Overcoming Non-tariff Barriers on Ginger Export

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Introduction

Nepal's ever growing trade deficit can be attributed to three major factors: low levels of production and productivity, dominance of labour intensive products in the export basket, and high cost of doing business. First, the economy is at subsistence level, and there is little surplus production for export. Second, most of the export items which belong to agriculture and primary products have to go under the complex maze of non-tariff barriers (Box: Understanding non-tariff measures). And third, the cost of delivery of goods is normally high due to complex procedures and extra-cost incurred in cross border movement of goods.

Ginger has been identified as one of the 19 export potential products and services in the Nepal Trade Integration Strategy (NTIS) based on its export performance, market condition (demand), domestic supply capacity and socio-economic impact. It has strong backward linkages and the potentials to grow on value chain[1]. The export of ginger has increased by three times during the past five years, occupying the fourth best place among NTIS agricultural products.

Production and Export

Global production of ginger in 2011 was 2 million metric tons (MT). India was the largest producer (0.7

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million MT) followed by China (0.4 million MT), Nepal (0.2 million MT), Nigeria (0.16 million MT) and Thailand (0.15 million MT). These five countries account for about 80% of global production. Other ginger growing countries are Indonesia, Bangladesh, Japan, Cameroon and Taiwan. The global production of ginger has quadrupled during 1991- 2011 (Table: Ginger production at global level).

World trade in ginger is estimated at $190 million per year. The largest importers are the United Kingdom, the United States and Saudi Arabia. India is the largest producer, as well as one of the big importers of ginger.

In Nepal, ginger used to be one of the tradable products for the farmers of mid-hills. The cultivation of ginger shifted to Tarai with the migration of hill communities. Ginger is now produced in all Tarai and mid-hill districts.

In 2010-11, ginger cultivation covered 19,081 hectares of land with production records of 216,379 metric tons (average yield of 11.34 MT/hectare)[2]. The production of ginger during 2002-11 is presented below (Figure: Ginger production in Nepal).

The districts taking lead in ginger production are: Ilam, Morang, Tanahun, Kaski, Palpa, Nawalparasi, Salyan and Doti. These districts produce exportable surplus[3].

Almost every household in the mid-hills and Tarai grows ginger plants in their kitchen garden. Traditionally, the supply chain started from the farm to the collection centre in the nearby markets. Products were then exported to India by stockists. Districts in the vicinity of large market centres like Nepalgunj, Butwal, Hetauda, Dharan, Biratnagar and Damak have such collection centres. The production and export base has expanded during the past 30 years due to the development of transport network as well as growth of urban centres.

Ginger export has increased in Nepal from 403 million rupees in 2008-09 to 1.3 billion rupees in 2012-13 with an impressive annual compound growth of about 35%. Its contribution to the total export trade is, however, limited to less than 1%. Major export destinations are India, Bangladesh, Japan and China.

NTBs on Nepal's exports

The non-tariff barriers (NTBs) applied in the export of ginger from Nepal are mainly related with sanitary and phyto-sanitary measures (SPS) and border clearance procedures. They include quarantine checks, food test certifications, delays in border crossings, import quotas, and monopolistic behavior of middlemen. These NTBs collectively erode the competitiveness of export. For example, completing the quarantine checks and food quality certifications for export to India poses a serious challenge. Besides, long clearance time at the border on account of waiting time and associated costs required for certifications often lead to deterioration of the quality of the products. The issue of thorough connectivity, particularly the problems in cross-border movement of transport vehicles, also increases the cost. Goods are required trans-loading at border customs, and

Box Understanding non-tariff measures

"Non-tariff measures" (NTMs) refer to all policy-related costs incurred from production to final consumer, with the exclusion of tariff. In practice, NTMs are the measures that have the potential to substantially distort international trade, whether their trade effects are protectionist or not. Non-tariff barriers (NTBs) are normally considered as the subset of NTMs that interfere with exports or imports and may include sanitary and phyto-sanitary measures (SPS), technical barriers to trade (TBT), government procurement, export measures, intellectual property rights, quota, levies, embargoes, sanctions, distribution restriction, rules of origin and other restrictions. NTMs are applied as the official measures or practices to protect the legitimate interest of a country and for achieving public policy goals. Thus, the term NTM has broader meaning than 'non-tariff barriers', although these two terms are sometimes used interchangeably. United Nations Conference on Trade and Development (UNCTAD) has classified the NTMs into six core categories termed as: (a) price control measures; such as para-tariff, surcharges, administrative price control, anti-dumping duties (ADD) and countervailing measures (b) finance measures including advance payment requirements, advance import deposits, terms of payment and access to foreign currency, (c) automatic licensing measures such as import monitoring, retroactive and prior surveillance of goods imported under automatic licensing, (d) quality control measures, including; issuing licenses and allocation of quota, (e) monopolistic measures, including single channel for imports, compulsory national services like insurance, transport etc. and (f) technical measures such as SPS and TBT regulations.

there are leakage and pilferage during this process.

Policy recommendations

Export performance can be improved by adopting appropriate "behind-the-border measures" such as diversification of products, improving the quality based on value added activities, developing national standards that are compatible with the requirement of exporting countries, and developing the quality infrastructure for test and certification. Besides, the production process should improve based on the adoption of good agricultural practices, including pest risk analysis and risk monitoring.
Dealing with NTBs needs coherent actions across the supply chain (i.e., from the producers' premises to the importers'). The prioritized policy measures for addressing the barriers are mentioned below:

a) Create sub-national (regional) level public private dialogue for facilitating agricultural trade: Government should consider creating a regional dialogue forum (at the sub-national level) that exclusively deals with agricultural products like ginger, honey, and large cardamom. This will be a body to discuss and debate the problems in the export of ginger and other agricultural products in their area of administrative jurisdiction. This will also work as a trouble-shooting committee whenever the problem is reported. The sub-national dialogue committee could be chaired by the Regional Administrator (Special Class Officer of the government) and may represent producers' associations, local chambers, customs, quarantine, food labs, district administration and district agricultural offices. The Regional Director of Department of Agriculture could be designated as the Member Secretary of this body. This institutional mechanism could be linked to the existing mechanism of Nepal Business Forum (NBF).

Table: Ginger production at global level

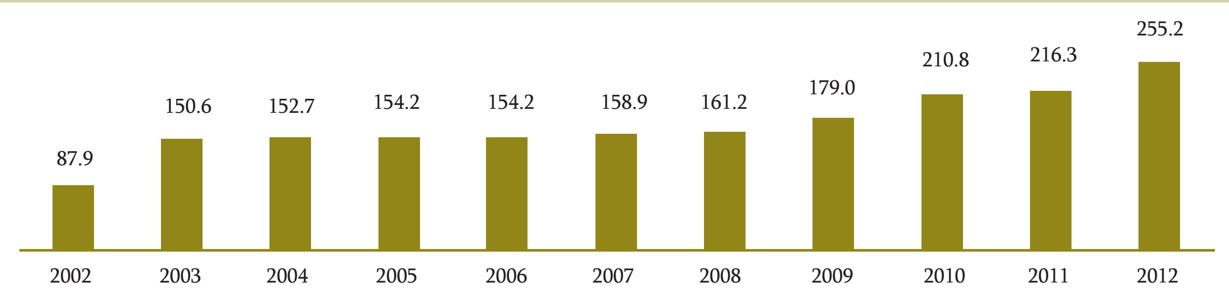
Year	Production (Thousand metric tons)	Annual compound growth rate (Percentage)
1991	591.5	Base year
1996	844.1	7.4
2001	1107.5	5.6
2006	1580.3	7.4
2011	2025.6	5.1
1991-2011		6.3

Source: faostat.fao.org

b) Create an information portal for exclusive use by the farmers and exporters: An information portal may be set up for the benefit of producers and traders of agricultural goods by facilitating their access to relevant information. This portal may be used by the producers and traders to lodge grievances/suggestions with regard to production, transportation and export. The portal would also disseminate market and price information. Any grievance lodged by the farmers or traders should be referred to the concerned agencies or departments. The progress in terms of addressing the problem should be tracked systematically. Such a portal may be hosted at Nepal Ginger Producers and Traders Association (NGPTA) or Jadibuti Association Nepal (JABAN) and these associations should be supported initially to institutionalize the portal. It is important to make information accessible through mobile phones as farmers do not have easy access to internet but can be connected through the cell phone devices.

c) Re-activate the cross border trade facilitation committee: Protocol to Article XI of Nepal-India treaty of trade provides for a joint committee headed by chief customs officers at the land customs stations on both sides with a view to resolving problems arising in the clearance of goods at customs stations. This committee is supposed to take fast (and on the spot) decisions particularly on border clearance of perishable goods. This provision is yet to be activated as no case handled and settled by this committee has been reported so far. It is also important to expand the role of this committee. The representatives of product associations and the local business chambers from both sides need to be invited to their meetings. The committee should be mandated,

Figure: Ginger production in Nepal (in thousand metric tons), 2002-2012



Source:www.factfish.com

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among others, to take measures on addressing the challenges for exporters arising out of the cartels of middlemen on both sides of the border.

d) Prioritize works on harmonization of standards, test and certification: Nepal-India treaty of trade has stipulated that there will be mutual recognition of the sanitary and phyto-sanitary certificates including health certificates issued by the competent authority of the exporting country in conditions of (i) making an assessment of the capabilities of the certifying authority of the exporting country and (ii) ensuring that the test and certification parameters is in compliance with the mandatory requirement of the importing country. This gives leeway to the Nepalese authorities to issue the SPS and health certificate by demonstrating that their certifications meets the minimum requirements of importing country, and they have the capacity to carry out such tests as per the international practices. This entails concluding a mutual recognition agreement on test and certification that would require developing the quality standards of ginger and other agricultural crops at par with Indian standards and develop test parameters in cooperation with the Food Safety and Standards Authority of India (FSSAI), quarantine and Export Inspection Council (EIC) of India. Government of Nepal should seek harmonization and mutual recognition on product specific test parameters and certification rather than seeking blanket recognition of Nepalese laboratories. The prioritized interventions on SPS measures for agro-products like ginger would help in building trust and confidence for mitigating the SPS problems in a phased manner.

e) Stop the collection of illegal tax on transport vehicles and goods: The Local Self Governance Act 2055 (1999) empowers the Village Development Committees (VDCs), Municipalities and the District Development Committees (DDCs) to levy taxes, fee and charges on various commercial activities and services within their jurisdictions. A Municipality may collect vehicles tax, as prescribed, on all kinds of vehicles entering into its area. VDCs, too, can levy tax on commercial exploitation of natural resources and occasional taxes on vehicles entering into their area. In case of foreign vehicles entering into the country, only the first VDC, adjacent to the border may levy taxes. The provisions of the Local Self Governance Act have not been properly followed by several DDCs, Municipalities, and VDCs in their bid to collect more revenue. Most local bodies contract out the task of collecting taxes to private contractors against payment of fixed annual amounts. The contractors then tend to collect tax as much as possible to increase their profit. In the process, the provisions on collecting taxes are often overruled and misinterpreted. Illegal payments are also collected in the name of various social organizations and youth clubs adding burden to export trade. It is important to stop the collection of illegal and unauthorized taxes in view of the need to facilitate production and export. It is important to have appropriate institutional arrangements for collecting all (legal) taxes at a single point. ■

Notes

1. MoCS/GoN. 2010. *Nepal Trade Integration Strategy 2010*. Kathmandu: Ministry of Commerce and Supplies, Government of Nepal.
2. GoN. 2013. Annual Report 2013. Lalitpur: National Spice Crop Development Programme, Government of Nepal.
3. MoAD/GoN. 2012. *Statistical Information on Nepalese Agriculture 2012/13*. Kathmandu: Government of Nepal, Ministry of Agricultural Development.

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