institutional barriers in export trade to India emerged due to lack of clarity in the rights and responsibilities of various agencies; overlaps and undefined areas of rights and responsibilities. Approval requirements from several institutions were also regarded as institutional barrier. Data were also collected and analyzed for barriers imposed by institutions in the forms of cartels, syndicates, permits etc. that restrict export trade activities. Institutional barriers were perceived by above one third of the respondents. It was mostly very low to low for exporters, low for clearing agents, moderate for customs officials but was moderate to high for quarantine officials. The incidence figure however shows that the exporters who are the core stakeholders face the highest incidence of institutional barrier.

Figure 5: Incidence of institutional barrier



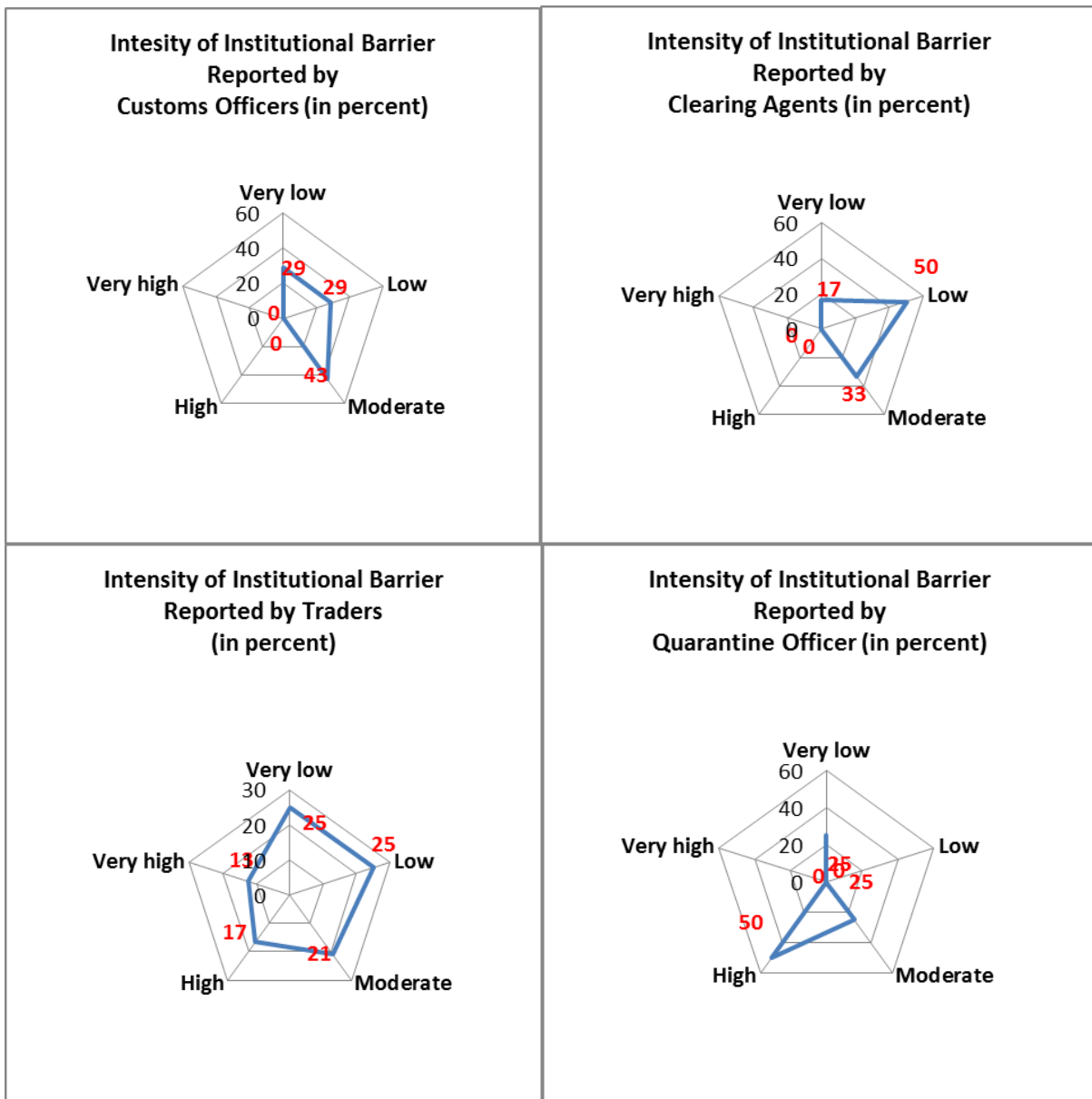
Source: Field Survey, 2013

These Institutional barriers existed in most cases due to lack of lack of clarity of roles and responsibilities among ministries, departments and implementing agencies. For instance regarding the exports of medicinal herbs, stone aggregates etc., there was lack of clarity about authority of institutions that were responsible for providing approval for processing and exports. Respondents also reported lack of co-ordination between decision making authorities, implementing authorities and authorities related to maintaining law and order.

3.2 Intensity of institutional barriers

The analysis of intensity of institutional barriers revealed those institutional barriers were generally perceived to be low by exporters and clearing agents. It was moderate in general for customs officials, but high for quarantine agents. In many cases, Quarantine offices were working without adequate institutional support from the centre and lack technical competency necessary for efficient functioning.

Figure 6: Intensity of institutional barriers

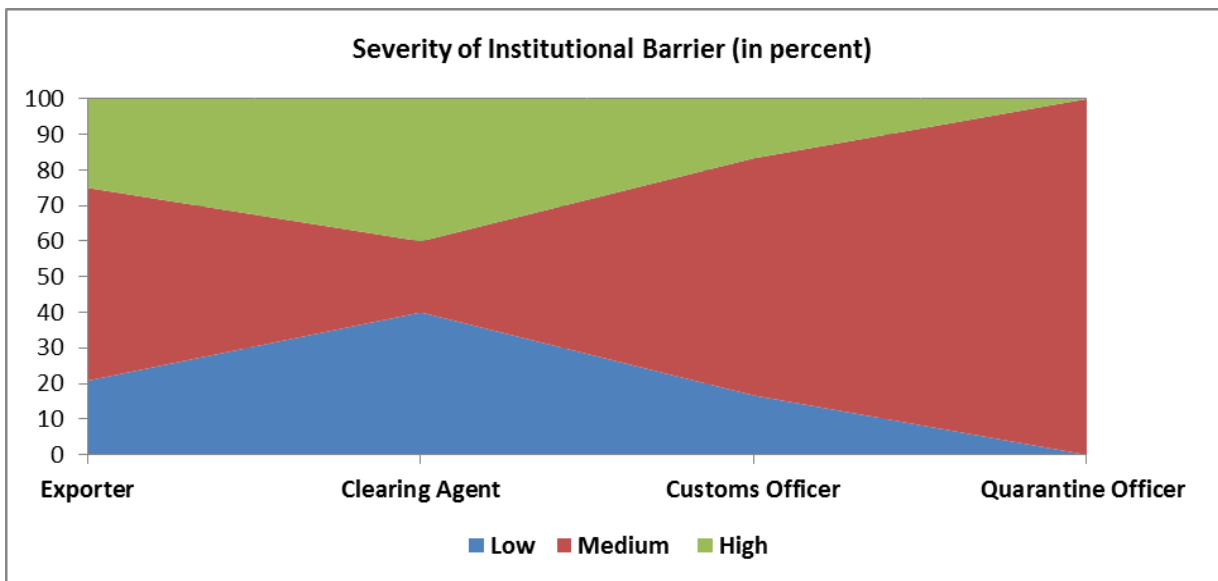


Source: Field Survey, 2013

3.3 Severity of institutional barriers

An analysis of the priority with which stakeholders sought removal of institutional barrier by indicated that institutional barriers are problems but not most severe ones. They are moderate in nature. The high severity of institutional barrier for quarantine agents is interesting. Lack of own building, skilled manpower and physical facilities at quarantine offices was reported during the survey. The quarantine officials also reported the lack of institutional mechanism to deal with quarantine issues for Nepalese products with the Indian quarantine officials.

Figure 7: Severity of Institutional Barrier



Source: Field Survey, 2013

3.4 Further explanation of institutional barriers

3.4.1 Summary results from quantitative data

Analysis of the institutional barrier aimed to examine institutional complications, gaps and conflicts of interests among agencies related to export trade. It also aimed to explore whether exporters/traders faced problem or harassments in the form of informal payments from customs and quarantine officials, syndicates, trader's cartel and other interest groups in Nepal or in India. About one fourth of the traders reported informal payments to get the consignment processed. The payments ranged from Rs 300 to Rs.8000. Syndicate system was found to be prevalent in the transportation of imported goods from Nepalese border points at Birgunj, Biratnagar and Bhairahawa. But such syndicates were not found to be affecting transportation of goods for export as most of the goods for export were transported by empty Indian trucks plying back after transporting goods in different parts of Nepal. Respondents reported that these trucks carried goods at cheaper prices than normal fares. Almost none of the exporters reported any kind of harassment by trade cartels etc in Nepal. It was also found that since

transportation of Nepalese products to India are made by Indian trucks and are managed by the importers themselves, such barriers were not experienced.

The analysis of the findings revealed that the incidence of institutional barrier is low overall. The intensity of the barrier also was generally low, moderate in some cases but high in the specific cases of quarantine officials. The severity of the barrier turned out to be medium overall due to the high institutional barrier experienced by quarantine stakeholders. This is true as providing quarantine permission that is of high credibility to be accepted by the Indian counterpart is one of the most challenging issues in the export trade to India.

3.4.2 Summary results from qualitative data

“...I had to pay District Development Tax for the same consignment at several districts.....”

(A participant in a FGD in Biratnagar)

“.....I got completely exhausted and frustrated wandering different Ministries and Department to find out which is the legal agency to provide approval to my export item.....”

(A participant of FGD in Biratnagar)

“.....to export forest products such as herbs to India..... we are facing the problems from forest district office and customs officethey don't have good coordination.....we already paid tax in forest district officeagain we have to pay in customs office....”

(A participant of FDG in Bhairahawa)

“.....When Indian customs stopped my goods for no satisfactory reason, I couldn't do anything. If we had a fast track dispute settlement mechanism to solve the barriers on trade with India, things would be much better..... “

(A participant of FGD in Birgunj)

“..there is lack of export oriented education or training... there is lack of information.....no roles have been defined among the institutions or institution network.....”

(A participant of FDG in Dhangadi)

.....”The mindset of the Nepalese quarantine officials is dominated by Indian quarantine. Due to arbitrariness in Indian quarantine process,.....we work with a low morale. Lack of good infrastructure and trained staff has added to this mindset.”

(A participant of FDG in Kakarbhitta)

Source: Field Survey, 2013

The qualitative information indicates that there are institutional barriers arising mostly due to lack of clarity of responsibilities and coordination between government agencies. Government agencies are averting risks in providing documents expected by producers and exporters. The District Development Tax was arbitrary and imposed at different places and the amounts were arbitrary too. Exporters also felt a lack of a “Fast Track” dispute settlement mechanism of settling problems through the higher level when export flows are stopped by Indian customs authority without prior information. The quarantine officials are working with a low morale due to arbitrariness in decision making by Indian quarantine authority. The need for the establishment of accredited labs based on agreement of two countries was pointed out to solve institutional barrier created by quarantine problem.

3.5 Estimation of probability of institutional barriers

The firm with higher number of employees is more likely to perceive institutional barriers; however, the firm with both higher experiences and higher number of employees is less likely to experience institutional barrier. The results show that the firm which has certainty of demand for the product to export to India is less likely to experience institutional barriers. The firms are more likely to perceive institutional barriers in Biratnagar and Nepalgunj with reference to Kakarbhitta. Although Wald chi² test is not significant at 5% level; however, maximum likelihood estimation process of the model takes only 5 iterations, indicating that the model is not bad.

Table 6: Maximum likelihood estimation for institutional barriers

Variables	Coef.	Robust Std. Err.	P>z
Years of Experiences	-0.11075	0.102478	0.2800
Number of employees	0.008855	0.005085	0.0820
Interaction of experience and employment	-0.00068	0.000333	0.0410
Demand certainty	-6.85589	3.426127	0.0450
Mean distance	-0.0014	0.001236	0.2570
Interaction of experience and demand certainty	0.171157	0.140219	0.2220
Interaction of distance and demand certainty	0.001891	0.001444	0.1900
Interaction of number of days and demand certainty	1.376115	0.907398	0.1290
Mean number of days	-0.4814	0.645463	0.4560
Mean barriers in process in Nepal	-0.47975	0.917048	0.6010
Mean barrier in production	-0.45501	0.416974	0.2750
Mean barrier in process in India	1.147507	1.07699	0.2870
Biratnagar	4.908366	2.518274	0.0510
Birgunj	3.502679	2.216754	0.1140
Bhairahawa	1.042907	1.921227	0.5870
Nepalgunj	5.276308	3.17323	0.0960
Dhangadi	2.708925	2.204405	0.2190
Constant	1.3255	1.756527	0.4500
Log pseudo likelihood		=	-23.709
Number of obs		=	54
Wald chi2(17)		=	18.28
Prob> chi2		=	0.3715
Pseudo R2		=	0.3609
Iteration		=	5

Source: Field Survey, 2013

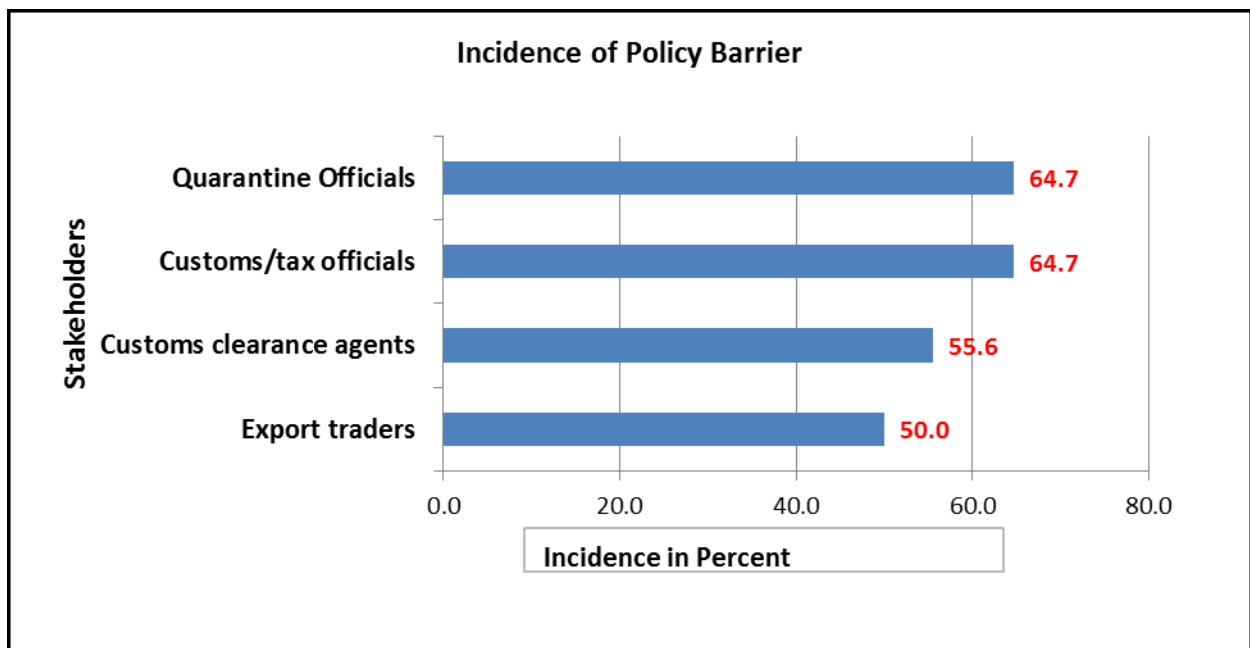
CHAPTER 4: POLICY BARRIERS

4.1 Incidence of policy barriers

Policy barriers are barriers created by government policies that raise the prices of inputs, cost of production of exportable commodities, raise export prices of exportable commodities and causes loss of comparative advantage of trade. Taxes on imports of raw materials, prohibition or high taxes on exports, trade agreement between countries restricting trade flows, labour laws that affect competitive labour market operation etc. Frequent changes in policies, taxes, incentives also serve as policy barriers.

Around 50-60 percent of the respondents faced some form of policy barrier. It is interesting that customs officials and quarantine officials have also reported perceiving policy barriers. The percentage of exporters experiencing policy barrier was a little less. Policy barriers are perceived by different kinds of stakeholders differently. For instance, firms with large employment capacity, long experience of export operation, demand certainty and demand predictability also determined policy barriers perceived by stakeholders.

Figure 8: Incidence of policy barrier



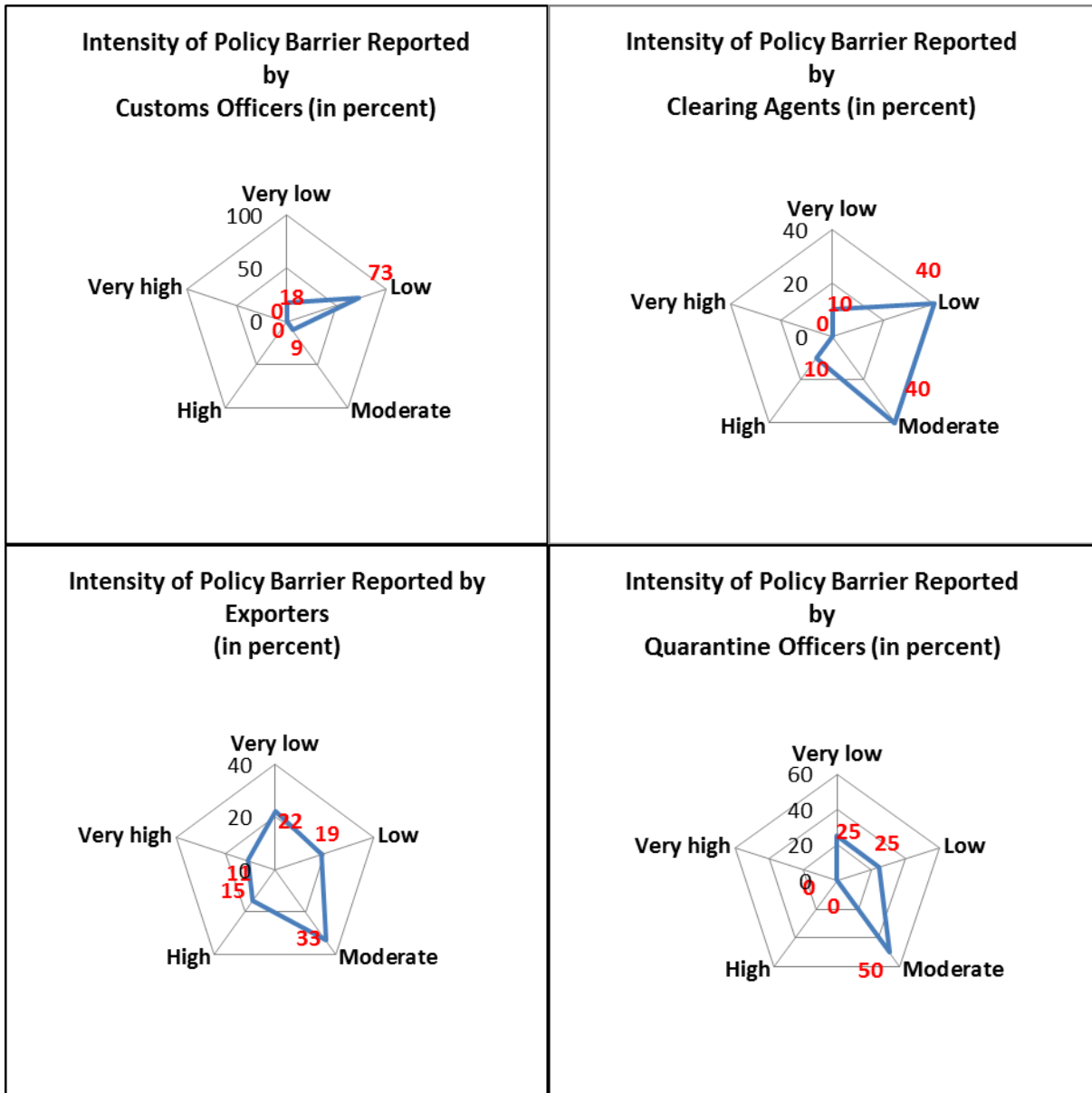
Source: Field Survey, 2013

4.2 Intensity of policy barriers

Regarding intensity, most of the respondents reported low to moderate barrier. Accordingly, respondents reporting policy barrier as moderate and above was around 60 percent. The

intensity of policy barrier varied by the type of stakeholders for instance, it was mostly moderate for exporters and clearing agents but low and moderate for customs officials and quarantine officers. It is noteworthy that though incidence of policy barrier reported by customs officials was high, its intensity was low.

Figure 9: Intensity of policy barriers



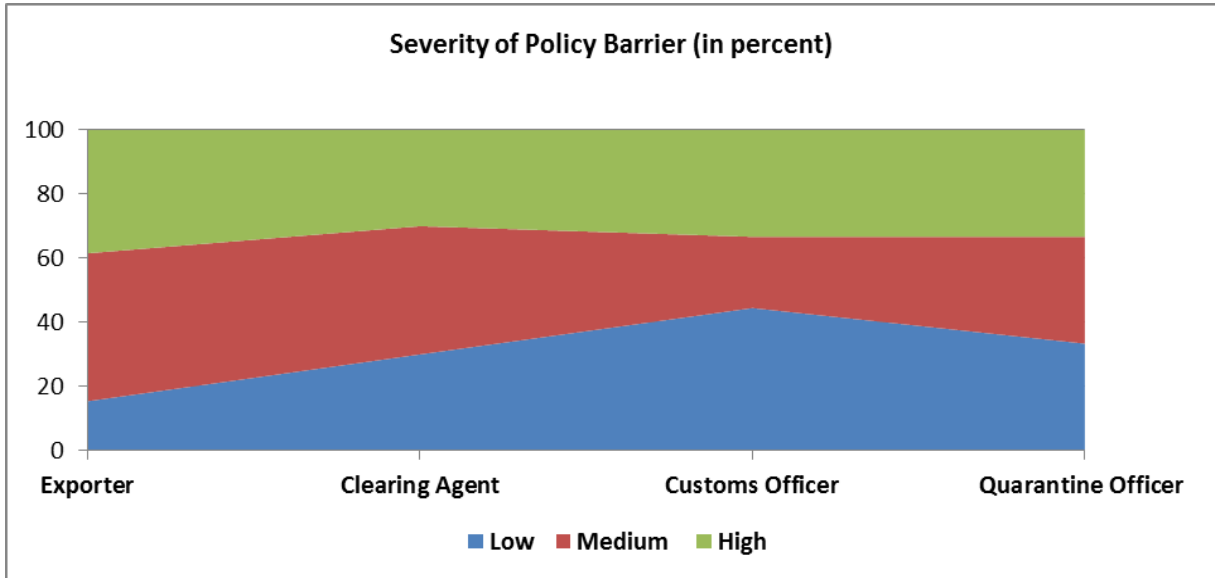
Source: Field Survey, 2013

4.3 Severity of policy barriers

The severity of policy barrier ranged from low, moderate to high and can be considered to be normally distributed into medium priority in terms of attention for addressing. The severity of the policy barriers also depended upon the nature of the export product such as manufactured goods, agriculture products or raw material exports. The respondents perceived that policies

for manufacturing sector were relatively comprehensive and updated while for other sectors it was partial and unclear. This made policy barrier high for some and moderate or low for other stakeholders.

Figure 10: Severity of policy barrier



Source: Field Survey, 2013

4.4 Further explanation of policy barriers

4.4.1 Summary results from quantitative data

The existence of policy barrier was reported between 50 to 65 percent of the various stakeholders. Reported incidence also varies by the kind of export items. For instance, policies are relatively clear and revised for the manufacturing sector but more complicated and confusing for forest and agriculture sector. In interactions, participants pointed out that there is no clarity of authority between forest, agriculture and trade Departments regarding the permission related to export of medicinal herb and some other products.

The intensity of the policy barrier reported ranged mainly between low to moderate but the severity is distributed proportionally between low, medium and high indicating that policy barrier have affected different kinds of stakeholders differently. Policy reforms to remove such barriers can be made in the short run while the impacts of such reforms can be high.

4.4.2 Summary results from qualitative data

“... we are exporting herbs to India using the provision of fire wood exports.....we don't have herbs exporting policy.....”

(A participant of FDG in Dhangadi)

“..... We do not understand why the Nepal Government does not treat Export to India with equal status to export to third countries as Nepal is facing trade deficit and that trade deficit is being paid in US dollars? Nepalese Government provides incentives to firms exporting to third countries, but not for India.....”

(A participant in the FGD in Birgunj)

“.....If same tax rate applies to raw materials and finished goods, how can I as an industrialist find scope for value addition?

(A participant in a FGD in Biratnagar)

“.... There is a need to amend the defective trade agreement with India: 10 percent value addition with Nepalese origin and 30 percent value added with raw materials of third country origin: here the CIF should be Calcutta port, not Nepal-India Border....”

(A participant in a FGD in Kakarbhitta)

“The export business of Gittee and Dhunga (Stone/ stone dust/stone concrete/ stone aggregates) to India should be developed as a mining industry...we can learn from Rajasthan,they are exporting Rajasthani marbles.....we need comprehensive policy for this....., private sector can maintain the environment by planting trees.....”

(A participant of FDG in Bhairahawa)

.....“The Government of Nepal should initiate to establish accredited labs in the border points of Nepal and talk with the Government of India that they accept the quarantine certificate issued by these labs.”.....

(A FGD participant in Kakarbhitta)

.....“The provision of bank guarantee is a serious obstacle to doing trade with India”. The government provision of providing bank guarantee to only those firms exporting 50 percent of their value of transaction should be revised. ”.....

(A participant in Birgunj)

.....” But for perishable agriculture products such as ginger, fruits and vegetables, transportation by Indian trucks would not be reliable. The Government of Nepal should obtain provision of 72 hours access to Nepalese trucks from Indian Customs office at the border ,.....”

(A participant trader in a FGD in Kakarbhitta)

“.....There is problem in identifying whether a product is an input or a final product. Some products which are finished goods to some are raw materials to others. Thus if the manufacturer can bring this issue with evidence, the import tax rate can be considered.”

(A participant in the FGD in Kathmandu)

.....”Nepal government should request India to revise the provision of countervailing duties. But the problem is our government being very unstable does not take initiative to talk to India to solve these problems.”

(A participant trader in a FGD in Kakarbhitta)

“Formulating the policy is not sufficient;..... to implement the policy is important. The policy barrier in Nepal is not implementing the policy... and not backed up by the required resources”.

(A participant of FDG in Nepalgunj)

“Barriers in policy implementation may be appropriate research issuesrather than policy barriers in export trading.....”.

(A participant of FDG in Dhangadi)

“.....there is no clear cut export policy for herbal products.....the trade policy focuses mainly on manufacturing products... ”

(A participant of FDG in Nepalgunj)

“ Policy should be oriented toward mining barren and landslide prone hills for stone aggregates and later on be planted for environmental purpose by its extractors.

(A participant of FDG in Bhairahawa)

“.....to export forest products to India it should be registered in UP forest office as an Indian company.... it should be renewed each year... the cost of renew is ten thousand IC per year.....these are clearly written in our documents such as in COO (certificate of origin), customs related documents that show we are Nepalibut they did not allow us to export without registration in UP forest office....”

(A participant of FDG in Dhangadi)

Source: Field Survey, 2013

Most of the qualitative information on policy barrier indicated that there is a need for revising and redefining trade related agreement with India to reduce the barriers faced by Nepalese exporters from India. Nepalese Government policies related to trade are also scattered, arbitrary and ad hoc. Most of the policies are oriented towards bureaucratic control rather than boosting economic activity and trade. Stakeholders also reported that as a result of lack of

policy clarity, natural resources are being exploited through informal channels and the government is losing revenue what it could have received if it had been managed realistically. The stone boulder and aggregates is a typical example. Nepalese government policies are not oriented towards encouraging producers towards new, high value added products. Respondents and participants of FGDs also raised the issue of almost equal and sometimes higher import tax rates on raw materials intended for exports compared to imports of finished goods. This clearly indicates policy inconsistencies in the face of government objective to promote export.

4.5 Estimation of probability of policy barriers

The results demonstrate that the firm which has certainty of demand for the commodity in India is less likely to experience policy barriers. In spite of demand certainty of the product, a firm with a long experience in export trading along with a long destination is more likely to experience policy barriers. Similarly, the interaction of distance to destination and certainty of demand for the product modifies the effects on probability of experience the policy barriers. In this case, there form is more likely to experience policy barriers. The exporter who uses Biratnagar outlet is less likely to perceive policy barrier as compared to Kakarbhitta. Wald chi² test is not significant at 5% level; however, maximum likelihood estimation process of the model takes only 6 iterations.

Table 7: Maximum likelihood estimation for policy barriers

Variables	Coef.	Std. Err.	P>z
Years of Experiences	0.036629	0.095402	0.7010
Number of employees	0.004744	0.0118334	0.6880
Interaction of experience and employment	8.04E-05	0.000705	0.9090
Demand certainty	-9.50212	3.686756	0.0100
Mean distance	-0.0006	0.0016977	0.7260
Interaction of experience and demand certainty	0.209878	0.127014	0.0980
Interaction of distance and demand certainty	0.004175	0.0022956	0.0690
Interaction of number of days and demand certainty	1.661034	1.308593	0.2040
Mean number of days	0.058936	0.4417043	0.8940
Mean barriers in process in Nepal	-0.05037	1.303405	0.9690
Mean barrier in production and structural barriers	-0.1424	0.4220287	0.7360
Mean barrier in process in India	0.109548	0.9009219	0.9030
Biratnagar	-5.15253	1.904849	0.0070
Birgunj	-0.08651	1.312863	0.9470
Bhairahawa	1.351395	2.456388	0.5820
Nepalgunj	-1.63909	1.853233	0.3760
Dhangadi	-1.56396	1.620277	0.3340
Constant	-0.01386	1.814763	0.9940
Log pseudo likelihood		=	-21.5865
Number of obs		=	54
Wald chi2(17)		=	21.2
Prob> chi2		=	0.2176
Pseudo R2		=	0.4233
Iteration		=	6

Source: Field Survey, 2013

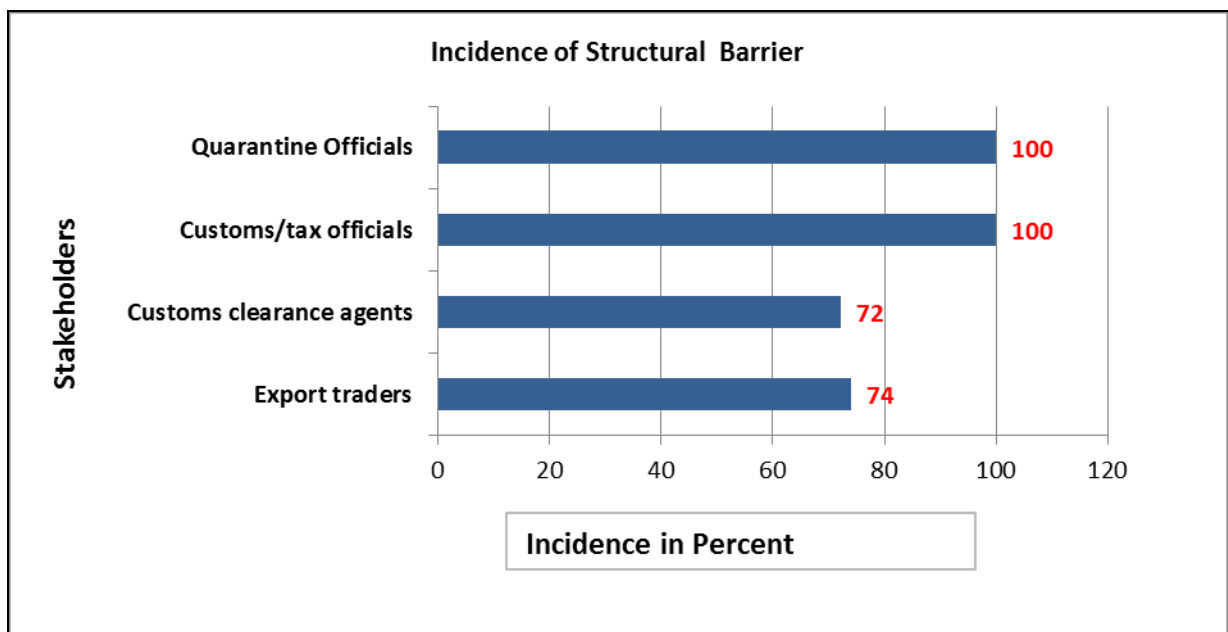
CHAPTER 5: STRUCTURAL BARRIERS

5.1 Incidence of structural barriers

Structural barriers are barriers created by the existing state of infrastructure, technology and bottlenecks created by non-market forces. They impose a cost and act as a constraint to production. Structural barriers reduce labour efficiency and productivity, raise the prices of factors of production, discourage new investment and create a general disincentive effects on entrepreneurship. Presence of structural barriers leads to loss of comparative advantage in trade. Structural barriers are complex and are linked to a range of other barriers such as policy barriers, institutional barriers etc. This section examines the incidence, intensity, severity and other important aspects of the structural barrier.

All the respondents reported the highest level of barrier on structural aspect. Among them, the exporters who are tolerating several barriers reported highest barrier to be structural barrier. Structural barriers are mainly perceived by exporters who are the core stakeholders directly affected in terms of productivity, costs and comparative advantage of trade. The structural barriers reported by other stakeholders include production barrier related to production of exportable goods as well as infrastructure at the institutions. Structural barrier perceived by other stakeholders are mostly reflections of the structural barrier experienced by exporters as well as other stakeholders from their experiences.

Figure 11: Incidence of structural barrier

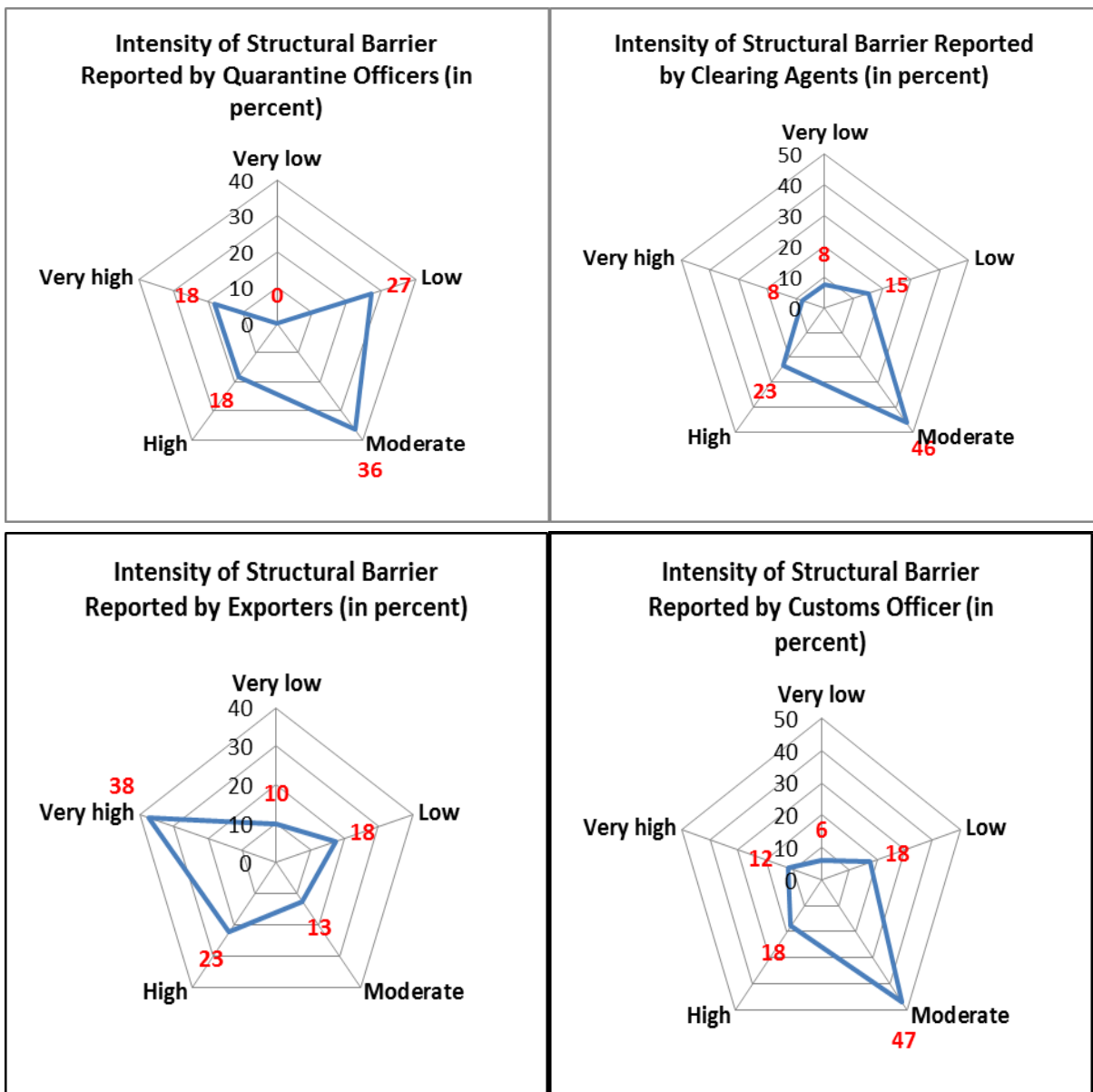


Source: Field Survey, 2013

5.2 Intensity of structural barriers

There is a somewhat ascending spiral of intensity starting from less important to more important service providers to service recipients. Service providers- quarantine officials for instance reported lower intensity compared to the customs officials. On the other hand service recipients- customs agents reported relatively greater structural barrier with the exporters perceiving the highest structural barrier. Structural barriers were thus at a tolerable level to service providers but at a less tolerable level for core service recipients.

Figure 12: Intensity of structural barriers

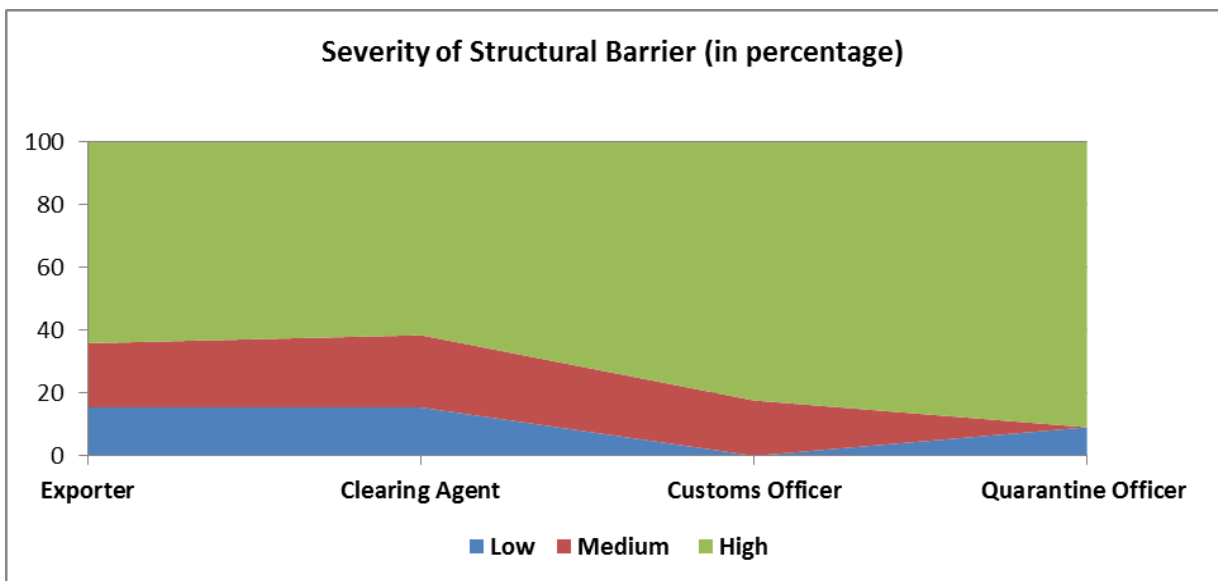


Source: Field Survey, 2013

5.3 Severity of structural barriers

The analysis of severity also indicates that it should be addressed with high priority. All the stakeholders placed a high priority on addressing structural barrier. All three indicators of structural barrier, their incidence, intensity and severity of structural barrier indicate that all are consistent and persistently high and thus deserve the higher attention to overcome export barrier. The analysis of the components of structural barrier provides a better picture of the several kinds of structural barrier, their intensity and severity discussed in the following section.

Figure 13: Severity of structural barrier



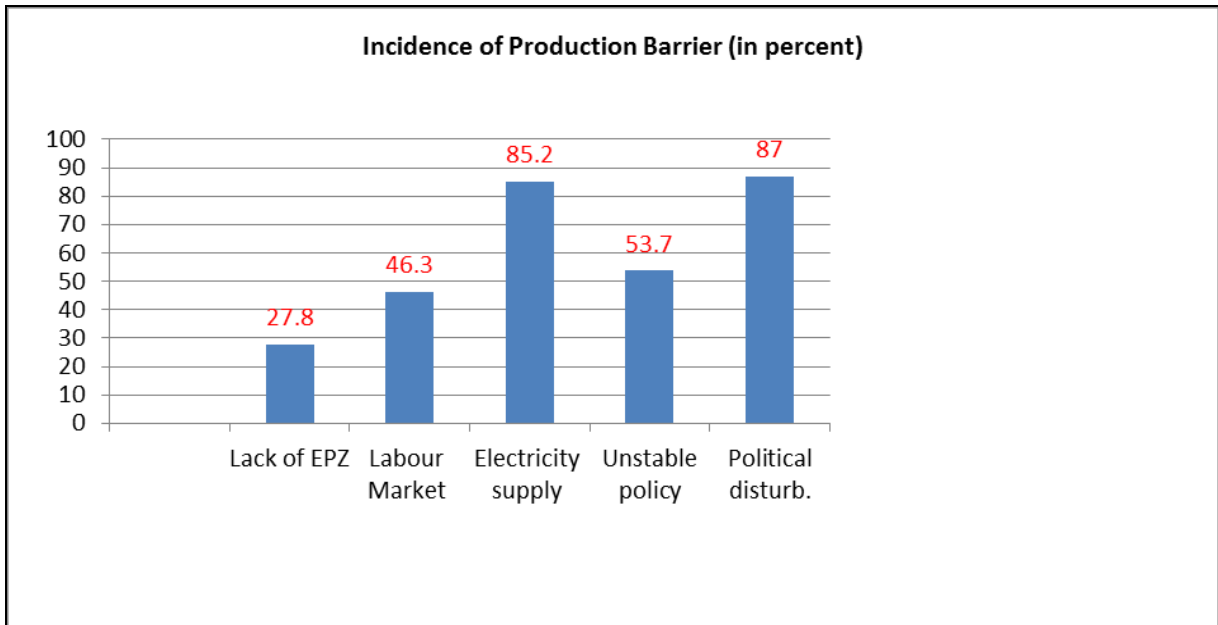
Source: Field Survey, 2013

5.4 Further explanation of structural barriers

5.4.1 Summary results from quantitative data

The components of structural or production barrier were further analyzed. During the pre-testing field visit, respondents had strongly raised the issue that production and structural barriers as the most important barrier of export of Nepalese products to India. Accordingly, a list of production and structural barriers were obtained. The study team incorporated these suggestions in the final survey to examine if these were true for the whole country. The major production or structural barriers suggested were the lack of export promotion zones (EPZs), labour market disturbances in which non-economic forces were dominant over economic forces that restricted free labour market adjustment based on demand for and supply of labour at competitive wage rates. The other barriers were irregular and unreliable electricity supply, unstable government policy and political instability (shutdowns, lack of social security and lack of secure economic climate)

Figure 14: Incidence of production barrier



Source: Field Survey, 2013

The results indicated high incidence of almost all of these barriers. The highest among them were political instability and problem of electricity supply. Unstable government policy and labour market problem were among the other list of priorities. Similarly, the lack of EPZ also was reported as a important barrier.

The analysis of structural barrier revealed that the incidence of structural barrier were highest among all barrier categories. Structural barriers are an outcome of the historical context that determines the social, economic and institutional structure of a country. The existing state of structural barrier is also the result of the prolonged political instability, decades of civil war and social unrest.

The results on the analysis of incidence, intensity and severity of structural barriers revealed that all three indicators of barriers are consistently high and need to be addressed with priority. Structural barriers can be overcome only in the long run through intensive and planned investment in socio-economic overheads.

5.4.2 Summary results from qualitative data

.....“We have time and again requested the government officials to construct a EPZ. If we had a EPZ with guaranteed infrastructure facility, we would definitely have a better export scenario.....”

(A participant in an interaction FGD in Birgunj)

“.....special economic Zone (SEZ) has been constructed... but it was not functional due to lack of act”

(A participant of FDG in Bhairahawa)

.....“Under such a condition of electricity irregularity, political instability and labour union problems, how can we produce goods with comparative advantage in Nepal? ”Traders have no option but to resort to trade by closing down industry.”

(A participant of FDG in Birgunj)

“....Production of export product is the major problem due to so many problems..such as.....lack of power....infrastructure...labour ...forced donations....export to India is the problem.... No doubt, there is demand of Nepalese product”

(A participant of FDG in Nepalgunj)

“There is structural problem in Dhagadi to export Nepalese product to India, UP creates problems while exporting forest products to India through Duduwa national park (Gauriphanta).....we cannot export the products through Banbasa outlet because of bridge (narrow).....it is opened only two times a day 2-2 hours each.....if we use Nepalgunj outlet ... an additional 15000 Rupees is incurred..... ”

(A participant of FDG in Dhangadi)

.....”All customs related facilities: customs, quarantine, COO issuing agency should be brought in a single premise. This will increase our efficiency to verify document and reduce hassles to the exporters”.....

(A FGD participant in Biratnagar)

Source: Field Survey, 2013

The qualitative information from the interactions with stakeholders indicated that production constraints are major factors causing loss of comparative advantage and constraining Nepalese export to India. Participants reported that it is very difficult to find space for comparative advantage in such a large economy with much developed infrastructure of India. Lack of power, collective bargaining through labour unions despite low skill endowment, high transportation cost, political instability and lack of general economic environment all add to the cost of production and prices of Nepalese products could not become competitive. Exporters emphasized that establishing EPZ or Special Economic Zone (SEZ) along with strict labour policy could contribute significantly. The already set up EPZ not being operational due to lack of act indicates the state of structural barrier present in the economy.

5.5 Estimation of probability of structural barriers

The results exhibit that the firms which have long experiences in export trading are more likely to experience structural barriers. Similarly a large firm in terms of number of employee is more likely to experience structural barriers. The firms which need higher number of days to complete procedural activities are more likely to experience structural barrier. In addition to this, the firms which have both barriers: barriers in exporting process and barriers in production process at the same time are more likely to experience structural barriers. The firms are less likely to experience structural barriers in Birgunj and Nepalgunj with reference to Kakarbhitta. Wald chi2 test is significant at 5% level and maximum likelihood estimation process of the model takes only 8 iterations, indicating that the model is good fit.

Table 8: Maximum likelihood estimation for structural barriers

Variables	Coef.	Robust Std. Err.	P>z
Years of Experiences	0.4742	0.2101	0.0240
Number of employment	0.0372	0.0221	0.0920
Interaction of experience and employment	-0.0012	0.0008	0.1570
Demand certainty	19.2063	12.6333	0.1280
Mean distance	-0.0066	0.0050	0.1870
Interaction of experience and demand certainty	-0.3760	0.2290	0.1010
Interaction of distance and demand certainty	0.0049	0.0036	0.1720
Interaction of number of days and demand certainty	-11.9754	7.5715	0.1140
Mean number of days	13.6973	7.9887	0.0860
Mean barriers in process in Nepal	-4.6750	3.5424	0.1870
Interaction of barriers in process and production process	1.9751	1.0180	0.0520
Mean barrier in production	-5.5365	4.0631	0.1730
Squared of mean of production process	0.8108	0.6073	0.1820
Mean barrier in process in India	-0.5592	1.9304	0.7720
Biratnagar	0.2773	2.3104	0.9040
Birgunj	-3.6300	1.2592	0.0040
Bhairahawa	2.8155	2.9654	0.3420
Nepalgunj	-6.0818	2.0744	0.0030
Dhangadi	1.9895	1.8273	0.2760
Constant	-17.7393	11.2871	0.1160
Log pseudo likelihood		=	-13.49296
Number of obs		=	54
Wald chi2(19)		=	36.89
Prob> chi2		=	0.0082
Pseudo R2		=	0.5634
Iteration		=	8

Source: Field Survey, 2013

CHAPTER 6: POTENTIAL NEW PRODUCTS

6.1 Analysis of potential new products

Nepal needs to identify what products it has comparative advantage against India due to its topography, labour characteristics, climate etc. Export of primary products, mineral extractions etc could be a strategy to finance development of social and economic overheads at the early stages of development. But prolonged reliance in the export of primary products which are associated with falling terms of trade will lead to greater dependence on imports and consequently lead to underdevelopment equilibrium in the long run. In this regards, this study aimed to identifying Nepalese products of comparative advantage both primary as well as manufacturing goods for export to India. Respondents were asked to identify and suggest Nepalese products for which Nepalese producers can be at a comparative advantage, based on their experiences. The respondents were also asked what commodities they think have a good market for export to India; why is the reason behind such a thought, the potential barrier to implement the idea and the institutions responsible for removing the barriers. The respondents were asked to provide a list of such potential commodities and rank those commodities in terms of market prospects as well.

6.2 Exploring the potential new product from quantitative data

The items recommended for export by traders from different border point cities are mostly agricultural products such as cardamom, ginger, broom sticks (amriso), tea, fruits, lentils, betel-nuts etc. Some products recommended for export come from forest sources such as medicinal herbs, resin, Kattha etc. Some commodities recommended for export are by-products of food and food-grain processing industries such as lentil husks, mustard oil cakes, rice bran etc. Most of the respondents identified products of agricultural and domestic origin as the reason behind their high export potential. This implies two possibilities: either the mindset of the respondents is still pre-occupied by traditional products for export, or they see less prospects for high value added commodities for export in the face of a range of structural barrier (technology, labour skill, political environment etc). The commodities with the highest frequency suggested for exports to India are presented in Table 9.

Table 9: Commodities of comparative advantage by export outlets

S.No.	Kakarbhitta	Biratnagar	Birgunj	Bharihawa	Nepalgunj	Dhangadhi
1.	Ginger	Amriso	Medicinal herbs	Herbs	Herbs	Herbs
2.	Cardamom	Ginger	Plastic products	Fruits/oranges	Rosin	Kattha
3.	Orange	Cardamom	Textile	Vegetables	Kattha	Khari/chalk
4.	Amriso	Pvc cable	Clinker	Cement	Precious stones	Grain/lentil Husks
5.	Vegetable	Medicinal herbs	Zinc sheet	Amriso	Vegetables	Musuro
6.	Medicinal herbs	Instant noodles	GI pipe	Betel nuts	Copper utensils	soya bean
7.	Other agricultural products	Sanitary products	Iron/iron products	ghee	Foodgrains	
8.		Plastic products	Carpet			
9.		Conductors				
10.		Gold and silver ornaments				

Source: Field Survey, 2013

A few industrial products such as iron and steel products, cement, plastic goods, copper utensils, instant noodles have also been suggested. Some goods of industrial value addition such as sanitary products using imported raw materials have also been recommended. Many of the commodities recommended having comparative advantage for export to India matches with the potential export sectors identified by Nepal Trade Integration Strategy (GON/MoCS, 2010). It was thus a bitter reality that Nepalese exporters have not been able to identify specific high value commodities of comparative advantage for export to India. This implies that prevailing structural barriers have been very much obstructive in the growth of the country's potential for development of highly skilled manpower, technology and institutions for production of specialized commodities to gain from the potentials of foreign trade.

Table 10: Potential export sectors identified by Nepal Trade Integration Strategy

S.No	Items	S.No	Items	S.No	Items
1.	Cardamom	8.	Handmade paper and paper products	15.	IT and BPO services
2.	Ginger	9.	Silver jewelry	16.	Health services
3.	Honey	10.	Iron and steel products	17.	Education services
4.	Lentils	11.	Chyangra Pashmina Products	18.	Engineering services
5.	Tea	12.	Wool products	19.	Hydro-electricity
6.	Instant noodles	13.	Tourism		
7.	Medicinal herbs and essential oils	14.	Labour services		

Source: (GON/MOCS, 2010)

6.3 Exploring the potential new product from qualitative data

“.....Seasonality differences in Nepal and India can make comparative advantages for Nepalese agriculture products to export to India”.....

(A participant of FDG in Bhairahawa)

“...Agriculture products are potential products to export to India...but...we need PFA (preventive food adulteration act, India) test...the PFA test is only available in Calcutta...Nepalese traders should pay for the cost of PFA test.....”

(A participant of FDG in Bhairahawa)

“..if India allows us to go to India within 200 km....we can export cement in India.....”

(A participant of FDG in Bhairahawa)

“...UttaraKhanda (UK) is the potential market for exporting Nepalese products....but it is so costly through Banbasha outlet because the truck cannot go through bridge....Tanakpuroutlet is not in operation.....”

(A participant of FDG in Dhangadi)

“.....there a huge potential of new export product such as banana or other agricultural products... but here is lack of commercial farming...”

(A participant of FDG in Dhangadi)

“.....new export products are based on import based industry such as iron, copper etc.....trade imbalance will continuewe should focus Nepalese products which have forward and backward linkages.....”

(A participant of FDG in Kathamndu)

“Herbs are the potential export products.... We should encourage herbs farming in the country...”

(A participant of FDG in Nepalgunj)

“ ...there should be a clear provision for exporting herbs such as *Jhyau, Panchaule, Jiwanti, Kutaki* etc.....”

(A participant of FDG in Nepalgunj)

“.....even higher tax rates are imposed on import of raw materials compared to finished goods of similar products..... Such as import of paddy and rice, import of raw materials in sanitary products, garments that has discouraged domestic production for export.....”

(A participant of FDG in Birgunj)

“.... Nepal has very good quality of Pharmaceutical productsBangladesh is exporting a huge amount of Pharmaceutical products....Nepalese Pharmaceutical products are also potential product to export to India.....”

(A participant of FDG in Bhairahawa)

The above and other qualitative information collected on the identification of goods of comparative advantage mostly focused on primary products from agriculture and forests. Respondents in the FGDs, however, also pointed out the need to shift from the traditional low value added commodities to high value added commodities. Accordingly there was greater emphasis of commercial production of herbs that have a high demand in India for Ayurvedic medicines. Similarly, respondents reported the increasing scope of cement, iron and steel products being demanded in the Indian states bordering Nepal. The Stakeholders also highlighted that pharmaceutical products, which are a high value product and have a high scope but needs a policy agreement with the government of India. The Government of Nepal should ensure mechanisms of quality conformity while India should accept such Nepalese product imports. In most of the FGDs the stakeholders expressed frustration over the existing state of social and political instability and emphasized the need to overcome structural barrier before entrepreneurs start investing in the production of exportable goods in a confident manner. The respondents also pointed out the need for more aggressive export oriented policies to promote export as it would have broader economic impacts on employment, technological development and import substitution. More generous incentive schemes to exporting industries, tax concessions on imports of raw materials for export and import tax free provision on the imports of plants and equipment imported for production of goods targeted for exports were suggested.

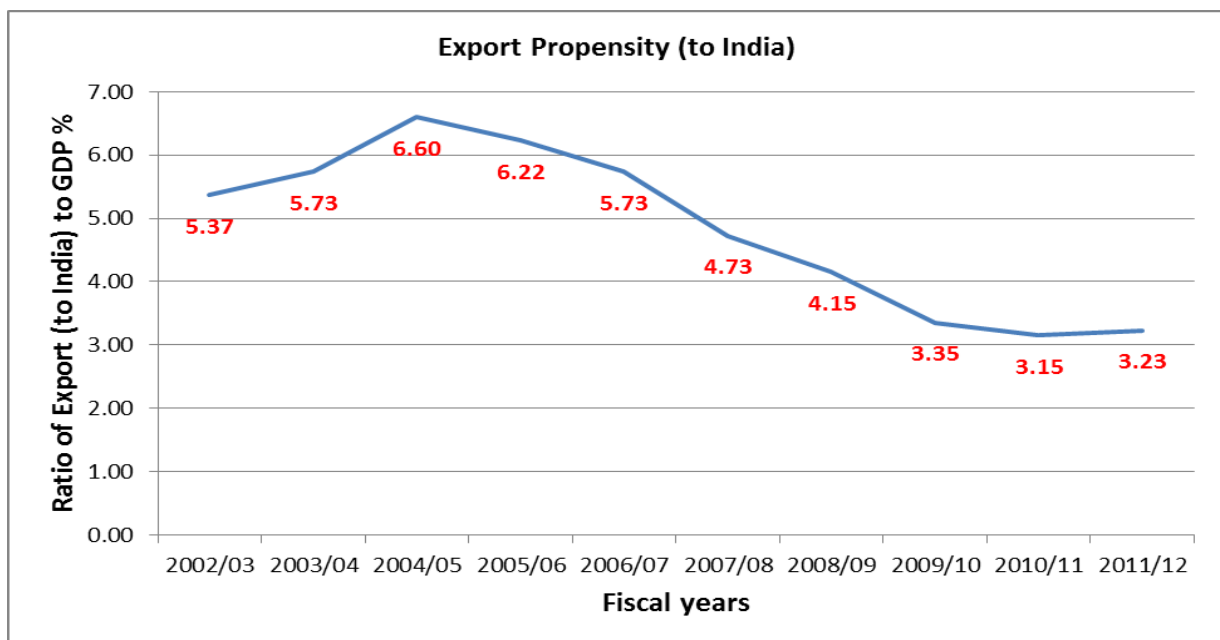
CHAPTER 7: RESULTS FROM SECONDARY DATA ANALYSIS

7.1 Contraction of the export opportunity

The stocks of information were collected for secondary analysis from different sources such as various publications of Government of Nepal, Nepal Rastra Bank, Trade and Export Promotion Centre, various publications of Government of India, published and unpublished reports, articles, publications of World Bank, among others. Trend, patterns and other quantitative analysis have been conducted by utilizing secondary data.

The ratio of exports to GDP shows the overall degree of reliance of domestic producers on foreign markets. The ratio is called export propensity index. The growth rate of exports and export propensity index exhibit the situation of export trading and position of country in foreign market, particularly in Indian market. The export propensity index clearly exhibits the vulnerability to certain types of external shocks. The fluctuating growth rate of export to India shows the uncertainty of exporting Nepalese product to Indian market. Figure 17 demonstrates that Nepal is continuing to miss the opportunity of exporting the products to India. In the beginning of this decade, Nepal captured almost 60 per cent of import market of India from South Asian. After a decade, the share declined to 20 percent.

Figure 15: Export propensity index (India)



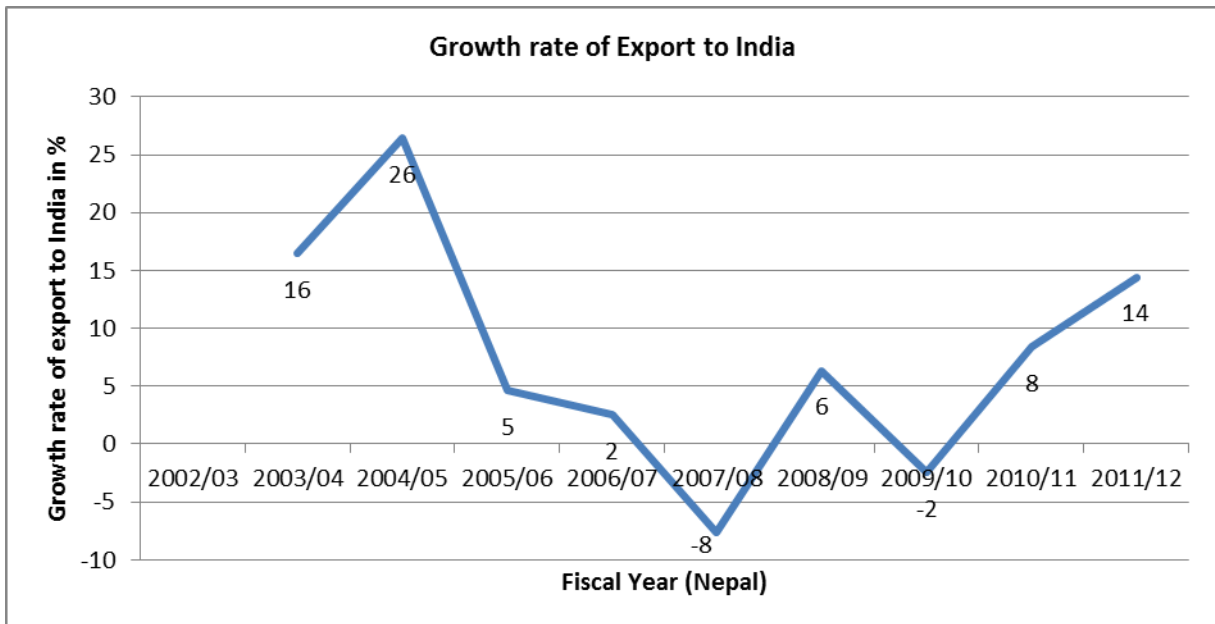
Source: NRB, 2013

Figure 16: Share of export to India



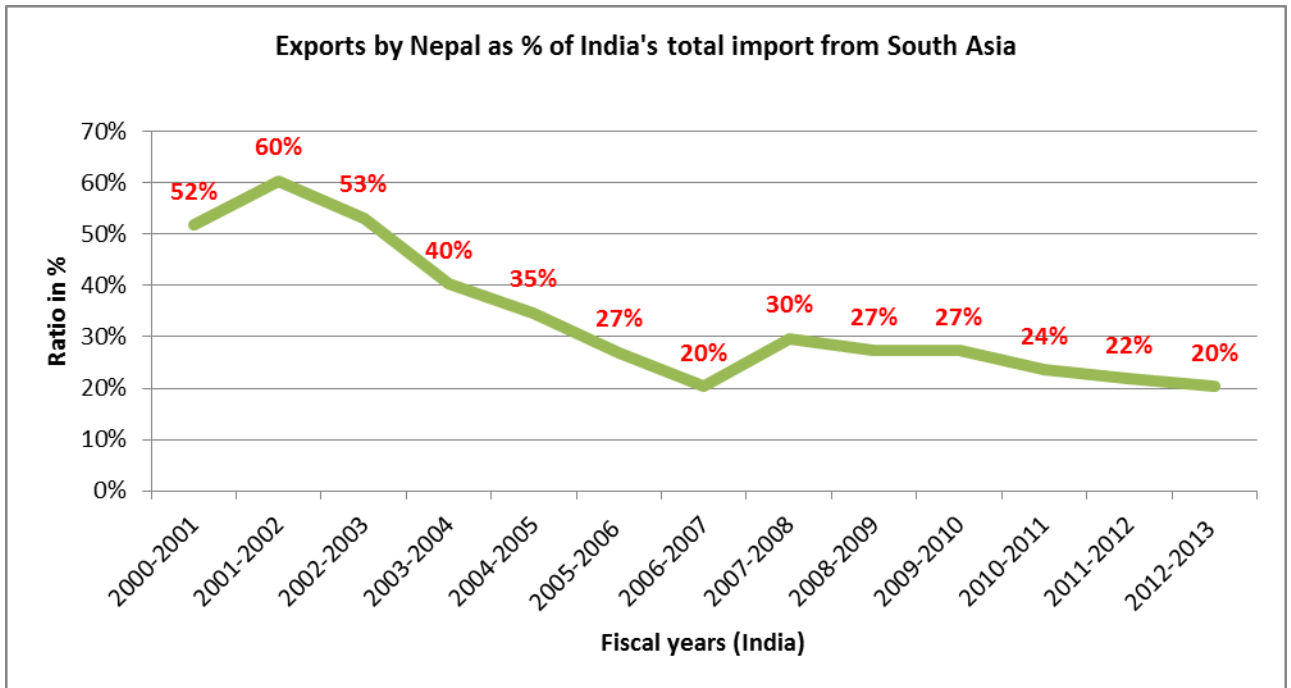
Source: NRB, 2013

Figure 17: Growth rate of export to India



Source: NRB, 2013

Figure 18: Ratio of Nepal’s export to India’s total import from South Asia

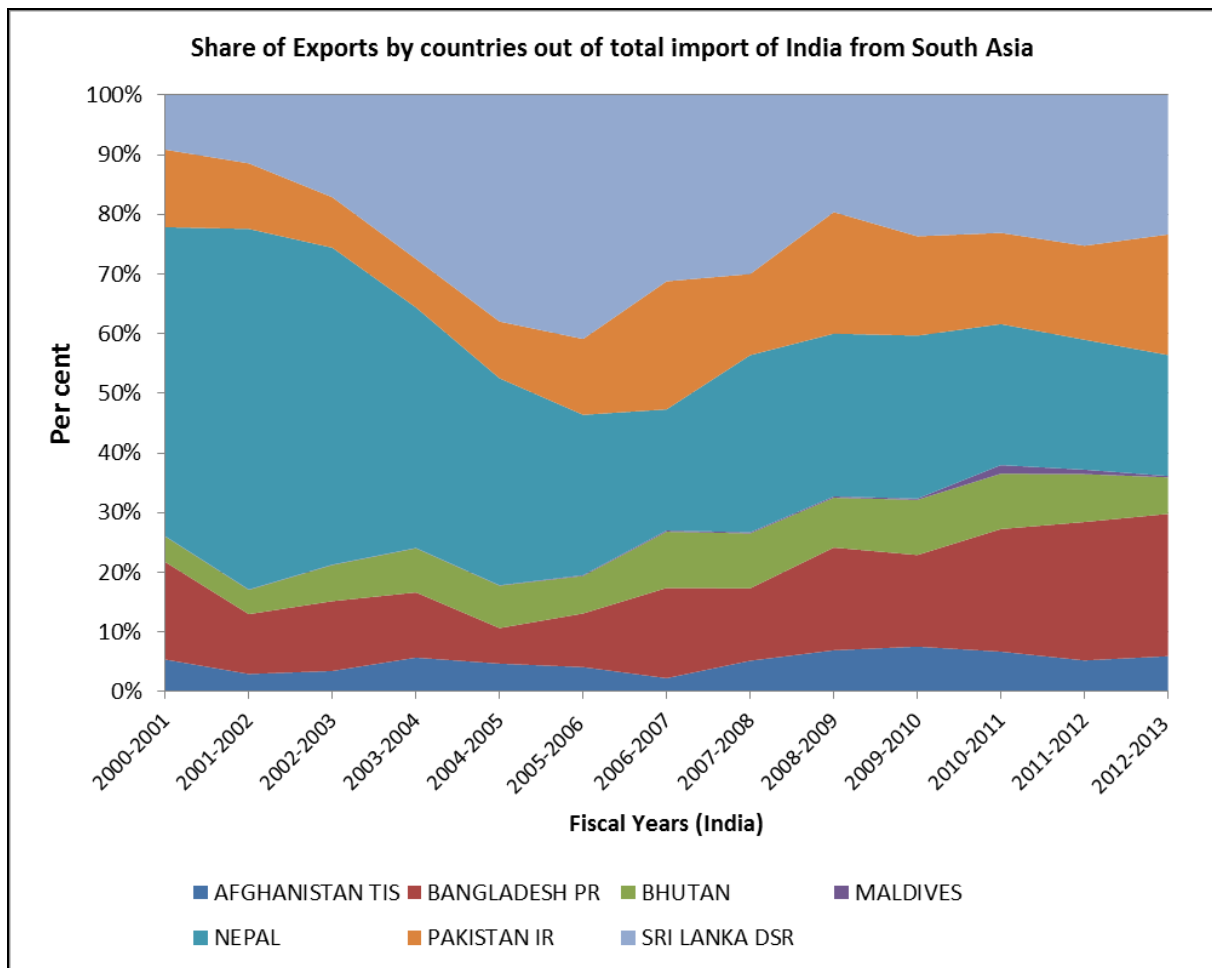


Source: Department of commerce, India

7.2 Sinking competitiveness in export trading

The export of Nepal out of total import of India from South Asia share tells us how important a particular export partner is in terms of the overall import profile of an Indian economy. At the same time, it shows competitive capacity of Nepal to export Nepalese products to India compared to other south Asian countries. Figure 19 suggests that most of the countries increased their export share to India in the last decade; however, export share of Nepal is narrowing down over the years, almost similar in shape to a funnel.

Figure 19: Importshare by countries out of total import of India from South Asia



Source: Department commerce, India

Competitiveness in trade is broadly defined as the capacity of the country to increase its share in international markets at the expense of its rivals. We measure the competitiveness indirectly using correlation index. Negative correlation coefficient suggests the substitution effect but positive correlation coefficient indicates complementary effects while exporting the products of South Asian countries to India. We estimated the correlation coefficient of the share of Nepal and other South Asian countries. We found a negative correlation coefficient indicating that Nepal has been experiencing substitution effect in exporting product to India compared to other South Asian countries such as Bangladesh, Bhutan Pakistan and Sri Lanka. In other words, as the shares of export of other South Asian countries to India increase, Nepal's share to export to India has declined. The coefficients suggest that Nepal is losing its competitiveness in export trade in India.

Table 11: Correlation coefficients

Computing correlation between Nepal and	Correlation coefficients*
BANGLADESH	-0.50022
BHUTAN	-0.74971
PAKISTAN	-0.70187
SRI LANKA	-0.60095

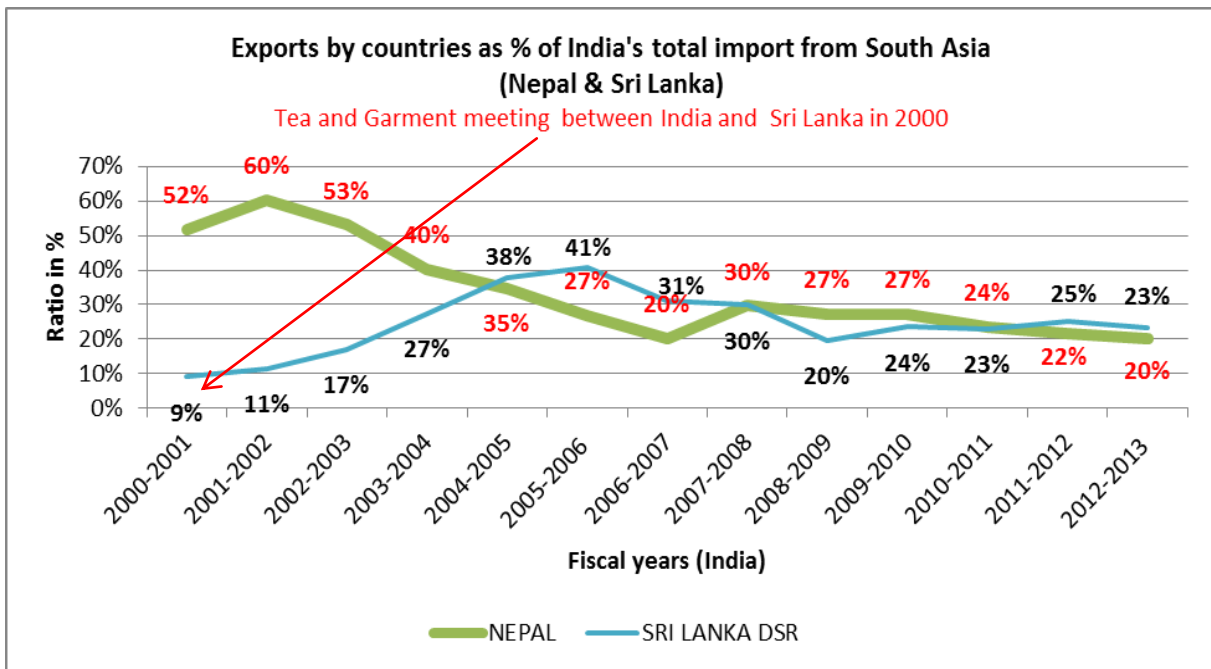
* Significant at 10 % level

Source: Department commerce, India

7.3 Trade agreements and export trading

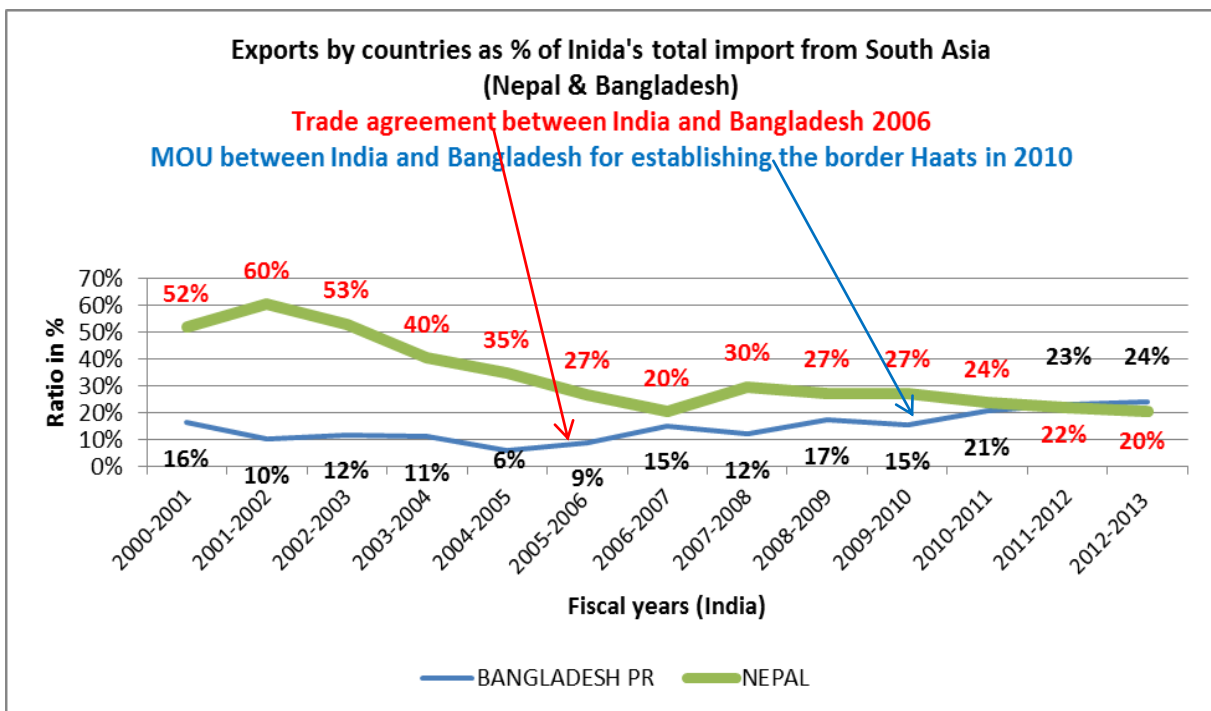
No doubt trade policy or trade agreements between the countries are aimed to facilitate international trade; however, not all countries benefit equally from the trade agreements. To gain maximum benefit from the trade agreements, domestic environment of the countries should be favorable to increase their share in the international market. during the last decade, India has signed trade agreements or some kind of memorandum of understanding (MOU) with most the South Asian countries; for example, trade agreements between Nepal and India in 2009; trade agreements between Bhutan and India in 2006; trade agreements between Bangladesh and India in 2006 and MOU for establishing the border Haats in 2010; trade agreements between Pakistan and India in 2006 ; and free trade agreements between Sri Lanka and India in 1999 and Tea and Garment meeting between India and Sri Lanka in 2000. The Following figure demonstrated that most of South Asian countries excluding Nepal are gaining benefit from the trade agreements. For example, Sri Lanka increased export to India after free trade agreement in 1999 and Tea and Garment meeting in 2000 (figure 20). Similarly Bangladesh has increased the share of export trading to India from 9 per cent to 24 percent after the trade agreements in 2006 (figure 21). Pakistan also gained benefits by 7 per cent point after trade agreements in 2006 (figure 22). Bhutan also finds favorable situation after trade (transit) agreement between Bhutan and India (figure 23).

Figure 20: Increasing the export trading of Sri Lanka after free trade agreement in 1999



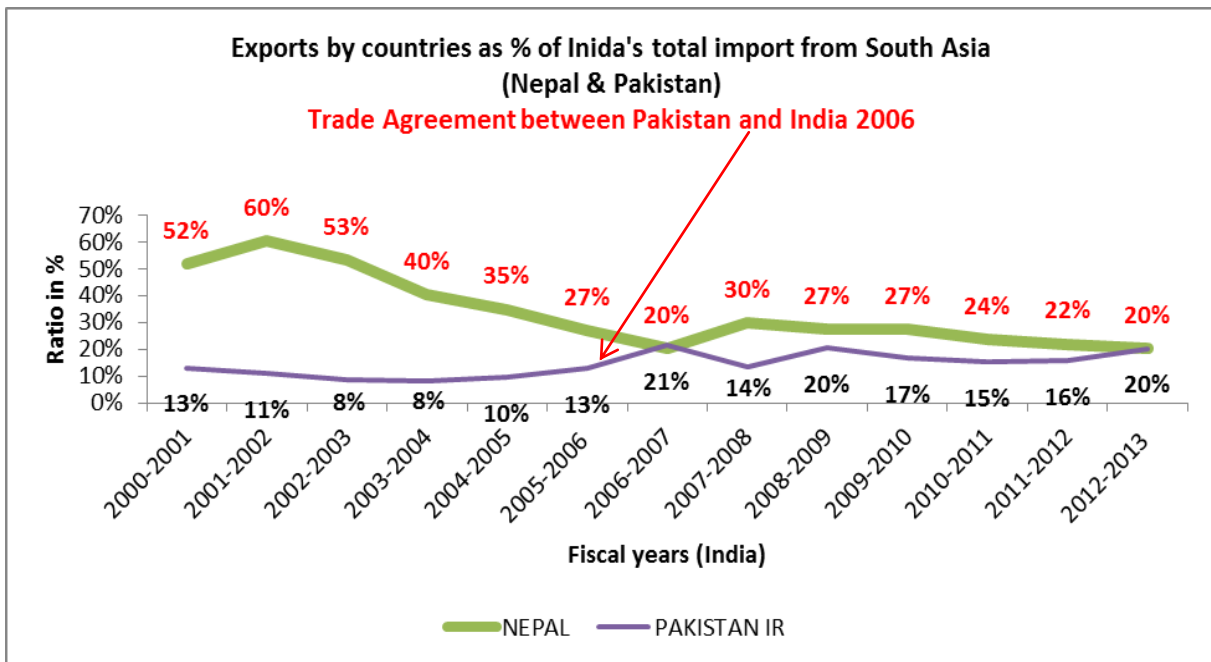
Source: Figure 19

Figure 21: Increasing the export trading of Bangladesh after trade agreement in 2006



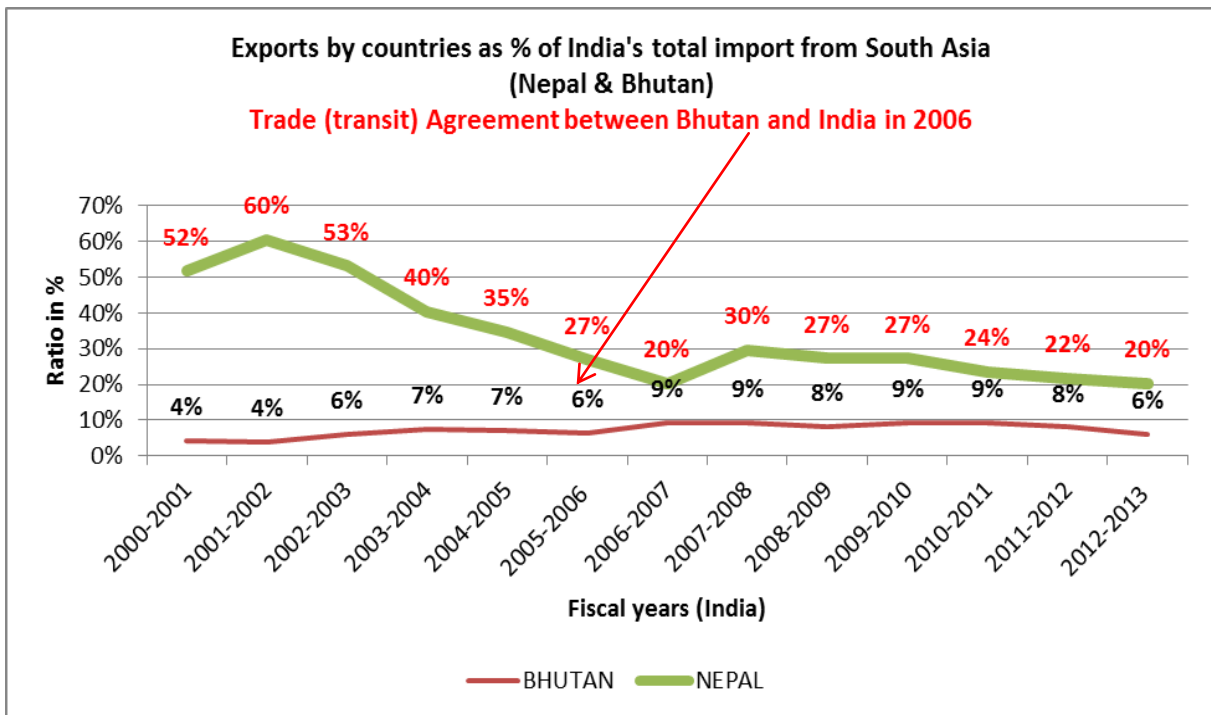
Source: Figure 19

Figure 22: Increasing the export trading of Pakistan after trade agreement in 2006



Source: Figure 19

Figure 23: Increasing the export trading of Bhutan after trade agreement in 2006



Source: Figure 19

7.4 Revealed comparative advantage

India is the most important export destination of Nepal. As mentioned earlier, based on official report, about two third of the export has been with India. Measures of revealed comparative advantage (RCA) have been used to help assess a country's export potential. Generally, the RCA index is defined as the ratio of two shares. The numerator is the share of a country's total exports of the commodity of interest in its total exports. The denominator is share of world exports of the same commodity in total world exports. The RCA index is slightly modified for this study in which the numerator is export of particular product of Nepal and denominator is total import of India for that particular product. The products with modified RCA greater than one are selected for this analysis. Modified RCA covers more products than RCA. Modified RCA allows us to look at potential entry of the products. Table 2 suggests that the numbers of products with modified RCA greater than one are decreasing to export to India. Very few new products as suggested by HS code are also entering to export to India; however, their RCAs are still very low. Table 3 suggested that revealed comparative advantages of the different products are also decreasing in recent years. The highest modified RCA was 75 in last three years before, but now the highest modified RCA is 24. Concentrating to lower value of modified RCA and reducing the numbers of products over the years demonstrate low potentiality of new product to export to India (HS code is provided in Appendix B).

Table 12: Modified RCA and commodities in HS code

S.No.	2008/09		2009/10		2010/11		2011/12		2012/13	
	HSCode	RCA	HSCode	RCA	HSCode	RCA	HSCode	RCA	HSCode	RCA
1	4	7	4	3	4	1	9	11	4	5
2	9	16	6	1	8	1	10	11	9	13
3	10	7	9	11	9	15	12	1	12	1
4	12	2	10	1	10	1	14	58	14	24
5	14	68	12	1	12	1	19	16	19	12
6	19	31	14	75	14	58	20	1	21	1
7	20	1	19	24	19	20	21	1	22	16
8	21	2	20	3	20	1	22	9	23	4
9	22	13	22	7	22	8	33	2	33	2
10	23	10	23	5	23	4	53	4	53	4
11	32	2	25	1	32	1	54	2	55	9
12	33	4	32	2	33	2	55	12	56	3
13	34	2	33	2	34	1	56	6	63	6
14	39	1	34	1	53	6	62	5	64	5
15	46	3	53	7	54	2	63	7	73	1
16	53	9	54	3	55	11	64	4		
17	55	15	55	14	56	11				
18	56	9	56	11	60	1				
19	60	3	60	2	62	6				
20	61	1	62	7	63	10				
21	62	8	63	9	64	3				
22	63	7	64	5	97	1				
23	64	3	74	1						
24	74	1	97	1						

Source: Department commerce, India

Table 13: Comparison of modified RCA for last five years

	2008/09	2009/10	2010/11	2011/12	2012/13
	RCA	RCA	RCA	RCA	RCA
1	1	1	1	1	1
2	1	1	1	1	1
3	1	1	1	1	1
4	1	1	1	2	2
5	2	1	1	2	3
6	2	1	1	4	4
7	2	1	1	4	4
8	2	2	1	5	5
9	3	2	1	6	5
10	3	2	2	7	6
11	3	3	2	9	9
12	4	3	3	11	12
13	7	3	4	11	13
14	7	5	6	12	16
15	7	5	6	16	24
16	8	7	8	58	
17	9	7	10		
18	9	7	11		
19	10	9	11		
20	13	11	15		
21	15	11	20		
22	16	14	58		
23	31	24			
24	68	75			

Source: Department commerce, India

CHAPTER 8: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

8.1 Discussions and conclusions

The study concentrated on export barriers experienced or perceived by the stakeholders. Obstacles encountered by the stakeholders in exporting are of special interest since exporting provides the most effective mode of entering foreign markets. In fact, an assessment of export barriers explains why current exporters are not exploiting their full potential in the international market place. Barriers to exporting are often the cause of many firms' failures in foreign business operations, bringing financial losses along with negative attitudes toward international trading activities among both current and potential exporters. Therefore, removal or minimization of these obstacles would contribute toward a higher export propensity.

Barriers to exporting are all those procedural, structural, policy and structural ones that hinder the firm's ability to initiate, develop, or sustain international operations. Although these constraints play an important role to reduce the export trading, export traders alone are not able to remove or minimize them. They need the Government or other institutional support to reduce the cost of export imposed by the barriers of export. The literatures suggest that a stable, credible, and consistent macroeconomic environment may be a necessary condition for export growth. Without expansion in the growth of manufactured exports, increasing Nepalese export to India may not be possible. While trade is considered as engine of economic growth, infrastructure services including power, transport, and other physical facilities are “wheels” of economic activity. Therefore, there are two types of barriers: 1) barriers related to production or expansion of export products, and 2) barriers related to export of product to India. The study focuses on second issue; however, without capturing the barriers related to expansion of export product, it may not provide complete picture of export barriers of Nepalese product to India. Domestic socio-political environment, facilities and infrastructures and structure of the economy determines the competitiveness of the export products in the foreign market. The four barriers as mentioned earlier capture both these issues. Policy and structural barriers include not only export barriers but also production barriers. It doesn't mean that all barriers are mutually exclusive.

Export or production obstacles are usually identified among firms and other stakeholders currently engaged in foreign operations, as they derive from their actual day-to-day experience. Qualitative and quantitative data collected from primary sources including some secondary data produced some interesting results that are summarized below:

- Procedural barriers in terms of consuming higher number of days to complete the process, lack of quarantine facilities, lengthy customs procedures, certificate of origin, attitudinal problems, provision of plant quarantine and lack of services among others are found as indicated by the export traders, customs and tax officers, quarantine officers and customs clearing agents; however, in-depth intensity of the procedural barriers is moderate or below the moderate level. Procedural barriers compared to other barriers such as policy, structural and institutional barriers were reported as the second major barriers by the stakeholders. It should be given second priority to minimize the barriers.
- In general, there is an inverse relationship between certainty of demand for the product and procedural barriers. Procedural barriers increase the cost of export. If the demand for the product is certain for a given price (including cost of procedural barriers), the barriers would be acceptable. Some of the exporters can predict the demand of their products and some of them could not; therefore, the degree of procedural barriers is a relative terms for them. The growth rate of export to India for the last decade exhibiting fluctuating trend indicates uncertainty of demand of export product. Hence, procedural barriers are persistent in export trading. On the other hand, informal trade between Nepal and India (both sides) indicates presence of the procedural barriers.
- Generally, manufacturing products are final products; but some raw materials or intermediate products are entering into the export market. Current trade policy does not provide a clear guidance for long run strategies and does not create a conducive environment for the promotion of trade and business in order to make it competitive at international level for raw materials, or semi-processed products such as stone boulder and aggregates, crude medicinal herbs and vegetable products. Current export trading for concrete boulder, crude medicinal herbs is governed by the export and import (Control) Act, 2013 (1957). Lack of policy is the major policy barrier. Policy barriers emerged as the third important export barriers for overall stakeholders; however, the traders who exported concrete boulder, crude medicinal herbs indicted policy barriers as the most critical barriers.
- Due to lack of comprehensive trade policy, Nepal could not get comparative advantages from the export of raw materials or semi-processed products; on the other hand, it has created ecological and environmental problems in the home country and high value addition products have not received attention for export.
- Policy barrier particularly due to the barrier created by the quarantine provision of India that takes a long time to receive approval makes export very costly and economically unviable for small scale producers. Nepal still depends to a great extent on the export of primary products that are perishable. Since the topography and climatic conditions across these two countries is very similar, the Government of Nepal should make efforts

to revise trade treaties to make quarantine procedures by Indian counterpart more relaxed, at least for selected agricultural commodities. Quarantine officials in Nepal also reported export of sub-standard products. For instance, ginger exported to India is not free of field soil. Promoting washing plants for ginger and other medicinal herbs before exporting has been recommended by Nepalese quarantine officials to avoid quarantine delay and rejection by Indian quarantine authority.

- Structural barriers impose supply side constraint, raise the cost of production leading the product lose its comparative advantage in foreign trade. A short term, medium term and long terms strategy to address the supply side constraints such as shortage of power, labour market disturbances and shielding manufacturing sector from political unrest is necessary. Establishment of EPZ or SEZ contribute to reducing the structural barriers to a great extent.
- Some manufacturing industries have recently been able to create good market for industrial products such as cement, iron and steel products. They have reported that the existing criteria of 50 percent of total transaction being exported to receive bank guarantee in the import of raw materials is harassing. Firms with small transaction volume, but with 50 percent being exported are enjoying this facility while firms with large transactions but less than 50 percent being exported do not get this facility. The provision should be revised in some monetary threshold terms rather than percentage.
- Transportation access to Nepalese trucks to deliver goods to the Indian market place causes barrier in the export of agricultural products such as ginger, broom sticks, cardamom etc. As a result these products are being collected by Indian traders at low price from Nepalese producers who then deliver it to India with a high margin. Nepalese truck need to get permission from the Embassy of India in Kathmandu to allow trucks to India and the process is extremely cumbersome and discouraging. An agreement with the Indian Government to allow Nepalese trucks to the nearby Indian cities for 72 hours, as provided to Indian trucks, will enable small scale Nepalese producers to fetch better prices for their products in Indian markets.

8.2 Recommendation Matrix

This section provides a matrix of recommendations that links the barriers, recommended policy or activities, responsible agency along with remarks if any.

Table 14: Recommendation to overcome barriers

Barriers	Recommendations	Responsible agency	Remarks
Structural Barriers	<ul style="list-style-type: none"> • To accelerate development of infrastructure in the key areas—power, road transport, and irrigation to improve connectivity, to reduce costs of production, to introduce new product to exports and to improve competitiveness of Nepal’s products. • Excessive politicization of labor, frequent strikes and political interference, employment legislation, trade unions, and labor relations are indicated as structural barriers that need to be handled carefully by the political parties by developing common consensus. • Diversification of the industrial base, improving the performance of the agriculture sector, effective policies to overcome market failures particularly in transport sector and use of natural and environment related export products such as herbs, stone/stone dust/stone crush/stone aggregates are major issues to remove the structural barriers. Addressing market failures includes improvement in knowledge and understanding, innovations, encouragement to entrepreneurship, creating the environment for competitiveness, among others. • The SEZ Bill should be passed as soon as possible. Parking, storage faculties should be improved in the customs point. • Structural problems due to small bridge in Banbasha and declaration of Dudhwa National park in UP, India are faced by the exporters in Dhangadhi; alternative outlet such as use of Tanakpur bridge and developing a new outlet in Khakraula (Mohana river), should be explored to export Nepalese products export to India. Export potentiality is very high in this region due to proximity to New Delhi is very near from this region (about 8 to 10 hrs to reach New Delhi). Demand led export will be possible. 	GON, NRB, FNCCI	Stakeholders have indicated it as first major barrier; therefore, the Government should give the first priority to remove structural barriers. But it needs medium terms and long term planning.

<p>Procedural Barriers</p>	<ul style="list-style-type: none"> • The number of quarantine facilities and food testing facilities at border points from the existing facilities should be increased. It will reduce the number of days in the process of exporting the products. • The Government of Nepal should talk about quarantine related issues with the Government of India to accept third party certification and allow a standard-related body of global repute for its commercial presence in Nepal; and to include the list of plants as given in Appendix C in Plant Quarantine regulatory Act 2003 Government of India, SCHEDULE-VII • Provision of reciprocal treatment to Nepalese transporters should be made since Indian transporters are allowed to spend up to 72 hours in Nepal. It will enhance export cement and other products to India. • Necessary provision should be made to facilitative the exporting of pharmaceutical products to India • The Government of Nepal should talk with the Government of India about the provision made by Uttar Pradesh (UP) state for Nepalese exporter to compulsorily register the company in UP for exporting forest product to India. 	<p>GON, NRB, FNCCI</p>	<p>Stakeholders have indicated it as second major barrier; therefore, the Government can give the second priority to remove the barriers. But it needs short terms planning. Therefore, it should be given the first priority to solve the problems.</p>
<p>Policy Barriers</p>	<ul style="list-style-type: none"> • Product specific trade policies such as herbs exporting policy, stone/stone dust/stone crush/stone aggregates exporting policy should be developed as soon as possible • Comprehensive trade policy should be formulated • Quarantine and prevention of food adulteration related policy and facilities should be developed 	<p>GON, NRB, FNCCI</p>	<p>Stakeholders have indicated it as the third major barrier; therefore, the Government can give the third priority to remove this barrier. But it needs short term planning. It can also contribute to reduce the procedural barriers. Therefore, it should be given the first priority to solve the problems.</p>

<p>Institutional Barriers</p>	<ul style="list-style-type: none"> • Clear institutional roles and responsibilities related to export of products should be made by Ministry of Agriculture and Cooperative, Ministry of Forest and Soil Conservation, Ministry of Finance to reduce institutional barriers arising from ambiguities. • Research and development related to identifying potential export products enhancing innovation, entrepreneurship, information, and network should be prioritized. • Information and provision related to export should be provided through concerned institutions such as district forest office and customs office. • Research & development and business training should be carried out to change the behavior of the trade exporters/industrialist – they have: <ul style="list-style-type: none"> - Low risk & high gain attitude - Low investment & short term returns seeking attitude - Attitude & behavior (due to long tradition from Panchyat system) to work on loopholes of the Government rules and regulations - Increasing demands to be fulfilled by the government but less trust and supportive attitudes towards the Government • Research & development and business training should be carried out to change the negative behavior of the Government and general public towards the business people and exporters and to honour their contributions to the nation: <ul style="list-style-type: none"> - Exporters and industrialists are partners with the people and the Government to build the nation. - They are continuously contributing to economic development, employment, and government revenue 	<p>GON, NRB, FNCCI</p>	<p>Stakeholders have indicated it as the fourth major barrier; therefore, the Government can give the fourth priority to remove this barrier.</p>
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Note: stakeholders provide the priority to remove the barriers; however, the barriers and recommendation to remove these barriers are not mutually exclusive. Measures to remove the barriers can be implemented simultaneously.

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APPENDIX: A

Documentation required for export clearance in Nepal

The registered firm or company to follow up procedure of export to third country by air freight is required to prepare and present the following documents for exports from Nepal:

1. Customs Declaration Form
2. Packing List.
3. Certificate of Origin.
4. GSP Certificate if applicable
5. Copy of letter of credit or advance payment statement received from the bank.
6. Foreign Exchange declaration Form of Nepal Rastra Bank
7. Copy of Firm/company Registration Certificate.
8. Copy of income tax registration certificate or VAT registration
9. Airway bill
10. Letter of authority to clear the consignment
11. Phytosanitary Certificate for agricultural products/plants
12. Certificate from Department of Archaeology for the export of statues, Thankas, Wood carving of archaeological value etc.
13. Visa authorization certificate from Garment visa office of National Productivity and Economic Development Centre for the export of garments to Canada
14. Recommendation letter from Garment visa office of National Productivity and Economic Development Centre for the export of garment to USA (for customs clearance only)
15. CITES Certificate from the Department of National Parks and Wild Life Conservation for the export of bone and horn products.
16. Value certification from the Handicrafts Association of Nepal for handicrafts goods, Gold and silver products.
17. Value added Tax Certificate for beer, spirits and cigarettes.
18. Passbook for gold handicrafts from Handicrafts Association of Nepal if applicable.
19. Clearance certificate of Department of Drug Management for medicines.
20. Clearance certificate of Department of Mines and Geology for mineral products.
21. Certificate of origin from local chamber of commerce
22. Multiple countries Declaration for garment export to the USA.

All the above documents except of No. 9 and additional following documents are required for export to third country by sea/land

1. Transport manifesto, one copy per truck (for sea cargo)
2. Custom transit declarations (for sea cargo)
3. Transit declaration invoice for goods in transit via India/Bangladesh to third country destination. (for sea cargo).

(Source: Department of Customs, GON)

APPENDIX: B

HS code and commodities for export to India

HSCode	Commodity
1	LIVE ANIMALS.
2	MEAT AND EDIBLE MEAT OFFAL.
3	FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES.
4	DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PROD. OF ANIMAL ORIGIN, NOT ELSEWHERE SPEC. OR INCLUDED.
5	PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED.
6	LIVE TREES AND OTHER PLANTS; BULBS; ROOTS AND THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE.
7	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS.
8	EDIBLE FRUIT AND NUTS; PEEL OR CITRUS FRUIT OR MELONS.
9	COFFEE, TEA, MATE AND SPICES.
10	CEREALS.
11	PRODUCTS OF THE MILLING INDUSTRY; MALT; STARCHES; INULIN; WHEAT GLUTEN.
12	OIL SEEDS AND OLEA. FRUITS; MISC. GRAINS, SEEDS AND FRUIT; INDUSTRIAL OR MEDICINAL PLANTS; STRAW AND FODDER.
13	LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS.
14	VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NOT ELSEWHERE SPECIFIED OR INCLUDED.
15	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PRE. EDIBLE FATS; ANIMAL OR VEGETABLE WAXES.
16	PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES
17	SUGARS AND SUGAR CONFECTIONERY.
18	COCOA AND COCOA PREPARATIONS.
19	PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS PRODUCTS.
20	PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS.
21	MISCELLANEOUS EDIBLE PREPARATIONS.
22	BEVERAGES, SPIRITS AND VINEGAR.
23	RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER.
24	TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES.
25	SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT.
26	ORES, SLAG AND ASH.
27	MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.
28	INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OR RAD. ELEM. OR OF ISOTOPES.
29	ORGANIC CHEMICALS
30	PHARMACEUTICAL PRODUCTS
31	FERTILISERS.

32	TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERI. DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VER; PUTTY AND OTHER MASTICS; INKS.
33	ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS.
34	SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREPARATIONS, LUBRICATING PREPARATIONS, ARTIFICIAL WAXES, PREPARED WAXES, POLISHING OR SCOURING PREP.
35	ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES.
36	EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS.
37	PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS.
38	MISCELLANEOUS CHEMICAL PRODUCTS.
39	PLASTIC AND ARTICLES THEREOF.
40	RUBBER AND ARTICLES THEREOF.
41	RAW HIDES AND SKINS (OTHER THAN FURSKINS) AND LEATHER
42	ARTICLES OF LEATHER,SADDLERY AND HARNESS;TRAVEL GOODS, HANDBAGS AND SIMILAR CONT.ARTICLES OF ANIMAL GUT(OTHR THN SILK-WRM)GUT.
43	FURSKINS AND ARTIFICIAL FUR, MANUFACTURES THEREOF.
44	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL.
45	CORK AND ARTICLES OF CORK.
46	MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK.
47	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; WASTE AND SCRAP OF PAPER OR PAPERBOARD.
48	PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD.
49	PRINTED BOOKDS, NEWSPAPERS, PICTURES AND OTHER PRODUCTS OF THE PRINTING INDUSTRY; MANUSCRIPTS, TYPESCRIPTS AND PLANS.
50	SILK
51	WOOL, FINE OR COARSE ANIMAL HAIR, HORSEHAIR YARN AND WOVEN FABRIC.
52	COTTON.
53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN.
54	MAN-MADE FILAMENTS.
55	MAN-MADE STAPLE FIBRES.
56	WADDING, FELT AND NONWOVENS; SPACIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF.
57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS.
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY.
59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE.
60	KNITTED OR CROCHETED FABRICS.
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CORCHETED.
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED.
63	OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS
64	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES.
65	HEADGEAR AND PARTS THEREOF.
66	UMBRELLAS, SUN UMBRELLAS, WALKING-STICKS, SEAT-STICKS, WHIPS,RIDING-CROPS

	AND PARTS THEREOF.
67	PREPARED FEATHERS AND DOWN AND ARTICLES MADE OF FEATHERS OR OF DOWN; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR.
68	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS.
69	CERAMIC PRODUCTS.
70	GLASS AND GLASSWARE.
71	NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMIPRECIOUS STONES,PRE.METALS,CLAD WITH PRE.METAL AND ARTCLS THEREOF;IMIT.JEWELRY;COIN.
72	IRON AND STEEL
73	ARTICLES OF IRON OR STEEL
74	COPPER AND ARTICLES THEREOF.
75	NICKEL AND ARTICLES THEREOF.
76	ALUMINIUM AND ARTICLES THEREOF.
78	LEAD AND ARTICLES THEREOF.
79	ZINC AND ARTICLES THEREOF.
80	TIN AND ARTICLES THEREOF.
81	OTHER BASE METALS; CERMETS; ARTICLES THEREOF.
82	TOOLS IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS THEREOF OF BASE METAL.
83	MISCELLANEOUS ARTICLES OF BASE METAL.
84	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.
85	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS,AND PARTS.
86	RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING-STOCK AND PARTS THEREOF; RAILWAY OR TRAMWAY TRACK FIXTURES AND FITTINGS AND PARTS THEREOF; MECHANICAL
87	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF.
88	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.
89	SHIPS, BOATS AND FLOATING STRUCTURES.
90	OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION, MEDICAL OR SURGICAL INST. AND APPARATUS PARTS AND ACCESSORIES THEREOF;
91	CLOCKS AND WATCHES AND PARTS THEREOF.
92	MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES OF SUCH ARTICLES.
93	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF.
94	FURNITURE; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHING; LAMPS AND LIGHTING FITTINGS NOT ELSEWHERE SPECIFIED OR INC
95	TOYS, GAMES AND SPORTS REQUISITES; PARTS AND ACCESSORIES THEREOF.
96	MISCELLANEOUS MANUFACTURED ARTICLES.
97	WORKS OF ART COLLECTORS' PIECES AND ANTIQUES.
98	PROJECT GOODS; SOME SPECIAL USES.
99	MISCELLANEOUS GOODS.

APPENDIX: C

Plant quarantine regulation in India

Plant Quarantine (Regulation of Import into India) Order, 2003 regulates import and prohibition of import of plants and plant products into India. The Order was published in the Gazette of India, vide, S.O.1322 (E), dated 18 November, 2003 and has been subsequently amended vide following notifications:

List of plants/planting materials where imports are permissible on the basis of phytosanitary certificate issue by the exporting country, the inspection conducted by inspection authority and fumigation, if required, including all other general conditions.

Name of the plants exporting from Nepal are mentioned in Plant Quarantine regulatory Act 2003 (updated) Government of India, SCHEDULE-VII (page 296)

S.No.	Botanical Name	Local Name
1	Acorus calamus	Ghodbach, Bojho
2	Azadirachta indica (seed)	Neem Beej
3	Berberis aristata	Chutro Bokra,
4	Calamus tenuis (Fruit & stems)	Bet phal, Bet
5	Centella asiatica	Bramhi
6	Cinnamomum tamala (leaves)	Tejpaat
7	Cinnamomum tamala (Bark)	Dalchini
8	Curcuma longa	Haldi, Besar
9	Diosorea deltoidea	Bhyakur
10	Piper chaba	Chabo
11	Pistacia intergerima (Rhus sps)	Kakarsingi
12	Rubia corditolia	Manjith
13	Sapindus mukorossi	Ritha
14	Smilex aspera	Chopchini
15	Zanthoxylum armatum	Tomarbeej, Timur
16	Zinziber officinale	Adrak, Sonth
17	Picrorhiza scrophulariiflora	Kutki

Name of plants suggested to be mentioned in Plant Quarantine Regulatory Act 2003 (India)

Name of the list plants can be exporting from Nepal need to be requested to mention in Plant Quarantine regulatory Act 2003 Government of India, SCHEDULE-VII

S.No.	Botanical Name	Local Name
1	<i>Aconitum palmatum</i>	Bikhma
2	<i>Aconitum heterophyllum</i>	Atees
3	<i>Aconitum spicatum</i>	Bikh
4	<i>Acacia rugata</i>	Shikakai
5	<i>Aegle marmelos</i>	Bael
6	<i>Amomum subulatum</i>	Badi elaichi
7	<i>Andrographis paniculata</i>	Kalmegh
8	<i>Asparagus racemosus</i>	Satawar
9	<i>Bacopa moniersi</i>	Pakhanved
10	<i>Berginia ciliata</i>	Jal bramhi
11	<i>Cassia occidentalis</i>	Kasondi
12	<i>Chlorophytum esculentum</i>	Seta musli
13	<i>Coleus barbatus</i>	Sajaino, Bajradanti
14	<i>Corydalis gevaniana</i>	Bhootkesh
15	<i>Curculigo orchoides</i>	Kalo musli
16	<i>Delphinium himalayai</i>	Nirmasi
17	<i>Elaeocarpus sphaericus</i>	Rudraksha
18	<i>Emblca officianalis</i>	Amla
19	<i>Embelia ribes</i>	Via-vidang
20	<i>Ephedra gerardiana</i>	Somlata
21	<i>Hibiscus abelmoschus</i>	Lata kasturi
22	<i>Hollarhena Antidysentrica</i> (seeds)	Inderjau
23	<i>Jurinea dolomaicea</i>	Dhoopjadi
24	<i>Lycopodium clavatum</i> (powder)	Negbeli dhulo
25	<i>Morchella esculenta</i>	Guchhi chyau
26	<i>Mucuna pruriens</i> (seeds)	Kauso, Kaunch beej
27	<i>Nardostachys grandiflora</i>	Jatamansi
28	<i>Orchis obcordata</i>	Kaladana, Salamishri
29	<i>Otochillus porrectus</i>	Jiwanti
30	<i>Paris polyphylla</i>	Satuwa
31	<i>Phyllanthus niruri</i>	Bhumi amala
32	<i>Podophyllum hexndrum</i>	Laghupatra
33	<i>Polypodium vulgare</i>	Bisfez
34	<i>Panaxpseudo ginseng</i>	Banmula
35	<i>Parmelia nepalense</i>	Chharila
36	<i>Rheum australe</i> (root)	Padamchal, dolu
37	<i>Rheum australe</i> (leaf stalk)	Amalved
38	<i>Rhododndrom anthopogon</i>	Sunpati
39	<i>Sida cordifolia</i>	Bala
40	<i>Swertia aspera</i>	Chiraita
41	<i>Taraxum officinale</i>	Tukiphool
42	<i>Terminalia arjuna</i>	Arjun
43	<i>Terminali belerica</i>	Barro
44	<i>Terminalia chebula</i>	Harro
45	<i>Tribulus terrestris</i>	Gokharu

46	<i>Trichosanthes palmata</i>	Indrayani
47	<i>Woodfordia fruticosa</i> (Flower)	Dhawa phool
48	<i>Allium wallichii</i>	Ban lahsun
49	<i>Bassia Butyracea</i>	Bhorlapat
50	<i>Bauhinia Aristata</i>	Bhorla bokra
51	<i>Betula utilis</i>	Bhoj patra
52	<i>Cinnamomum cecidodaphne</i>	Sugandha kokila
53	<i>Cordyceps sinensis</i>	Yarsa gumba
54	<i>Entada phaseoloides</i>	Pangrai/pangro
55	<i>Juglans regia</i>	Okhar
56	<i>Myrica esculenta</i>	Kaiphal
58	<i>Piper lingum</i>	Kakara singhi
59	<i>Polypodium vulgare</i>	Bisfez
60	<i>Rauvolfia serpentina</i>	Carpaghanda
61	<i>Smilax aspera</i>	Chobchini
62	<i>Tinospora cordifolia</i>	Gurjo

APPENDIX: D

Documents of Countervailing duty, special additional duty and education CESS



Bill of Entry for Home Consumption

Importer's Name & Address, whether Government

M/s. Kathmandu Trade Agency
Chitwan Road, Kathmandu
 Nepal

Importer's Code & Bin: 05303314

Customs House Agent code: 05303314

Port of Shipment: Raxaul

Line Number: 05303314

Relation to Date: 2013

Import Dept. S.N.: 2013

Priority Stamp: 2013

Import Date: 18/11/12

PACKAGES S/N Marks & Numbers	QUANTITY SI Unit Code	Goods Description (Give details of each class separately) Exim Scheme code, when applicable etc.	Customs Tariff Heading Exemption No. & Year	Mark of Duty Code	Assessable Value under Sec. 14 Customs Act, 1992 Rk.	Customs duty		C. E. T. Item MRP Per Unit, if any	Amount Admitted If Any	Additional Duty New Basic Rate Ac. Rs.	Additional Duty Basic Rate Ac. Rs.	
						Rate	Rk.					
1	1000 Pcs	9020 Features Details as per Invoice & Packing list attached	7	8	9	10	11	12	12B	13A	14	15
TOTAL MRP												
Total												

Import officer: 11/11/12

Total (Amount of duty (in words) Rupees): 113255/-

Total Rs. 113255/-

DECLARATION TO BE SIGNED BY THE CUSTOMER

1. I/we declare that the content of the Bill of Entry is true and correct.

2. I/we declare that I/we have not received any other showing of different price, value, quantity or description of the goods at any time hereafter. We will immediately inform the Commissioner of Customs.

Stamp for Collection: 11/11/12

File No. & Date: 11/11/12

Signature of proper officer: [Signature]



GOVERNMENT OF INDIA
ASSISTANT COMMISSIONER,
CUSTOMS STATION, DISTRICT- EAST CHAMPARAN, PIN 845 305;
TEL: 06258... (F); Email: cs.raxaul-rev@nic.in

C. No VIII 18/03/2012, Dated 17.03.2012

ASSESSMENT ORDER
DATED: 17.03.2012

Consequent upon pronouncement of Annual Union Budget for 2012-2013 on 17.03.2012, the duty structure in respect of regularly imported goods into India from Nepal through this Land Customs Station has been impacted. Wherever Additional Customs Duty (CVD) was being levied under Section 3(1) of the Customs Tariff Act, 1975 prior to the Union Budget @ 10% adv, it shall be levied @ 12% adv w.e.f. 17.03.2012 and wherever it (CVD) was being levied @ 5% adv, it shall be levied @ 6% adv. w.e.f. 17.03.2012 in the light of Notification No. 18/2012-CE and 19/2012-CE both dated 17.3.2012.

Resides, in view of Notification No.13/2012-CUS and 14/2012-CUS, both dated 17.3.2012, Central Excise Education Cess and Central Excise Secondary & Higher Education Cess, shall not be levied on CVD. Only the Customs Education Cess and Customs Secondary & Higher Education Cess shall be levied on the amount of Customs duties so levied under Section 2 and Section 3(1) of the Customs Tariff Act, 1975 w.e.f. 17.03.2012 as illustrated under Para 19 of DOF No.33/3/2012-TRU dated 16.3.2012 viz. "Computation of Customs Duty."

Accordingly, all the Prior Bills of Entry earlier approved under different assessment orders have to be considered as amended to the aforesaid effect w.e.f. 17.3.2012.

However, before appraisement, import of consignments from Nepal should be scrutinized in the light of the Central Excise Tariff Act, 1985, the above mentioned Notifications and other Budgetary changes to ensure proper levy of duty and Cess.


(A.P.Mishra)
Assistant Commissioner

APPENDIX: E

Provision of quarantine for stone/stone dust/stone crush/stone aggregates

Telegram: Fumigation


Atc/Tech



AN ISO CERTIFIED OFFICE
(9001:2000)

F. NO. 5-16/Tech/Stone dust/2013/ *B416*

GOVERNMENT OF INDIA
Ministry of Agriculture
(Department of Agriculture and Co-operation)
Directorate of Plant Protection, Quarantine and Storage
REGIONAL PLANT QUARANTINE STATION
FB Block, SECTOR-III, SALT LAKE CITY,
KOLKATA-97, (West Bengal)
Ph. 033- 23597679, 23213168
Fax : 033-23580025, e-mail : rpqfsk@nic.in
website : <http://plantquarantineindia.org>



Dated: 25.08.2013

To
The Commissioner of Customs, Lucknow
HALL NO. 3, 5TH & 11TH FLOOR,
KENDRIYA BHAWAN, SECTOR - H,
ALIGANJ, LUCKNOW - 226 024

Subject: Import of stone/stone dust/stone crush/stone aggregates through Indo-Nepal boarder-drawls of Samples-reg.

Sir,

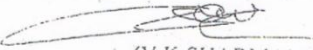
A committee has been constituted by the Plant Protection Adviser, Directorate of Plant Protection, Quarantine and Storage, Ministry of Agriculture, Government of India to look into the matter of Import of stone/stone dust/stone crush/stone aggregates through Indo-Nepal boarder. A meeting of the said committee was held on 30.07.2013 and it has been decided to draw the samples of aforesaid commodities from Indo-Nepal boarder at Raxaul and Jogbani(Bihar) and Sanauli(U.P.) for pest risk analysis. The undersigned has been directed to request you to facilitate the Plant Quarantine officers/ officials for drawing the sampies for the said commodity.

It is therefore requested that concerned authorities may kindly be directed to facilitate the drawls of samples at those places.

Thanking you

13.9.13

Yours faithfully



(V.K.SHARMA)
Deputy Director (E)
& Member Secretary

Copy for necessary information/action to:-
1. Shri D.D.K.Sharma, APPA,(PQ), DPPQS, Faridabad,
2. Dr. J.N. Thakur, J.D. (E), DPPQS, Faridabad,
3. Plant Protection Officer, P.Q.S., Jogbani
4. Plant Protection Officer, P.Q.S., Raxaul
5. Plant Protection Officer, P.Q.S., Sanauli

APPENDIX: F

Research team

Bishnu Prasad Sharma, PhD, Associate Professor of economics, Patan Multiple Campus

Shiva Raj Adhikari, PhD, Associate Professor of economics, Patan Multiple Campus

Tara Prasad Bhusal, Associate Professor of economics, Patan Multiple Campus

Bhuma Pandey, Lecturer in Economics, Patan Multiple Campus

Kumar Bhattarai, Assistant Lecturer in Economics, Patan Multiple Campus

Dipak Bahadur Adhikari, Assistant Lecturer in Economics, Patan Multiple Campus

Ananta Raj Dahal, Assistant Lecturer in Economics, Patan Multiple Campus

Participants in Scoping survey

Discussion were conducted with the following experts

1. Dr. Pushpa Raj Rajkarnikar, Economist, trade analyst
2. Dr. Bijendra Man Shakya , Economist, Trade analyst
3. Rajan Sharma, Chairman, Nepal Freight Forward Association.
4. Suman Kumar Regmi, Trade and export Promotion Centre
5. Puskar Bista, member secretary, Nepal Chamber of Commerce

The scoping field visit identified the following Institutions Involved in Export Trade to India but the list is not exhaustive.

1. Federation of Nepal Chamber of Commerce and Industry
2. Nepal Freight Forward Association
3. Nepal Customs Broker's Association
4. Nepal Overseas Trade Association
5. Nepal Chamber of Commerce
6. Nepal Truck and Tankers Federation
7. Nepal India Chamber
8. Nepal Intra Modal Trade Board – GON
9. Nepal Bureau of Standards and Metrology-GON
10. Customs offices of Nepal and India etc.

APPENDIX: G

Research instruments

Instrument A: Export Industrialist/Local Traders, Nepal

This study undertaken by Tribhuvan University, Patan Multiple Campus, Department of Economics with financial and technical support from Nepal Rastra Bank has the objective of identifying the barriers of export of Nepalese products to India. The scope of this study includes analyzing trade behaviour, tariff and non-tariff barriers as well as suggesting measures to increase the export of Nepalese products to India. In accordance with the Statistical Act 2015, the information provided by the respondent will be kept confidential and your responses will be combined with other responses to produce comprehensive findings in the form of a report.

Serial No. of Questionnaire:

Date: ____/____/____

Name of the Interviewer:

Name of Supervisor:

Name of the border point (please circle one):

1. Kakadbhitta 2. Biratnagar 3. Birgunj

4. Bhairahawa 5. Nepalgunj 6. Dhangadi

1. Introduction

1.1 Name of respondent:.....

1.2 Name of company /agency:.....

1.3 Contact address: Telephone:.....email:

Website:

1.4 Years of experiences in export trading:.....

1.5 Number of employees involved in export trading activities from your company or agency:

2. Commodity/Destination to India

2.1 What are your major export commodities and destination to India? (If possible, please provide tentative distance in KM).

S.No.	Name of commodity	Destination in India	Distance (KM)
1.			
2.			
3.			
4.			
5.			

2.2 Is the demand for these commodities predictable?

1) Yes 2) No

2.3 Is there certainty of demand for these commodities?

1) Yes 2) No

3. Material flow and time

Please mention all activities step by step to export the commodity and time consumed for these activities in days. For example, these activities include prepare contract document, sign and exchange contract, receive L/C or advance payment, get lab test certificate, packing of product, obtain COO, obtain cargo insurance, transportation, custom clearance, preparation of bank document, claim and receive the payment (in case of export through L/C).

S.No.	Activities	Tentative Days
1.	Preparing contract document/sign and exchange contract	
2.	Receiving L/C and advance payment	
3.	Laboratory test /product certification	
4.	Packaging	
5.	Cargo Insurance	
6.	Obtaining certificate of origin(COO)	
7.	Transportation	
8.	Customs clearance	
9.	Collect export declaration form	
10.	Quarantine clearance in India	
11.	Transportation in India	
12.	Others (specify).....	
13.	Others (specify).....	

4. Trade barriers faced by Nepalese exporters in Nepal, if any:

Specify the intensity of the barrier and the rank among the barriers indicating major problems.

S. No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Certificate of origin/export permit		
2.	Standardization/quality test certificate		
3.	Customs procedures		
4.	Quarantine procedures/certificate		
5.	Packaging and labeling quality		
6.	Collection hub facility		
7.	Warehouse facility		
8.	Physical Facility (such as parking etc)		
9.	Transportation		
10.	Insurance		
11.	Financial transaction		
12.	Export tax		
13.	Others (specify) (i).....		

14.	Others (specify) (ii).....		
15.	Others (specify) (iii).....		
16.	Others (specify) (iv).....		
17.			

Code*:0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:**I = High barrier, II = medium barrier, III= low barrier among the barriers

4.1 Do you have any experiences of making informal or unofficial payment to clear customs obligations in Nepal?

1) Yes 2) No **[If no, go to question number 4.2]**

4.1.1 If yes, please give the amount of informal or unofficial payment made in the last transaction in Rs.

Rs.....

4.2 Do you have any experiences of making informal or unofficial payment in Nepal(such as commission)during financial transactions through the Banks/financial institutions?

1) Yes 2) No **[If no, go to question number 4.3]**

4.2.1 If yes, please give the amount of informal or unofficial payment made in the last transaction in Rs.

Rs.....

4.3 Do you have any experiences of making informal or unofficial payment to any other agency/institutions/associations in Nepal in relation to export procedure activities?

1) Yes 2) No **[If no, go to question number 5]**

4.3.1 If yes, please mention the amount you paid and name of the agency/institution/association?

a) Amount Rs.....

b) Name of Agency/institution/Association (if possible).....

4.4 What are the structural/production barriers that causes problem in creating comparative advantage for Nepalese products for export to India

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Lack of special provision for export oriented production eg: Export promotion zone(EPZ)		
2.	Labour market disturbances/trade unionism		
3.	Lack of regular energy (electricity)		
4.	Unstable government policy		
5.	Lack of political stability (Bandhs, shutdowns)		
6.	Others (specify)		
7.	Others (specify)		

5. Trade barrier faced by Nepalese exporters in India, if any?

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Certificate of origin/export permit		
2.	Standardization/quality test certificate		
3.	Customs procedures		
4.	Quarantine procedures/certificate		
5.	Packaging and labeling quality		
6.	Warehouse facility		
7.	Physical Facility (such as parking etc)		
8.	Transportation		
9.	Insurance		
10.	Financial transaction		
11.	Export tax		
12.	Others (specify) (i).....		
13.	Others (specify) (ii).....		
14.	Others (specify) (iii).....		
15.	Others (specify) (iv).....		
16.			

Code*: 0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

6. Do you have to pay different import tax rates in different states of India?

1) Yes 2) No **[If no, go to question number 6.2]**

6.1. If yes, what are the rates of import tax by states of India?

S.No.	Name of States of India	Import Tax Rates
1.		
2.		
3.		
4.		

6.2 Do you have any experiences of making informal or unofficial payment to clear customs obligations in India?

1) Yes 2) No **[If no, go to question number 6.3]**

6.2.1 If yes, please give the amount of informal or unofficial payment made in the last transaction in Rs.

Rs.....

- 6.3 Do you have any experiences of making informal or unofficial payment in India (such as commission) during financial transactions through the Banks/financial institutions?
1) Yes 2) No **[If no, go to question number 6.4]**
- 6.3.1 If yes, please give the amount of informal or unofficial payment made in the last transaction in Rs.
Rs.....
- 6.4 Do you have any experiences of making informal or unofficial payment to any other agency/institutions/associations in India in relation to export procedure activities?
1) Yes 2) No **[If no, go to question number 7]**
- 6.4.1 If yes, please mention the amount you paid and name of the agency/institution/association?
a) Amount Rs.....
b) Name of Agency/institution/Association (if possible)

7. What are the barriers to export (or to increase export) to India observed by the exporter/trader? What are the possible solutions and agency responsible for reducing export barriers?

S.No.	Category of barriers	Specify or illustrate	Barrier intensity (use code)*	Rank among of barriers by strength**	Possible solution	Agency/Institutions responsible for correction
1.	Procedural					
2.	Institutional					
3.	Policy					
4.	structural					
5.	Others: specify (i).....					
	(ii).....					
	(iii).....					

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high; **Ranking**:** I = High barrier, II = medium barrier, III= low barrier

8. Problems of new exporters to come into the export market

8.1 How do you get information to identify market for Nepalese products in India?

- (a)
- (b)
- (c)

8.2 How can the required information be made easily accessible to know the potential export market in India?

S.No.	Possible provisions for information access	Responsible agencies
1.		
2.		
3.		

8.3 Do you feel any barriers to exports to India related to trade permit/license, standard certificate, tax, customs, financial transactions, export loans etc.? Specify the barriers, possible solutions and responsible agency/institution to solve this problem

S.No.	Barriers	Rank of barrier by strength**	Possible solution	Agency/Institutions responsible for correction
1.				
2.				
3.				
4.				
5.				

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

8.4 Do you feel any barriers to exports to India imposed by syndicates, cartel, unfair competition, unethical business activities to make market imperfection in Nepal? Specify the barriers, possible solutions and responsible agency/institution to solve this problem

S.No.	Barriers	Rank of barrier by strength**	Possible solution	Agency/Institutions responsible for correction
1.				
2.				
3.				
4.				
5.				

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

- 8.5 Do you feel any barriers to get membership/affiliation/contract from market actors such as FNCCI, Container/truck traders organization, Freight Forward Association (customs clearing agents in Nepal)? Specify the barriers, possible solutions and responsible agency/institution to solve this problem?

S.No.	Barriers	Rank of barrier by strength**	Possible solution	Agency/Institutions responsible for correction
1.				
2.				
3.				
4.				
5.				

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

9. What are the barriers for introduction of new product in the export market? Specify the barriers, possible solutions and responsible agency/institution to solve this problem

S.No.	Barriers	Rank of barrier by strength**	Possible solution	Agency/Institutions responsible for correction
1.				
2.				
3.				
4.				
5.				

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

10. New commodities of Comparative Advantage for Nepal in Trade with India

- 10.1 What are the more profitable commodities (comparative advantage) for export to India, their reasons and the ranking of strengths in comparative advantage?

S.No.	Commodity of Comparative Advantage (More profitable for exporters)	Reasons	Ranking by strength of comparative advantage*
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Ranking code*: I=high strength, II= medium strength, III =low strength

10.2 What are the barriers in gaining comparative advantage from new commodities, their possible solutions and responsible agency?

S.No.	Barriers to gaining comparative advantage	Illustrate	Solutions	Agency/Institutions responsible for correction
1.				
2.				
3.				
4.				

11 Please provide your views/ ideas/suggestions/ experiences related to export barriers and possible measures to remove them, and comparative advantages for Nepal that are not covered by the above mentioned questionnaire?

.....

.....

.....

.....

.....

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.....

.....

.....

.....

Note for Researchers (please take a separate note of important issues that are noticed during the discussion with the respondent)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Instrument B: Customs/Tax officer, Nepal

This study undertaken by Tribhuvan University, Patan Multiple Campus, Department of Economics with financial and technical support from Nepal Rastra Bank has the objective of identifying the barriers of export of Nepalese products to India. The scope of this study includes analyzing trade behaviour, tariff and non-tariff barriers as well as suggesting measures to increase the export of Nepalese products to India. In accordance with the Statistical Act 2015, the information provided by the respondent will be kept confidential and your responses will be combined with other responses to produce comprehensive findings in the form of a report.

Serial No. of Questionnaire:

Date: ____/____/____

Name of the Interviewer:

Name of Supervisor:

Name of the border point (please circle one): 1. Kakadbhitta 2. Biratnagar 3. Birgunj
 4. Bhairahawa 5. Nepalgunj 6. Dhangadi

1. Introduction

- 1.1 Name of respondent:
- 1.2 Contact address: Telephone:.....email:

2. Export Commodity

2.1 What are the major Nepalese export commodities to India through this customs? (Collect secondary data of Nepalese export commodities at least for the last five years in soft copy/hard copy similar to the following format.)

S. No.	Year	1 st largest		2 nd largest		3 rd largest	
		Commodity	Value (Rs)	Commodity	Value (Rs)	Commodity	Value (Rs)
1.							
2.							
3.							
4.							
5.							

S. No.	Year	4 th largest		5 th largest		6 th largest	
		Commodity	Value (Rs)	Commodity	Value (Rs)	Commodity	Value (Rs)
1.							
2.							
3.							
4.							
5.							

3. What are the barriers of Export to India you have observed as a Customs/tax Officer? (Specify the intensity of the barrier and the rank among the barriers indicating major problems.)

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Certificate of origin/export permit		
2.	Standardization/quality test certificate		
3.	Customs procedures		
4.	Quarantine procedures/certificate		
5.	Packaging and labeling quality		
6.	Collection hub facility		
7.	Warehouse facility		
8.	Physical Facility (such as parking etc)		
9.	Transportation		
10.	Insurance		
11.	Financial transaction		
12.	Export tax		
13.	Others (specify) (i).....		
14.	Others (specify) (ii).....		
15.	Others (specify) (iii).....		
16.	Others (specify) (iv).....		
17.			

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

4. What are the export barriers observed in the following categories?

S.No.	Category of barriers	Specify or illustrate	Barrier Intensity (use code)*	Rank among of barriers by strength**	Possible solution	Agency/ Institutions responsible for correction
1.	Procedural					
2.	Institutional					
3.	Policy					
4.	structural					
5.	Others:specify					
	(i).....					
	(ii).....					
	(iii).....					

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier

5. What are the new commodities (of comparative advantage) to export in India, and please provide their reasons and the strength of comparative advantage?

S.No.	Commodity of Comparative Advantage (More profitable for exporters)	Reasons	Ranking**
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Ranking:** I = high, II = medium and III=low comparative advantage among the commodities

6. Please provide your views/ ideas/suggestions/ experiences related to export barriers and possible measures to remove them, and comparative advantages for Nepal that are not covered by the above mentioned questionnaire?

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Note for Researchers (please take a separate note of important issues that are noticed during the discussion with the respondent)

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Instrument C: Customs agent/Clearing agent, Nepal

This study undertaken by Tribhuvan University, Patan Multiple Campus, Department of Economics with financial and technical support from Nepal Rastra Bank has the objective of identifying the barriers of export of Nepalese products to India. The scope of this study includes analyzing trade behaviour, tariff and non-tariff barriers as well as suggesting measures to increase the export of Nepalese products to India, among others. In accordance with the Statistical Act 2015, the information provided by the respondent will be kept confidential and your responses will be combined with other responses to produce comprehensive findings in the form of a report.

Serial No. of Questionnaire:

Date: ____/____/____

Name of the Interviewer:

Name of Supervisor:

Name of the border point (please circle one):

- | | | |
|----------------|---------------|-------------|
| 1. Kakadbhitta | 2. Biratnagar | 3. Birgunj |
| 4. Bhairahawa | 5. Nepalgunj | 6. Dhangadi |

1. Introduction

- 1.1 Name of respondent:
- 1.2 Name of company /agency: \.....
- 1.3 Contact address: Telephoneemail:
 Website:
- 1.4 Years of experiences in customs clearance:.....

2. What are the export barriers of Nepalese products to India, if any?(Specify the intensity of the barrier and the rank among the barriers indicating major problems.)

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barrier by strength**
1.	Certificate of origin/export permit		
2.	Standardization/quality test certificate		
3.	Customs procedures		
4.	Quarantine procedures/certificate		
5.	Packaging and labeling quality		
6.	Collection hub facility		
7.	Warehouse facility		
8.	Physical Facility (such as parking etc)		
9.	Transportation		
10.	Insurance		
11.	Financial transaction		
12.	Export tax		
13.	Others (specify) (i).....		

14.	Others (specify) (ii).....		
15.	Others (specify) (iii).....		
16.	Others (specify) (iv).....		
17.			

Code*: 0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier

2.1 Do you have any experiences of making informal or unofficial payment to clear customs obligations in Nepal?

1) Yes 2) No **[If no, go to question number 2.2]**

2.1.1 If yes, please give the amount of informal or unofficial payment in the last transaction in Rs.

Rs.....

2.2 Do you have any experiences of making informal or unofficial payment to clear quarantine obligations in Nepal?

1) Yes 2) No **[If no, go to question number 2.3]**

2.2.1 If yes, please give the amount of informal or unofficial payment in the last transaction in Rs.

Rs.....

2.3 Do you have any experiences of making informal or unofficial payment during financial transactions through the Banks/financial institutions in Nepal?

1) Yes 2) No **[If no, go to question number 2.4]**

2.3.1 If yes, please give the amount of informal or unofficial payment in the last transaction in Rs.

Rs.....

2.4 Do you have any experiences of making informal or unofficial payment to any other agency/institutions/associations in Nepal in relation to export activities?

1) Yes 2) No **[If no, go to question number 3]**

2.4.1 If yes, please mention the amount you paid and name of the agency/institution/association in the last transaction?

a) Amount Rs.....

b) Name of Agency/institution/Association(if possible)

3. What are the export barriers of Nepalese products to India?

S. No.	Category of barriers	Specify or illustrate	Barrier intensity (use code)*	Rank of barrier by strength**	Possible solution	Agency/institution responsible for correction
1.	Procedural					
2.	Institutional					
3.	Policy					
4.	structural					
5.	Others:specify					
	(i).....					
	(ii).....					
	(iii).....					

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high;

Ranking:** I = High barrier, II = medium barrier, III= low barrier

4. In your experience what are the new commodities that are profitable (comparative advantage) for export to India. Mention the reasons and rank them?

S.No.	Commodity of Comparative Advantage (More profitable for exporters)	Reasons	Ranking**
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Ranking:**I = high, II = medium and III=low comparative advantage

5. Please provide your views/ ideas/suggestions/ experiences related to import barrier of Nepalese products and possible measures to remove them, and comparative trade benefits that are not covered by the above mentioned questionnaire?

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Note for Researchers (please take a separate note of important issues that are noticed during the discussion with the respondent)

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Instrument D: Quarantine officer, Nepal

This study undertaken by Tribhuvan University, Patan Multiple Campus, Department of Economics with financial and technical support from Nepal Rastra Bank has the objective of identifying the barriers of export of Nepalese products to India. The scope of this study includes analyzing trade behaviour, tariff and non-tariff barriers as well as suggesting measures to increase the export of Nepalese products to India. In accordance with the Statistical Act 2015, the information provided by the respondent will be kept confidential and your responses will be combined with other responses to produce comprehensive findings in the form of a report.

Serial No. of Questionnaire:

Date: ____/____/____

Name of the Interviewer:

Name of Supervisor:

Name of the border point (please circle one):

- | | | |
|----------------|---------------|-------------|
| 1. Kakadbhitta | 2. Biratnagar | 3. Birgunj |
| 4. Bhairahawa | 5. Nepalgunj | 6. Dhangadi |

1. Introduction

1.1 Name of respondent:

1.2 Contact address: Telephone:email:

2. Export Commodity

2.1 What are the major Nepalese export commodities to India through this quarantine?

S.No.	Commodities	Rank (by volume of export)**
1.		
2.		
3.		
4.		
5.		

Ranking:**I = largest volume, II= medium volume, III= lower volume

3 What are the barriers of Export to India you have observed as a Quarantine Officer? (Specify the intensity of the barrier and the rank among the barriers indicating major problems.)

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Certificate of origin/export permit		
2.	Standardization/quality test certificate		
3.	Customs procedures		
4.	Quarantine procedures/certificate		
5.	Packaging and labeling quality		
6.	Collection hub facility		
7.	Warehouse facility		
8.	Physical Facility (such as parking etc)		
9.	Transportation		
10.	Insurance		
11.	Financial transaction		
12.	Export tax		
13.	Others (specify) (i).....		
14.	Others (specify) (ii).....		
15.	Others (specify) (iii).....		
16.	Others (specify) (iv).....		
17.			

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

4. What are the export barriers observed in the following categories?

S.No.	Category of barriers	Specify or illustrate	Barrier Intensity (use code)*	Rank among of barriers by strength**	Possible solution	Agency/ Institutions responsible for correction
1.	Procedural					
2.	Institutional					
3.	Policy					
4.	structural					
5.	Others: specify					
	(i).....					
	(ii).....					
	(iii).....					

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier

5. What are the new commodities (of comparative advantage) to export in India, and please provide their reasons and the strength of comparative advantage?

S.No.	Commodity of Comparative Advantage (More profitable for exporters)	Reasons	Ranking**
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Ranking:** I = high, II = medium and III=low comparative advantage among the commodities

6. Please provide your views/ ideas/suggestions/ experiences related to export barriers and possible measures to remove them, and comparative advantages for Nepal that are not covered by the above mentioned questionnaire?

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Note for Researchers (please take a separate note of important issues that are noticed during the discussion with the respondent)

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Instrument E: Container and Truck business representative, Nepal

This study undertaken by Tribhuvan University, Patan Multiple Campus, Department of Economics with support from Nepal Rastra Bank has the objective of identifying the barriers of export of Nepalese products to India. The scope of this study includes analyzing trade behaviour, tariff and non-tariff barriers as well as suggesting measures to increase the export of Nepalese products to India, among others. In accordance with the Statistical Act 2015, the information provided by the respondent will be kept confidential and your responses will be combined with other responses to produce comprehensive findings in the form of a report.

Serial No. of Questionnaire:

Date:

____/____/____

Name of the Interviewer:

Name of Supervisor:

Name of the border point (please circle one):

- 1. Kakadbhitta 2. Biratnagar 3. Birgunj
- 4. Bhairahawa 5. Nepalgunj 6. Dhangadi

1. Introduction

- 1.1 Name of respondent:
- 1.2 Name of company /agency: \.....
- 1.3 Contact address: Telephoneemail:
Website:
- 1.4 Years of experiences in Container/truck business:
- 1.5 Number of persons involved in export trading activities from your company or agency:
- 1.6 What are the major Nepalese export items to India you are dealing with?

S.No.	Commodities	Ranking** (by volume of transactions)
6.		
7.		
8.		
9.		
10.		

Ranking:** I = largest volume, II= medium volume, III= lower volume

2.1 What are the barriers to your trade in transporting Nepalese products for export to India?

(Specify the intensity of the barrier and the rank among the barriers indicating major problems.)

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Road obstructions (such as <i>Bandhas</i>)		
2.	Road taxes		
3.	Syndicate/queue system		
4.	Others (specify) (i).....		
5.	Others (specify) (ii).....		
6.	Others (specify) (iii).....		
7.	Others (specify) (iv).....		
8.			

Code*: 0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high**Ranking**:** I = High barrier, II = medium barrier, III= low barrier among the barriers**2.2 Do you have to make any informal payment in the highways?**

1) Yes 2) No

[If no, go to question number 3]

2.2.1 If yes, what was the number of times, the amount and the agency you had to pay informal payment in the last trip?

S. No.	Places informal payments were made	Agency (if any)	Amount Rs.
1.			
2.			
3.			
4.			
5.			

3. Barriers to expand the container/trucks market

3.1 Barriers to entry to new container/trucks in the market

S.No.	Barrier category	Barrier (use code)*	Rank among barriers by strength**
1.	Permission from the government to new and specialized container/truck		
2.	Permissions from the Association (Syndicate)		
3.	Queue system		
4.	Others (specify) (i).....		
5.	Others (specify) (iI).....		
6.			

Code*: 0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier

3.2 Do you observe any barrier to expand and diversify your market for export related containers/trucks in the market (specialized in terms of size, capacity, facility etc that can help to provide more facilities for exportable goods?)

S.No.	Barrier category	Barrier intensity (use code)*	Rank among barriers by strength**
1.	Market demand for such specialized container/trucks		
2.	Permissions from the Association (Syndicate)		
3.	Queue system		
4.	Cost of diversifying container/truck facility		
5.	Government rules and regulations including taxes		
6.	Others (specify) (iI).....		
7.			

Code*: 0=none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high

Ranking:** I = High barrier, II = medium barrier, III= low barrier among the barriers

- 3.3 What are the rates of container/ trucks for the transportation of exportable goods? (Possible differences in transportation cost in the syndicate system and competitive market system)

S. No.	Destination from Kathmandu	Syndicate (Association) or existing rate	Competitive (negotiable) rate
1.	Biratnagar		
2.	Birgunj		
3.	Bhairahawa		
4.	Nepalgunj		

4. What are the export barriers to export Nepalese products to India?

S.No.	Category of barriers	Specify or illustrate	Barrier intensity (use code)*	Rank among of barriers by strength**	Possible solution	Agency/institutions responsible for correction
1.	Procedural					
2.	Institutional					
3.	Policy					
4.	structural					
5.	Others: specify					
	(i).....					
	(ii).....					
	(iii).....					

Code*: 0= none, 1= very low, 2=low, 3=moderate, 4=high, 5=very high;

Ranking:** I = High barrier, II = medium barrier, III= low barrier

5. What are the more profitable commodities (comparative advantage) for export to India, their reasons and the ranking of strengths in comparative advantage?

S.No.	Commodity of Comparative Advantage (More profitable for exporters)	Reasons	Ranking by strength of comparative advantage*
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Ranking code*: I=high strength, II= medium strength, III =low strength

6. Please provide your views/ ideas/suggestions/ experiences related to export barriers and possible measures to remove them, and comparative advantages for Nepal that are not covered by the above mentioned questionnaire?

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Note for Researchers (please take a separate note of important issues that are noticed during the discussion with the respondent)

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Instrument F: General guideline for Focus Group discussions **with key informants in Nepal**

Some guidance issues for discussion, but not limited to these issues

Export commodities and their demand

- Major export commodities to India
- Potential new commodity for export to India
- Projection of demand for new commodity and certainty of demand in India

Export barriers

- Tax Policy issues as barriers
- Regulatory /documentation/customs/ logistic issues as barriers
- Time and transaction cost/unofficial payment/informal payment issues as barriers
- Production /quality/ labeling barriers
- Transportation/transport facility/informal payment/syndicate (transportation cost: how much higher than competitive price) issues as barriers
- Storage/warehousing/ parking issues as barriers
- Insurance issues as barriers
- Banking/financial/ commission or unofficial payment issues as barriers
- Access to information about export market issues as barrier
- Policy/ institutional/structural/procedural issues as barriers

Barriers in Export of Nepalese products from Indian side

- Barriers due to policy, procedures and practices of Indian Customs/quarantine
- Tax Policy issues as barriers
- Regulatory /documentation/customs/ logistic issues as barriers
- Time and transaction cost/unofficial payment/informal payment issues as barriers
- Import provisions

Policy recommendation/instruments for reducing barriers

- What type of policy reforms/ role of government/ institution/NRB/other agency or association
- Trade treaty of Nepal with India that needs to be reviewed
- Role of private sector and areas of initiative to reduce export barrier with India
- Policy options/potential market/new strategies/incentives for export/financial institution

Note for Researcher

- Please update the list of firms/associations/organizations/journalist/professors among others using contract tracing method and please follow the random sampling procedure to meet the required sample size.
- Interview should begin by building rapport with your interviewee, make them feel comfortable and willing to share their information
- If possible, interview should be conducted with the manager/head of the firm/organization/association; additional persons can be invited to get more and in-depth information related to trade barriers.
- In case of conflict of responses between managers/ head and other invited persons, refer to the answer of the firm/association/organization, who is the main decision maker.
- Please try to get more reliable and accurate information through probing
- Please do not try to influence any answers and do not use your assumptions to answer the questions.
- Please don't share your opinion while conducting the survey.
- Please do not make your personal interpretation of questions.
- For issues like time taken, use multiple and indirect ways to ask questions about all steps of trading process from factory to destination (write all steps in the separate page, if necessary) than asking direct question.
- You should encircle the appropriate response, tick marks or any other symbols will be invalid.
- You should not leave out any question unanswered.
- If there are some issues related to export barriers that are not captured by the questionnaires, please write a note in a separate copy.
- Ask for apology in between interview, for any kind of pain or suffering caused while sharing their information or sharing obstacles faced (if any).