

Trade Policy and Product Development in Federal Structures

(Particularly with reference to selected agricultural products in Province
One)

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28 December 2022

Outlines

- Trade policy in retrospect.
- Trade sector in the federal governance.
- Role of provincial government and local municipalities.
- Issues of trade promotion and development.
- Export of selected products from Province One.
- The way forward.

Trade policy in retrospect.

- Age old tradition of trade: Malla Period; Insightful sermon (*Divya Upadesh*) of Late King P. N. Shah.
- Traditional trade with India and China-Tibet. Barter trade with Tibet for a long time. Entre-pot trade till 1904.
- Some representative trade data before 1950.

Year	Export (NRs. Th.)	Import (NRs.Th.)	+/-
1915-16	39,489	20,695	+18,794
1917-18	38,441	21,081	+17,360
1919-20	52,013	29,046	+22,967
1921-22	59,142	24,927	+34,215
1923-24	60,721	28,088	+32,633

Source: Indo-Nepal Trade Relations (1846-1947): Vijaya K. Tiwary-2013

Trade policy in retrospect.

Trade with neighboring countries and beyond after 1950.

(Figure in Percentage)

Country	Import	Import	Export	Export	Total Trade	Total Trade
	1958-59	1950-60	1958-59	1959-60	1958-59	1959-60
India	97.69	93.88	98.95	99.02	98.12	95.49
Tibet	0.60	0.98	1.05	0.98	0.76	0.98
Overseas	1.71	5.14	-	-	1.12	3.53

Source Nepal-China Trade Relations by Dr. Y P Panta: The Economic Weekly: April 14, 1962.

Trade policy in retrospect.

Direction of Nepalese Trade

NRs. Million

	1975-76	1985-86	1995-96	2005-06	2015-16	2021-22
Total trade	3,007	12,470	95,654	220,454	844,966	2,120,479
Trade with India	2,121	5,212	28,082	147,858	522,870	1,355,375
Trade with ROW	886	7,258	67,572	72,596	322,096	765,104
Share of India (%)	70	42	29	67	62	64

Source: TEPC and Department of Customs.

Trade policy in retrospect

- Phase I: Till **1950-Closed door policy** (trade mostly with India very less with Tibet-China).
- Phase II: 1950-70 **Diversification phase**: Gradual diversification while expanding access to overseas markets. (Establishment of NRB, independent tariff policies, NTL for transit and import management, Bonus Voucher Scheme (1961); GSP scheme-1968,
- Phase III (1970-80): **Institutional and policy reform phase**: TEPC (1972) and NTWCL (1971), Jute Development Board (1971). Dual Exchange Rate-1978, Multi-fiber Agreement-1974.
- Phase IV, (1980-00): **Advancement phase**: Structural Adjustment Program; trade policy for open trade, economy and investment, new trade treaty with India, development of trade infrastructures, customs automation, transition to SAFTA from SAPTA. Trade Policy 1992.
- Phase V, (Beyond 2000): **Integration phase**: Development of trade and border infrastructures, revision in treaty of trade with India, membership of SAFTA, BIMSTEC and WTO, new trade policy, trade integration strategy etc. (Trade Policy 2009, 2015. DTIS-2004, NTIS-2019, 2016, implementation of WTO TFA, RKC, AfT etc)

Trade sector in the federal governance.

Constitutional arrangements:

- Finance, Industry and Commerce Policy: (Article 51. Gha): (6)
“Identification of the areas of comparative advantage, promotion and expansion of industries and export and diversification of markets”
(10) import substitution and export promotion and (13) Dynamism will be brought in economic development of the country by establishing coordination between provinces and between provinces and the federal government.
- The division of power between three level of government is mentioned in Chapter Five and single and concurrent list of power is mentioned in Schedule- 5,6,7,8, and 9.

Trade sector in the federal governance

- Chapter 20 of the constitution has defined the interrelationship between federal, provincial and local governments. The relationship will be based on (3 Sa): Cooperative, Co-existence and Coordination.
- Each Province is required to exchange information, carry out consultation, and coordination with other provinces in connection with the subject of common interest and concern.
- The constitution has also prevented from imposing taxes and/or any kind of charges in inter-provincial or inter-municipality transportation of goods and expansion of services. (Article-236).
- Inter-provincial council under the chairmanship of the Prime Minister. (Article-234)

Trade sector in the federal governance

Federal government (Schedule 5)

- ❑ International agreements, central level projects, international trade exchanges, ports and quarantine. IPR, and Standards. Customs, excise VAT and other charges and fees.

Provincial governments (Schedule 6)

- ❑ Trade within the province, mines investigation and management, agriculture and livestock development, factories, industrialization, trading business and transport.

Trade sector in the federal governance

Concurrent list between FG and PG (Schedule-7)

- Industry, mines and physical infrastructures, poverty alleviation and industrialization.

Municipalities (Schedule 8)

- Local market management, agriculture and livestock, management of agri-production, animal health and cooperatives, management of agri-extension, operation and control.

Concurrent list between FG, PG and Municipalities (Schedule 9)

- Agriculture and cooperatives, mines and minerals,

Role of provincial government and local municipalities.

- Two sub-national governments can pass their own laws in areas of their sole jurisdiction but the law should not contradict with the provisions of federal law.
- The FPLL (coordination and inter-relation) Act-2020 provides basis of consultation and coordination between federation, provinces and local level in framing laws, plan, policies and projects to be implemented.
- A national coordination council is formed under the Chair of Prime Minister.

Role of provincial government and local municipalities

Proactive Role	Reactive Role
<ol style="list-style-type: none">1. Provide feedback in formulation of national policies and strategies.2. Identify the potential products for export3. Assist in procurement of land and facilities for development of infrastructures like SEZ, ICDs, ICPs, CFS etc.4. Implement product development program.5. Ensure smooth flow of traded goods across their geographical areas.6. Develop warehouses and cold chain facilities.7. Organize local trade fair.8. Develop road infrastructures.9. Promote use of ICT services.10. Carry out advocacy program to promote export of goods and services of the municipality/province.	<p>PG or Municipalities as the watchdog of the trade development program of the FG or between them.</p> <p>Raise questions about perceived lapses in policy formulation, implementation and any trade related activities pursued by the FG.</p> <p>Lobby with FG for addressing trade bottlenecks.</p> <p>Seek redressal of grievances through the mechanism of National Coordination Council and Provincial Coordination Council.</p>

Issues of trade promotion and development.

- Generally, production, industrialization, employment, and broad economic development does not appear in the work plan of PG and Municipalities.
- The Provinces and Municipalities do not have an integrated trade (promotion) policy or export promotion strategy/policy.
- Trade mainstreaming-out of the provincial agenda.
- Weak coordination and cooperation between the Province and the Federation and between Provinces and Municipalities. District Coordination Committee has virtually become a defunct organization.

Issues of trade promotion and development

- The low level of trust and dialogue between the private sector and the provincial government and between municipalities and business organizations.
- Inadequate engagement of provincial government and municipalities in formulation of national trade and industrial policies and strategies.
- Lack of resources-human and financial.
- Lack of dedicated organization to look into the issues of trade.
- Lack of commercialization of agriculture.

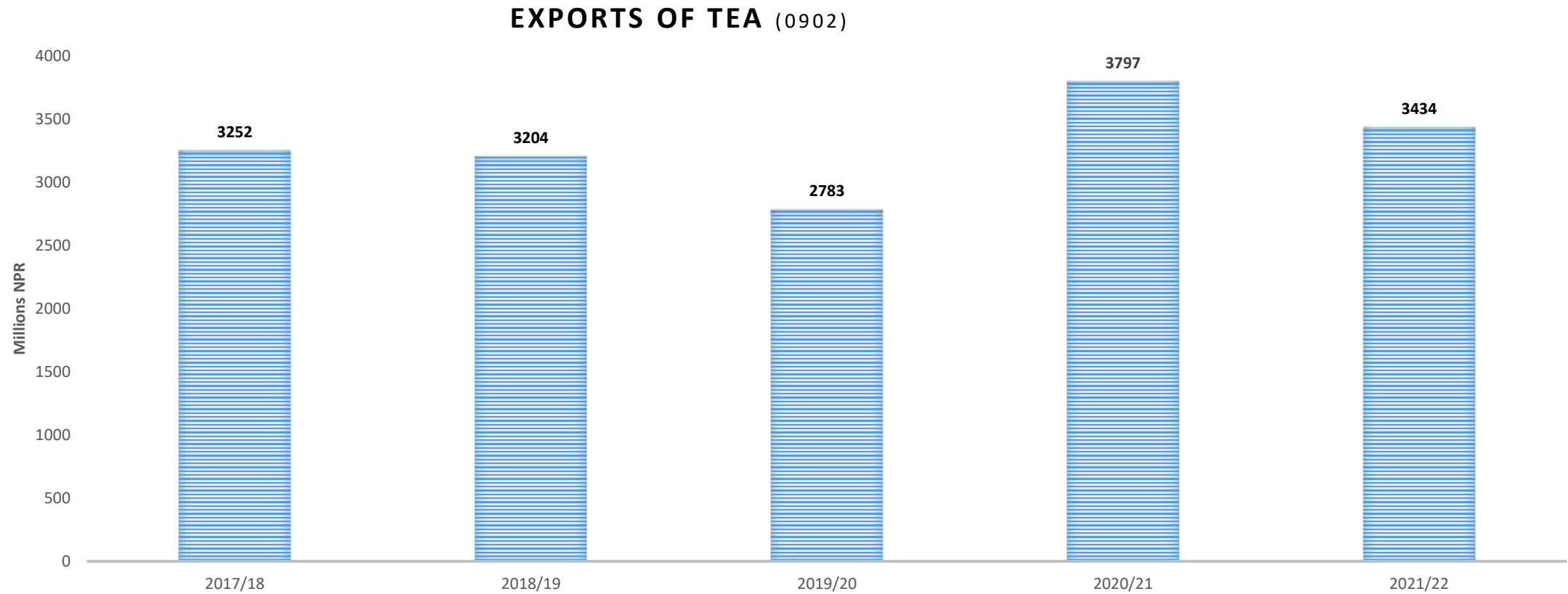
PRODUCT DEVELOPMENT AND EXPORTS

TEA/ Cardamom/Dog/CAT food (Chhurpi)

Selection of Products

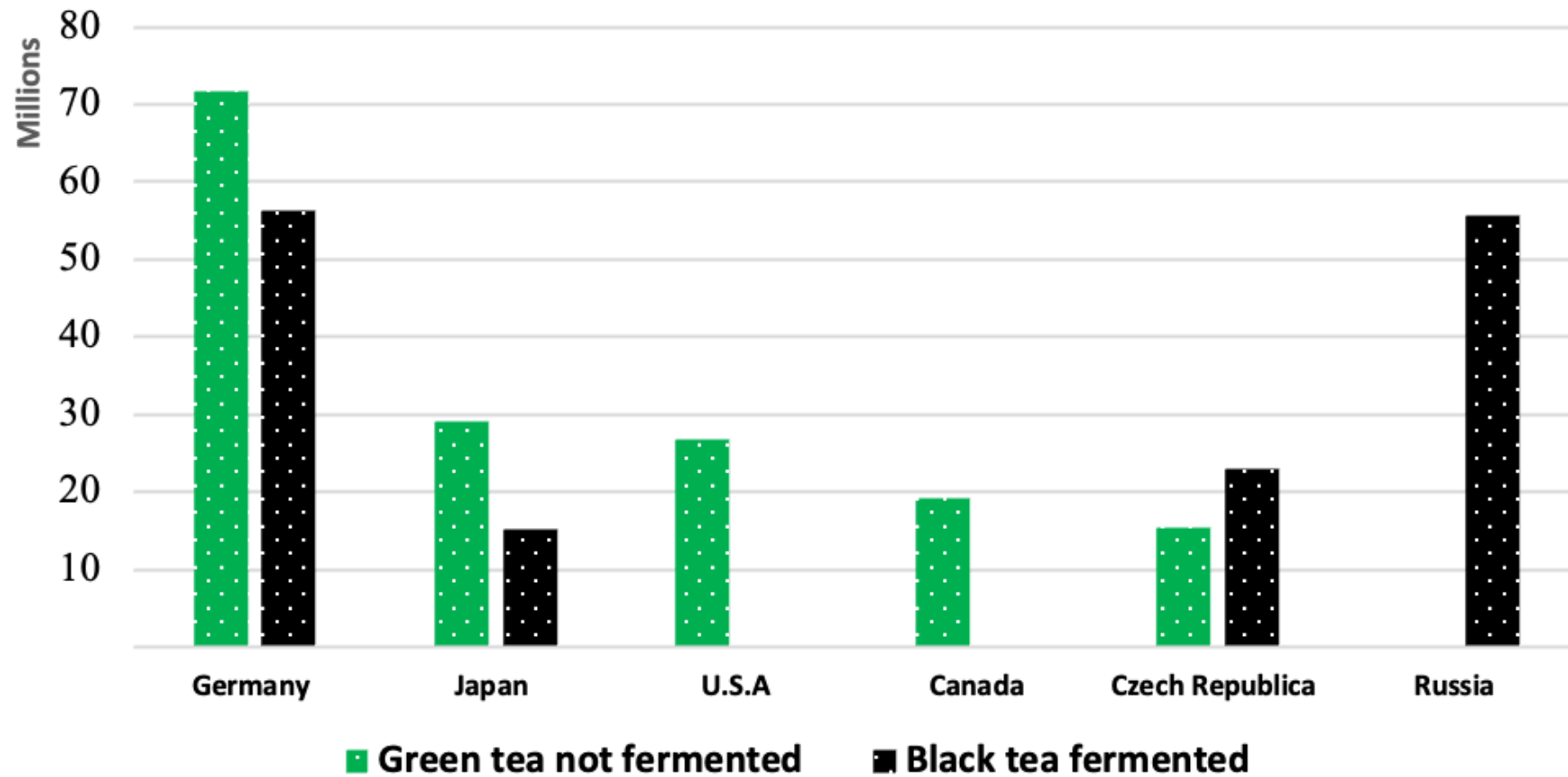
- Agricultural goods including tea, cardamom, coffee, ginger etc. constituted 63 of the total export in FY 2021/22
- Products of specific importance to Province 1
- Potential Products for exports –underutilized capacity
- Tea and Cardamom in the conventional product category and dog/cat food in the non-conventional product category

Export of Tea

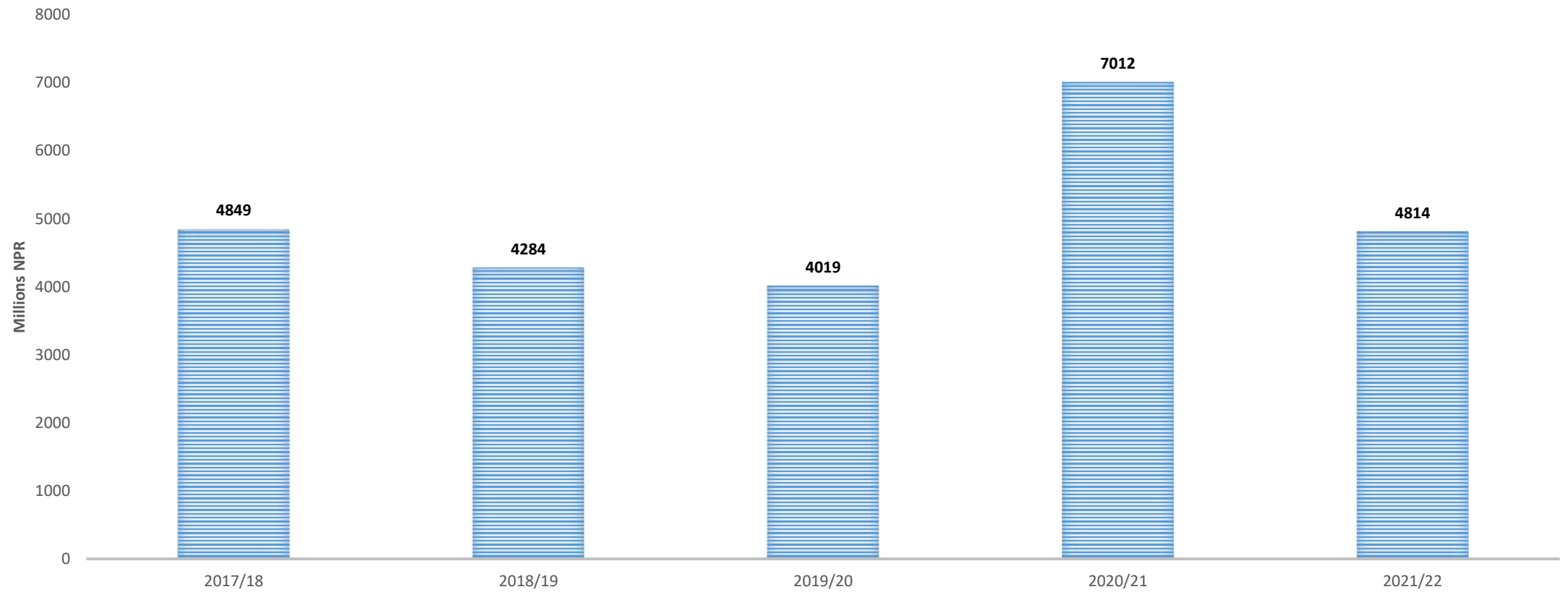


Source: Trade and Export Promotion Center (TEPC)

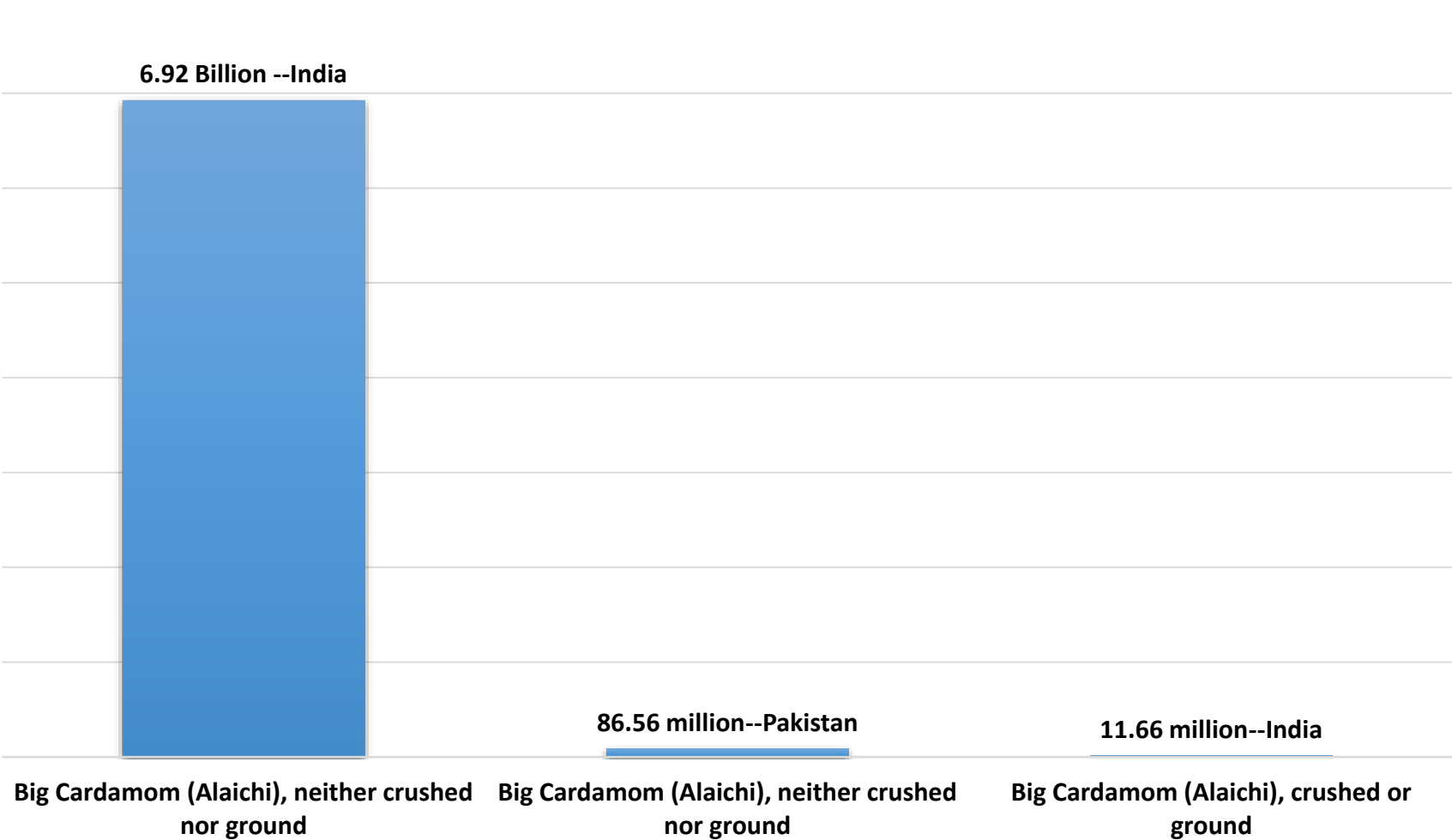
Green and Black Tea Exports



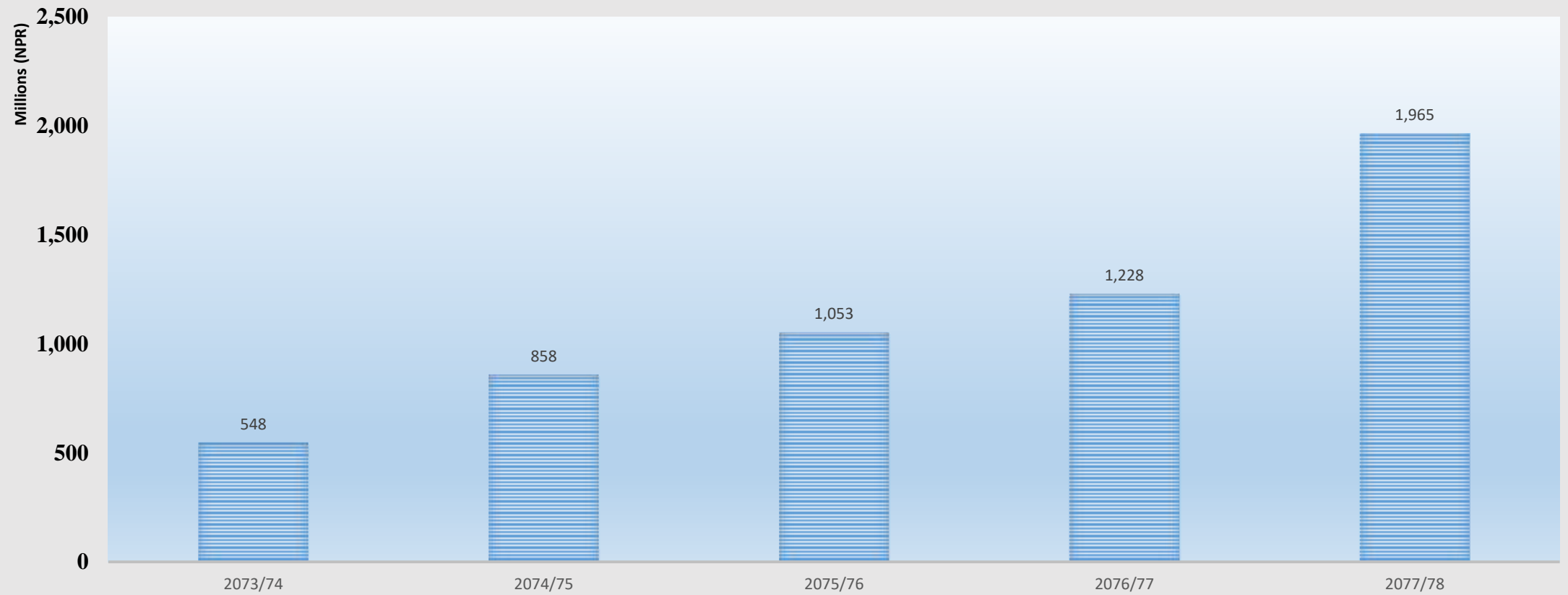
EXPORTS OF LARGE CARDAMOMS



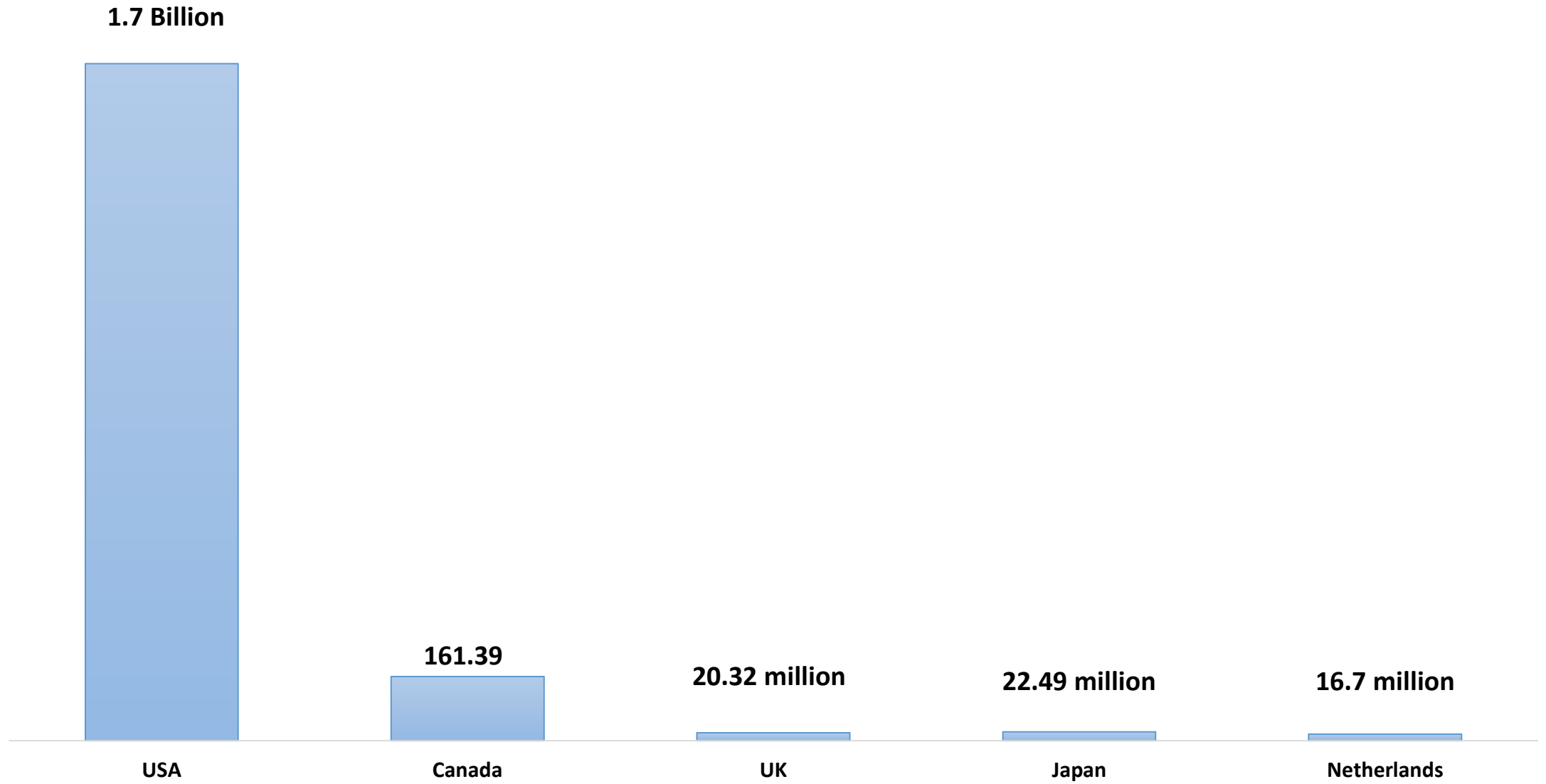
Big Cardamom Export (2077-78)



DOG & CAT FOOD EXPORT



Dog and Cat Food



Review of Policy Documents

- **Agriculture Development Strategy (2015-35)**
- **The Fifteenth Periodic Plan (2019-24)**
- **National Work Plan for Minimization of Trade Deficit-2075**
- **Agribusiness Promotion Policy-2063 (2007)**
- **Trade Policy-2015**
- **Nepal Trade Integration Strategy-2016**
- **Industrial Policy 2010**

Specific Policies and Strategies

- **National Tea Policy-2057 (2000)**
- **National Dairy Development Policy-2078 (2021)**
- **Cardamom Development Strategy**

Constraints in export growth of selected products

- Supply side Constraints
 - Problem faced in availing fertilizers for the crops.
 - Poor extension services.
 - Lack of human resources and labor.
 - Problem faced in availing financing due to compulsory requirement of collateral.
 - Less productive cow and less milk production.
 - Poor veterinary and extension services.

Export Related

- SPS related barriers
- Long border procedures causing delay and detention
- High transportation cost
- Informal payment to various groups during export-import.

The way forward

- Technical Support and Capacity building programs
- Accreditation of Nepalese laboratories for recognition of test and certification.
- Effective Implementation of Policies and Strategies
- Support in diversification of products as well as market
- Trade facilitation measures ; for e.g. digitalization of border procedures, enforcement of e-payment system

The way forward (enhancing coordination, and collaboration for trade)

- Role of Provinces and Municipalities: Enhancing production and agricultural and forest products and industrial goods. Identification of exportable goods from the province/Municipalities
- Enhancing cooperation and coordination between FG, PG and Municipalities in trade policy making at the national level.
- Enhancing effectiveness of Coordination Council with formation of Thematic Committees to deal with various issues including trade and transit.
- Provinces/Municipalities should be encouraged their own trade/export promotion plan policies and programs as complementary to national plan and policies. NPC should support through capacity building measures and providing guidelines.
- Board of trade can form sub-committees to oversee implementation of trade policies in subnational governments as well as provide advisory support with regard to formulation of their own policies and programmes.
- Restructuring of trade policy and NTIS to reflect province's roles in export promotion activities.

The way forward (enhancing coordination, and collaboration for trade)

- Responsibilities of identification of exportable products should be given to PG and Municipalities. One Municipality One Product (OMOP) could be a starting point.
- Identification of the type and number of trade infrastructures could be developed in association with the Provincial Governments.
- Government of Nepal may support the PG and Municipalities in development of infrastructures like exhibition ground, warehouses, cold storage, and providing support in availing refrigerated transport equipment for facilitation of agricultural export.

