Enhancing Legal and Regulatory Environment for Private Sector Development

A study of Plant Quarantine Issue in Nepalgunj/ Rupadiya Boarder

Shraddha Tamrakar

Daayitwa Fellow 2015 with **Federation of Nepalese Chamber of Commerce and Industry FNCCI**

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Abstract

This study assesses the viability of value chain of vegetables in Surkhet and Nepalgunj of Mid Western Development Regions. The study was undertaken with specific objectives of identifying current constraints on vegetable value chain and examining the performance of actors in the chain; analysing the determinants of vegetable supply to the market in the study area; and identifying marketing channels and factors affecting the import and export of off season vegetables to India. Nepali traders have long been complaining about a number of non-tariff barriers including tough quarantine rules that have been impeding exports. They said that they obtain domestic quality certification for their exports but India requires that they be tested by laboratories in India. The data were collected from both primary and secondary sources. The primary data were collected from DADO, HVAP, DOA, traders, agents, government official from Surkhet, Nepalgunj and Rupadiya boarder in Nepalgunj. It is also found out that vegetable passes through several intermediaries with little value being added before reaching the end users.

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Tables

Acronyms

AEC	Agro Enterprises Centre
DoA	Department of Agriculture
DADO	District Agriculture Development Office
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
GoN	Government of Nepal
GDP	Growth Domestic Product
HVAP	High Value Agriculture Project in Hills and Mountain Areas
IFAD	International Fund for Agricultural Development
NARC	Nepal Agricultural Research Council
NRB	Nepal Rastra Bank
NTFPs	Non Timber Forests Products
PFA	Prevention of Food Adulteration Act
SNV	The Netherlands Development Organization

Executive Summary

Background

Nepal has been integrating with the global economy, particularly with its neighbours, 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. India has been the most important import and export destination of Nepal with over 60 percent of trade relation 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. 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. This study focuses on enhancing better understanding of the current stock of barriers to export Nepalese Products to India. 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.

Methodology

The research study mainly relies on the primary sources of information from different stakeholders from Nepal. The study also uses secondary sources of information to provide useful insights and validate findings from primary sources. Various sources of information and ideas are triangulated through iterative process. The study covers major export point bordering with India.

Key Findings

- 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.
    - Nepal's export trade to India compared to other South Asian countries have continually reduced although Nepal had trade agreement with India in 2009.
- 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.
- 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
- 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.
- 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.

- 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.

Key Recommendations

- 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.
- The number of quarantine facilities and food testing facilities at border points from the existing facilities should be increased.
- Exporting the products based on Export and Import iv (control) Act 2013 should encourage the entry of new products to export markets.
- The Government of Nepal should talk about quarantine related issues with the Government of India to include the list of plants and vegetables in Plant Quarantine regulatory Act 2003 Government of India, SCHEDULE-VII.

1 Introduction

Nepal is predominantly an agrarian society: Agriculture in Nepal has long been based on subsistence farming, particularly in the hilly regions where locals derive their living from fragmented plots of land cultivated in difficult conditions. In Nepal, agriculture is still the mainstay of the economy, despite its declining share in the country's GDP. The agricultural sector provides employment opportunities to 66 per cent of the total population[1] and contributes about 38 per cent to GDP[2]. The economic well being of Nepal is very closely bound to its natural resources – arable land, water, and forest areas. Although only comprising some 21 percent of land area, agricultural land is the major determinant of economic activities and the nation's sociopolitical identity; it provides employment opportunities to 66 percent of the total population and contributes roughly 36 percent to GDP[3]. Farming system remain primarily subsistence-oriented, and only a small portion of farms use modern production units. Nepalese agricultural growth is constrained by poor infrastructures, weak institutions, and inadequate technical support for commercialization and supply chain development. In general, the prevailing weak agricultural growth is not sufficient to boost overall per capita income enabling economic transformation in the country. Among the commercially importance agricultural commodities of Nepal, off-season vegetables (cabbage, cauliflower, cucumber, tomato, onion, and chilli)[4] have been identified as some of the most promising value chains for increasing incomes of smallholder farmers through improved production and marketing.

Mid and Far Western Development Region of Nepal is characterised by widespread poverty, low human development index and overall deprivation due to poor access to infrastructure and services, and isolation from markets, exacerbated by the conflict and economic exclusion linked to gender, ethnicity, and caste. Government of Nepal has given priority to develop economic opportunities for poor and disadvantaged farmers and producers of

[1] (MOAC Web site, 2008)
[2] https://www.usaid.gov/nepal/agriculture-and-food-security
[3] (www.moac.gov.np).
[4] FNCCI

these areas[5]. Further, there is a need to support private sector development within public/private partnerships and also to reduce gender, ethnic and caste-related disparities through greater inclusion of disadvantaged groups in development. The improved accessibility by the opening up of three north-south road corridors (Chhinchu-Jajarkot; Surkhet-Dailekh; Surkhet-Kalikot-Jumla)[6] in this region hold potential in changing the dynamics for producers in the area and for growing/collecting surpluses including access to market that were previously either unavailable or too costly to access or characterised by lack of interested buyers.

Several studies have demonstrated the potential to develop specific pro-poor value chains with the opening up of these roads, including a comprehensive study by SNV Netherlands Development Organisation & Department of Agriculture (DoA) [7] which demonstrated some 18 high value agriculture crops and non timber forest products/medicinal and aromatic plants (NTFPs/MAPs) that show considerable potential to address the region's widespread poverty through the process of socio-economic reunification. Thus, it is necessary to build stronger connectivity between farmers, input suppliers, traders/agro-businesses and downstream markets to increase agricultural diversification, productivity and income through initiatives focused on high-value crops, NTFPs/MAPs and livestock facilitating economic growth. This requires the selection of appropriate pro-poor value chain analysis and market systems for high-value commodities and their development through improved access to research and extension services, financial services, input supplies and market information, as well as through improved infrastructure. Experience in the past has shown some success to support the integration of farmers in value chains. SNV has been one of the most active agencies in this field, particularly in the Mid-Western Development Region. SNV's experiences including the lessons learned from the International Fund for Agricultural Development (IFAD)-financed projects have laid the foundation for the implementation of HVAP.

[5] USAID, 2011).
[6] Ibdi3
[7] *SNV & DoA. 2009: High Value Agriculture Commodities and NTFPs in Western Nepal: Assessment of Value Chains in the Surkhet- Dailekh, Surkhet- Jajarkot and Surkhet-Jumla Road Corridor Districts.*

Table.1: Prioritisation of value chain under respective category during regional level agribusiness opportunity workshop, Nepalgunj

Cate-gory	Vegetables	Fruits	NTFPs/ MAPs	Spices	Livestock	Vegetable seed
20 Value chains prioritisation by category	• Off season tomato • Onion • Pea pod/ beans • Chili • Potato • Cauliflower/ cabbage • Radish & carrot	• Apple • Orange / Citrus fruit • Mango • Walnut	• Jatamansi / Sugandhwal • Timur • Ritha	• Turmeric • Ginger • Garlic	• Meat • Fresh milk	• Broad leaf mustard • Radish • Carrot • Onion • Lady finger • Beans • Cucumber

Concept of Off-season Vegetable Production in Nepal

Off-season vegetable farming refers to the production of vegetables in unusual seasons by adopting suitable technologies and farm inputs to meet the market demand throughout the year. In Nepal, the diversified climatic conditions are suitable to produce various types of crops, including vegetables during different seasons. At present, more than two hundred vegetable species are grown in different places under various climate zones of Nepal. Experiences have shown that commercialization of existing farming practices with adoption of technologies for off-season vegetables production can improve the livelihood of the farmers. This is accomplished by using different agro climatic conditions, adjusting the planting time, selecting and improving the varieties, and/or creating a controlled environment by making plastic tunnels, polythene houses, and permanent glasshouses.

The winter vegetables of the plains, such as tomato, chili, onion, cabbage, and cauliflower, can be produced during the autumn and rainy season in the mid-hills of Nepal. Off-season vegetables produced during these periods fetch high prices in the plains due to short supply and high demand. Utilizing the off-season vegetable production technology, some areas in the mid hills have been able to produce vegetables in a scale large enough to enable export in Indian markets. Similarly, the diffusion of rainy season vegetable production technology in the mid-hills has contributed significantly to the rise in economic status of many farmers, by providing high return and more employment opportunities.

Locations at altitudes varying from 400 to 2,000 meters are considered suitable for off-season vegetable production. According to the Nepal Agricultural Research Council (NARC), offseason production technologies for tomato, onion, cucumber, cabbage, and cauliflower have been developed and recommended to farmers in these regions[8]. Areas that have benefitted the most are the pocket areas along the roads and in the surroundings of large cities such as Kathmandu and Pokhara, where there the high concentration of business and government activity, as well as tourism, results in high. In addition, many large Terai areas and Indian border cities also have high demand for off-season vegetables. Panchkhal (Kabhre), Tistuing, Palung and Daman (Makwanpur), Ranipauwa (Nuwakot), Basantpur, Hile and Sidhuwa (Dhankuta), Madanpokhara (Palpa) and many pockets along the east- west highway are important locations where farmers have successfully grown off-season vegetables(NARC). Areas with roads have the greatest potential production area for off-season vegetables. Bajrabarahi/Makwanpur and Chatredeurali/Dhading have the advantage of being located very close to Kathmandu valley, which has almost one-third of the urban population in Nepal. Both areas have used this advantage in marketing their products, and their off-season vegetable markets are quite successful, particularly capsicum, tomato, and cauliflower. In the far west, the farmer groups of Dadeldhura and Kailali, encouraged by the introduction of vegetables in areas where previously no vegetables were grown, have established good markets in Dhangadhi and Kanchanpur, as well as trade relationships with some traders from the border town of Khatima, India. Likewise, the farmers groups of Ratanangla, Dailekh; Kapurkot, Salyan; and Sindhuwa, Dhankuta, working independently or with some help from institutions, are examples of off-season producers that are expanding each year due to the potential of off-season marketing. Currently, Bangladesh and northern border-side markets of India hold the greatest potential for Nepal's off-season products. Over the last decade, the attraction of off-season vegetable production has increased; however, the increase in production has been slow. A long channel of product flow from farmers to consumers has decreased potential income for farmers from product sale.

[8] (Shah *et al.*, 2004).

Farmers face problems like fluctuation in demand, fluctuation in price, and high post-harvest losses, all of which make the value chain inefficient.

Prospect of Off Season Vegetables

Price variation of off-season vegetables is a crucial issue. Normally, price of the offseason vegetables is cheaper during harvesting season and gradually increases as stock decreases and is cheaper at growing locations than distance away. Due to lack of adequate cold storage, the supply of the off-season vegetables to the market is not being regulated. Different modes of transport cause differentiation in price of the vegetables and the producers of remote areas have to sell it at lower price than those in accessible areas. Because of the porter age cost, the market price of the vegetables

from the former area would be higher than those from the latter. Unfavorable weather conditions such as frost, torrential rainfall, strong wind, hail, etc during growing and harvesting time cause reduction in vegetables production. Since these unfavorable factors occur invariably among the locations, the price and quantity also vary remarkably. In recent years, the production and income of the farmers have been declined due to bacterial wilt, late blight, Nematode and viral diseases (NARC 2002). Poor quality in terms of shape, size and colors of the vegetables has caused to decline the income of the farmers. However, if the farmers are encouraged to grow vegetables by organic manure and without the use of insecticides, they will get economically better-off as there is high demand and price of the products at the international market, recently open up in the Middle-east countries.

Table 2: List of 20 value chain identified during VC prioritisation workshop following a defined set of criteria

S.N.	Value Chain	S.N.	Value Chain
1.	Off-season tomatoes	11.	Cauliflower/cabbage
2.	Meat (Goat/Sheep)	12.	Dairy and Dairy products
3.	Apple	13.	Essential oil (Sugandhwal / Jatamansi)
4.	Honey	14.	Off season onion
5.	Ginger	15.	Turmeric
6.	*Zanthoxylum* (Timur)	16.	Green bean/pea pod

7.	Orange /Citrus fruit		17.	Garlic
8.	Potato		18.	Butter tree (Chiuri)
9.	Vegetable seed		19.	Red/Green chilly
10.	Poultry		20.	Walnut

Source:

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.

1.2 Objectives

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) Identify off-season vegetable pocket areas in Surkhet and Nepalgunj districts, based on interviews with wholesalers and trader; provide direct linkages to these contacts;
4) to recommend steps for promotion of export of Nepalese products to India

2 Methodology

2.1 Research Questions

The study was based on the value chain approach, focusing on market competitiveness and export. The methodology of this study included market visits, interactions with stakeholders working in the sector of the off-season vegetables in Nepal (cauliflower, cabbage, onion, cucumber, tomato, and chili), and interactions with traders, processors, and exporters. 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. The study was carried with consultation and in close coordination with AEC staff, government agencies such as DoA, DADO. Both qualitative and quantitative data were used for this study. Qualitative data was collected from interactions with farmers, traders, and related stakeholders, whereas quantitative data was collected from secondary sources.

2.2 Problem Statement

Nepalgunj is the main market area of these NTFPs for producers and collectors. However, the ultimate markets for these products are India. People have long tradition to use NTFPs for different domestic purposes. The potentials of the international marketing are yet to be explored. However, there is the provision of plant quarantine while exporting NTFPs to India. NTFP traders of Nepalgunj feel that the idea of plant quarantine is conceptually justifiable; the present practice adopted by India is more complex, tedious and time consuming. To export NTFPs in India, one has to obtain photo sanitary certificate from Lucknow for which the administrative procedure is long and complex. Issues of quarantine in the name of phytosanitation has become a crucial issue while trading to India. While exporting to India, vegetables and NTFPs have to pass through plant quarantine and unnecessary hassles are created in the name of transit permit. If government of Nepal could

negotiate in this and make an appropriate and simple arrangement, it would help traders and encourage them for the export.

2.3 Sample

Two major export outlets were purposively selected as required by AEC-FNCCI. These export outlets were selected from the Nepalese side and the corresponding Indian side.

Table 3: Study Area

Market Centers/Customs Entry Points	Nepalese Side	Indian Side
Nepalgunj	Nepalgunj market area	Rupaidia
Surkhet	Surkhet market area	

2.4 Limitations

The off-season vegetable production area in Nepal is scattered from east to west throughout the country, so it is difficult to cover all of the pockets in a short period of time. Owing to the current production trend and future potential, this study purposively selected.

3 Results

Nepal has plant quarantine service available at all major exit points along the Indian border in the south. The plant quarantine offices have their own buildings and laboratories. Though not sufficient, there are some equipment as well. There are permanent government staff. Plant quarantine service is rendered as governed by the Plant Quarantine Act 2029 (1972) and Plant Quarantine Regulations 2031 (1975). These plant quarantine offices are providing quarantine certificates as required by the exporters. These services available currently seem sufficient to support the proposed EPVs. Prevention of food adulteration act (PFA) act is imposed to check adulteration in edible items exported to India. In context of MAPs traders, this test is done for spice items like Dry Ginger, Bay leaves etc. To remain eligible for export, traders provide sample for PFA lab testing which takes a lot of time.

3.1 Plant Quarantine Issues

While exporting to India, NTFPs have to pass through plant quarantine. Till now the traders bring the import permit from the Indian traders, get a certificate of origin from CCI Nepalgunj, a export permit from concerned DFO from where the NTFP is collected and a certificate from quarantine office Nepalgunj. India has made some provisions while importing plant and animal products to protect the interest of the country's farmers by preventing the entry, establishment and spread of destructive pests, vectors and alien species, to protect the national plant life and environment and to safeguard the national bio-diversity from threats of alien species invasions. Plant Quarantine in the name of phytosanitation has become a crucial issue while trading to India. In Indian side of the custom, they have stopped entering the NTFPs which are not in their list. In the species not listed in the Indian plant quarantine, pest risk analysis is compulsory which take a long time (about two weeks) and traders have to wait the report to come which is costly and risky of reduction in the quality of the product, sometimes the product might be spoiled. Indian forest department asks to follow the rules of their traders and unnecessary hassles are created in the name of transit permit. While exporting to India, NTFPs have to pass through

plant quarantine.[9] Till now the traders bring the import permit from the Indian traders, get a certificate of origin from CCI Nepalgunj, a export permit from concerned DFO from where the NTFP is collected and a certificate from quarantine office Nepalgunj

3.2 Hassles in checkpoints and multiple taxation

Traders have to go across the hassles in several checkpoints while trading within Nepal. In a transaction while sending one truck of NTFPs from Nepalgunj to Birgunj, a trader has to be checked into 25 places. According to him, in each of the checkpoints he has to pay NRs 300-500 as unseen rent to the forestry staff and security personnel. In case they would deny paying the bribe, they would ask them to download all the materials and open each sac of NTFPs for checking which is time consuming, costly and can decrease the weight. They have to pay local tax while entering each of the districts and the rate is significantly different in different districts. In same district also there are different rates of payment for the same species and for the same quantity. For example, in Kanchanpur district for one truck of 'Jadibuti' within a month they have charged differently, more specifically for the first truck it is NRs 6000 and for the second truck after three weeks it is NRs 3500 .

3.3 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. 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

[9] (Shakya 2004).

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.

4 Discussion

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.

Conclusion

Off-seasonal vegetable production is one of the main sources of income among the poor mountain farmers of Nepal. Mid Western region's few places are emerging as pocket areas of the off-seasonal vegetable production. The farmers were involved in the training and awareness about the economic usefulness and farming of the off-seasonal vegetables. To increase the bargaining power of traders from Nepal with the Indian traders, an appropriate strategy could be to find out and make relationships with traders from other countries. This not only increases competition with Indian traders but will also fetch higher price from other countries. In a joint interaction program of NTFP related traders, they have explained that the price of essential oil and ‘Mark’ (the remaining part of Jatamansi after extraction of essential oil) is higher in Arab world and in Europe than in India. In Indian market ‘Adhat’ (commission agents) manipulate the prices and transaction of NTFPs. They usually sell that to Indian traders as demanded and finally a significantly large amount is exported to the third countries. Indians have not shown any record of NTFPs that is being exported as Nepalese origin. Traders in Nepalgunj mentioned that Nepalese NTFPs are exported from India with the label of production of India. Informal trades (without any official record in Nepal) are also promoting them to claim these as their own products. This has underestimated our market potential of the NTFPs for the supply to the third countries.

5 Recommendations

1. 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.
2. 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
3. Nepalese exporters are facing hassles in exporting due to PFA test. Therefore, quarantine lab should be upgraded and bilateral talks should be conducted in order to accredit Nepali lab with India.
4. 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.
5. Necessary provision should be made to facilitative the exporting of pharmaceutical products to India
6. 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.
7. Comprehensive trade policy should be formulated
8. Quarantine and prevention of food adulteration related policy and facilities should be developed

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7 Appendices

7.1 <Appendix Title>

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7.2 <Appendix Title>

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