

# **Nepal's Export To Australia: Status And Potentials**



**Embassy of Nepal, Canberra**  
**July 2024**



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## FOREWORD

International trade has been one of the major pillars of national economy to ensure livelihood of the people and economic development of the country. Export is important for overall health of economy and its sustainability. Nepal's international trade is relatively small (NPR 1759 billion) in comparison to other developing countries, accounting less than 40% of GDP. Nepal's merchandise trade is dominated by imports; exports of NPR 157 billion and import of NPR 1612 billion that constitutes a trade deficit of NPR 1455 billion (US\$12.44 billion) in 2022/23. Currently, over 63% of trade is with India, while the remaining 37% of the trade is shared with other countries: China, Indonesia, USA, United Arab Emirates, Argentina, Malaysia, Australia, Ukraine, Qatar and Thailand.

Australia, where more than 150,000 people of Nepali origin currently reside, ranks 8<sup>th</sup> largest trading partner of Nepal and its current share of trade in total trade of Nepal accounts 1.14% in 2022-23. Besides, service trade has high potential between Australia and Nepal in coming years.

Nepal has currently huge negative trade balance amounting NPR 16.99 billion in NPR 20.2 billion total trade with Australia. The imports are rapidly rising in comparison to exports. As a result, the import-export ratio has increased rapidly in the last one decade from import-export ratio of 3.8:1 in 2013/14 to 11.6:1 in 2022/23. This high import-export ratio implies that Nepal imports nearly 12 time higher than exports to Australia.

In the backdrop of this worrisome wide export-import ratio, Embassy underlined the need of thorough research to find the bottlenecks pertaining to the export from Nepal to Australia. The research study would find out status of commodity export of Nepal with Australia, identify trade barriers, and explore future potential of export from Nepal.

Given that importance, Embassy of Nepal in Australia approached Nepalese Association of Agriculture, Forestry and Environment in Australia (NEPAFE) to conduct a research study on export trade of Nepal to Australia. NEPAFE-a professional association established and registered by professionals of Nepali



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origin residing and working in Australia, deployed three researchers in Nepal and Australia for six months, completed the study, and submitted the finding to the Embassy of Nepal Australia in June 2024.

The study has identified top ten exportable products from Nepal to Australia. Those top ten exportable products are: Readymade garments, Hand knotted carpets, Pasta and noodles, felt products, Prepared foods, Natural fibre products, Flattened and puffed rice, Tea, Indigenous crop products (Finger millet, Buckwheat, Horse gram), and Himalayan spices (Nepali pepper and Jimbu). The study has thoroughly analysed challenges and made seven recommendations to expand trade volume, meet exporters' and importers' expectations from the Government of Nepal to promote export trade and outlined scope of emerging services trade, mainly in IT and financial services.

This is the first study of its kind commissioned by the Embassy, and I hope that the conclusion and recommendations of the study will lay an objective foundation for the Government of Nepal, private sectors and other stakeholders to adopt strategies in future export enhancement and trade negotiations with Australia.

I would like to thank NEPAFE and its study review committee members for their feedback and suggestions. And my special thanks go to Deputy Chief of Mission Mr Kul Bahadur Magar and Embassy colleagues as well as to the study researchers Dr. Sita Ram Ghimire (Australia), Dr. Devendra Gauchan (Nepal) and Mr. Sujan Neupane (Australia). Dr Yakindra Timalsena, Dr Rajendra Adhikari, Dr Jagadish Timsina, Dr Tek Marasini and Mr Hemand Ojha also deserve appreciation for their insightful inputs and feedback for this study.

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July 2024, Canberra

# **Nepal's Export to Australia**

## **Status and Potentials**

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## **Abbreviation and Acronyms**

BPO		Business Process Outsourcing
DFTQC	:	Department of Food Technology and Quality Control
DOA	:	Department of Agriculture
DOC		Department of Custom
EU		European Union
FNCCI	:	Federation of Nepalese Chambers of Commerce and Industries
FY		Fiscal Year
GDP	:	Gross Domestic Product
GI	:	Geographic Indication
GSP		Generalized System of Preference
ICT	:	Information and Communication Technology
LDCs	:	Least Developed Countries
MoALD	:	Ministry of Agriculture and Livestock Development
MoICS	:	Ministry of Industry Commerce and Supply
NPC	:	National Planning Commission
NTIS	:	Nepal Trade Integration Strategy
PQPMC	:	Plant Quarantine and Pesticide Management Centre
PTA	:	Preferential Trade Agreement
NPRs	:	Nepali Rupees (Nepali Currency)
SMEs		Small and Medium Enterprises
SPS		Sanitary and Phyto-Sanitary Measures
TEPC	:	Trade and Export Promotion Centre
TIFA		Trade and Investment Framework Arrangement
VAT	:	Value Added Tax

# **Nepal's Export to Australia: status and potential**

## **EXECUTIVE SUMMARY**

### **Introduction**

Trade is an important tool to ensure livelihood security of the people and economic development of the country. Nepal's international trade is dominated by imports with a very high negative trade balance. The majority of Nepal's trade take place with India followed by China, Indonesia, USA, Argentina. Australia is one of the important trade partners ranking 8<sup>th</sup> position among 10 most traded countries of Nepal. In 2022/23, Nepal's trade deficit with Australia was NPR 17 billion with exports of NPR 1.6 billion and import of NPR 18.6 billion. The share of Nepal's trade with Australia is very small accounting for only 1.14% of the total global trade of Nepal. The value of Nepal's trade with Australia has not increased significantly over the years, despite the fact that Nepal has a diplomatic relationship with Australia for nearly 60 years. In this context, this study aimed to assess potential exportable products from Nepal to Australia and identify and prioritize 10 key exportable commodities with their long-term export potential. It also aimed to assess policy environments affecting trade prospects of identified 10 commodities in the future.

### **Study Methods**

The study was carried out both in Nepal and Australia through combination of desk research, interviews and email surveys. The desk research was carried out by collecting, compiling and analyzing official trade data from Department of Customs and Trade Export Promotion Centre and other officials' sources in Nepal and from the Australian Bureau of Statistics in Australia. Based on the review of recent 8 years' available data in Nepal, we developed total inventory of exported products from Nepal to Australia in a recent 8 years (2015/16-2022/23) and identified 20 top exported products from Nepal to Australia. Similarly, the information was complemented with the Australian study where 20 top imported products from Nepal to Australia was listed using the data of recent five years (2019-2023). Some desk research was also done to explore status and potential for service trade. Following desk study, we carried out field survey of dozens of exporters and traders of major exported and emerging potential products identified in Nepal through desk study. The field survey involved face to face and telephonic interviews of exporters and entrepreneurs in their offices and manufacturing centers. The Australian study also carried out face to face interviews of few importers and also did email survey for few of the entrepreneurs. Efforts were made to visit and observe a few of the manufacturing units and offices of the exporters in Kathmandu. A compound growth analysis was carried out to assess the extent of export growth of priority exported products using 8 years' recent export trend data. The data obtained from interviews and literature reviews are compiled, analysed and presented in tables, graphs and figures.



## Study Findings

Nepal has currently huge negative trade balance amounting NPR 16.99 billion with Australia with import of NPR 18.6 billion and export value of NPR 1.61 billion in 2022/23. The import trend is rising rapidly compared to the export trend. As a result, the trend of import-export ratio is increasing rapidly in the last one decade from import-export ratio of 3.8:1 in 2013/14 to 11.6:1 in 2022/23. This high import-export ratio implies that Nepal imports nearly 12 times higher than its exports to Australia. The compound annual growth rate data also indicated that the annual growth rate of imports is 23.97% as compared to 10.24% for exports. This indicates that import growth is more than two times higher than export growth per annum. Based on the review of inventory of exported items from Nepal to Australia and imported items to Australia from Nepal, we listed 20 top exported products from over 200 exported items based on the total value of exports.

The top 20 exported products from Nepal to Australia include garments, carpets, pasta & noodles, felt items, prepared food from cereals and other crops, jewelry, sacks and bags, flattened rice, beer & malts, paintings, motorcycles, musical instruments, ceramic, tableware, honey, tea, bakeries products, diamond and plastic items. The listed 20 top exported products in a recent 8 years accounted for 89% of the Nepal's total export share to Australia. Similarly, in Australian study, the top 20 imported products from Nepal to Australia also include floor coverings (carpets and felt products), edible food products, garments (women's clothing, textile clothing accessories, men's clothing), Jewelry and cereal preparations, pram, toys, games & sporting goods, travel goods, bags & containers, household equipment of base metals, vegetables prepared and preserved, alcoholic beverages, spices, artwork & antiques, special yarns and fabrics. Following this, field survey was carried out to assess export potentiality of these products from Nepal to Australia and import of products from Nepal to Australia. The Australian field survey complemented with the addition of few new emerging products that have high demand in Australia. These include indigenous Nepalese food products such as buckwheat & millet flour and horse gram and Himalayan spices mainly Timur or Nepali pepper (*Zanthoxylum armatum*), and Jimbu (*Allium Spp*).

### Identification of top 10 Priority Exportable Products

We identified top 10 priority exportable products from Nepal to Australia by combining information from the field survey of exporters, experts and stakeholders and desk research's list of 20 identified priority products. The basis of identification and selection involves a similar approach adopted by NTIS (2023). The basis includes categorization of priority potential exportable products into three groups.

- 1) Existing five exported priority products (garments, carpets, felts, pasta & noodles and prepared foods) based on consistent and highest export value
- 2) Three emerging priority products (natural fibre products-namely sacks & bags), flattened and puff rice and tea based on recent emerging export growth and
- 3) Two new future priority products namely, Himalayan spices (timur and jimbu) and indigenous crop products (buckwheat and millet flour and horse gram) based on their high demand in Australia and those with native origin in Nepal with high value chain potentials.

The list of 10 priority exportable products with their reasons for selection is presented below.

**List of priority 10 potential exportable products from Nepal to Australia, 2024.**

SN	Priority Products	Major reasons for selection	Other specific features
1	Readymade garments	Number one most exported products with consistent export in terms of value and share to total exports	Relatively lighter weight items exported by Air rout & potentials for income & employment
2	Hand knotted carpets	Second ranked exported products with consistent export in value and share to total exports to Australia	High rural employment potentials and unique handmade designs
3	Pasta and noodles	Third ranked exported products in terms of value and share to total exports. High annual export growth	Good prospects with demand in both Asian and western communities in Australia.
4	Felt products	Fourth ranked exported products in terms of value and share to total exports. High annual export growth	High employment potentials to urban and rural unemployed particularly to women.
5	Prepared Foods	Fifth ranked exported products in terms of value and share to total exports. High annual export growth.	Emerging export growth in recent years. Good prospects in Asian communities in Australia.
6	Natural fibre products (sacks & bags)	Seventh ranked exported products in in terms of value and share to total exports to Australia	Good potentials for export due to domestic origins, potential growth & environmentally sound
7	Flattened and puffed rice	Eighth ranked exported products in terms of value and share to total exports to Australia, High annual export growth.	High demand in Australia among Asian communities. Beaten rice prepared from Taichung variety is preferred.
8	Tea	Sixteen ranked exported products in terms of total value of exports to Australia. High annual growth.	Nepal has potential for export of organic orthodox tea with its unique taste and better quality
9	Indigenous crop products (buckwheat & millet flour and horse gram)	Good demand among Nepalese and South Asian communities. Good production and value chain development potentials in Nepal.	Domestic origin, native products with high shelf life and less risk of export (less damage during transportation).
10	Himalayan spices (Timur & Jimbu)	Good demand among Nepalese communities with production and value chain development potentials.	Domestic origin unique to Nepal. High value low volume products with higher shelf life

In addition, service trade particularly, information and communication technology and travel tourism sub-sectors can be future priority areas for the trade with Australia and other countries.

**Export Routes and Process of Exports**

Presently Nepal exports products from Nepal to Australia via two main ways viz, by Air route and by road and sea route. Exportable products are transported from Birganj port to Kolkata via road (train) and then Kolkata to Sydney (Australia) via sea route. The low volume and high value lighter product (e.g. small lighter garments, handicrafts etc., are mainly exported through air route from the Kathmandu international airport, while the large size bigger volume and low value products are exported by land and sea route. From Kathmandu to Birganj by trucks, and from Birganj to Kolkata by train and from Kolkata to Sydney (capital city of Australia) by sea route via Singapore. The process requires the export of packaged and labelled products with the completion of custom clearance procedures. The custom clearance procedures require certification of origin, phyto-

certification and fumigation documents and other relevant certification documents including testing results from the authorized departments of the Governments of Nepal. In addition, fumigation certification paper in packages and containers are required for many agro-food and other products.

### **Constraints and Challenges to Export to Australia**

The major constraints to exports of priority listed products to Australia include:

- a) High cost of production and supply as a result of high cost of imported raw materials, traditional technologies used in production and supply, recent increase of input and energy costs and increase cost of wage labour
- b) Low volume of production and poor value addition due to limited access to finance for economic scale of production and supply and poor access to new technologies of production and value chain development (e.g. cold chains)
- c) Poor market information, market logistic services and market networks due to low level of awareness and knowledge level of small-scale exporters,
- d) Lack of fumigation facilities in Nepal specifically with the use of Methyl Bromide facilities as per the biosecurity requirement
- e) Weak sanitary and phyto sanitary (SPS) measures due to absence of internationally accepted laboratory testing facilities including delay in obtaining laboratory testing results for food quality parameters
- f) Bureaucratic hurdles in custom clearance and custom facilitation services in custom port that burden the exporters in terms of time delays and high transaction costs of exports.

Among them, requirement of Methyl Bromide fumigation facilities and weak Sanitary and Phytosanitary (SPS) measures are currently the major constraints to export trade of Nepalese products to Australia,

### **Policy Environments for Export of Products**

Despite all of these constraints and issues, Nepal has some favourable policy environments for export of the potential products. For instance, there is a cash subsidy of 5 to 8 percent based on extent of value addition, collective trademark used and the export value from value added activities. In addition, there is also a provision for export incentives for export of organic products and specific subsidy provision for organic certification fee for the exporters of organic products. For the products manufactured and exported using imported raw materials, exporters in Nepal also get a refund of taxes and duties paid during the import of raw materials and auxiliary raw materials. As a least developed country under General System Performance (GSP) facility, Australia provides duty free or low duty access to Nepalese products. Nepal is eligible to Australian System of Tariff Preferences (ASTP). Therefore, the identified 10 prioritized products are eligible for preference under the ASTP, as these goods comply with rules of origin requirements. Felt, carpets (floor coverings), garments and natural fibre products (sacks and bags) are native origins, manually prepared or handmade and derived from purely natural fibres /fabrics.

## **Conclusions and Recommendations**

Presently the value, volume and share of Nepal's trade with Australia is very small accounting only about 1% of the total trade of Nepal. Moreover, the country has negative trade balance with Australia with increasing trend of import. In order to reduce trade imbalance and increase the export trade of Nepal, this study has identified the top 10 priority exportable products to be promoted for increased export performance. These include readymade garment, hand knotted carpets (flooring materials), pasta & noodles, felt products, prepared foods, natural fibre products (sacks & bags), flattened and puffed rice, tea, indigenous crop products (buckwheat & millet flour and horse gram) and Himalayan spices (Timur and Jimbu). In addition, these 10 priority exportable products, trade in services mainly information communication technology (ICT) and travel-tourism could be potential export sectors for Nepal, which to be explored further.

Even though concessional market access has been provided by Australia and other developed countries, Nepal has not yet been able to utilize them properly by expanding its export, especially of agricultural, food and forestry products. For strengthening and expanding export of these listed 10 priority products as well as other products in Australia in the future, the following recommendation are made.

1. Reduce cost of production and invest in economic scale of production and supply
2. Development of fumigation and other advanced laboratory testing facilities
3. Improvement of custom facilities and custom clearance facilities
4. Capacity development of small sized exporters and importers of Nepali products. Including those involved in trade in services (travel-tourism, ICT services etc.)
5. Organic certification, collective trademarks and legislation for Geographical Indication.
6. Promote trade facilitation services for expanding commodity and services exports

## INTRODUCTION

Trade is an important tool to ensure livelihood security of the people and improve economic development of the country. Export led growth is important for socioeconomic transformation, poverty alleviation and sustainable development of the country. However, Nepal's international trade is relatively small (NPR 1759 billion) in comparison with many developing countries. The share of trade is less than 40% of the GDP. Moreover, Nepal's merchandise trade is heavily dominated by imports with exports of NPR 157 billion and import of NPR 1612 Billion that constitutes a trade deficit of NPR 1455 Billion (US\$12.44 billion) in 2022/23. This makes an average import to export ratio of 10.26 indicating that Nepal has been importing 10 times the value of its exports. The trade deficit was huge amounting of NPR 1455 Billion (US\$12.44 billion) accounting for 31.6 percent of GDP in 2022/23, which is consistently rising. The country's trade is characterized by large deficits and overly high dependency on trade with India. Currently, over 63% of trade is with India, while remaining trade is with other countries mainly with China, Indonesia, USA, United Arab Emirates, Argentina, Malaysia, Australia, Ukraine, Qatar and Thailand. Overall, 90% of the Nepal's total trade in 2022/23 is with these 10 countries. Australia ranks 8<sup>th</sup> largest trading partners, even though, its share of trade in total trade is around 1% only. Nepal's services exports to Australia have soared to AU\$160 million (US\$105 million) from only AUS78 million prior to the 2022-2023 period, driven by growth in travel services. (<https://research.hktdc.com/en/article/MTYyMzgwOTg3OA>)

### Nepal's Foreign Trading Partners

Nepal is involved in trading with over 100 countries. Australia is the 8<sup>th</sup> largest trading partners of Nepal with its trade share of only 1% of the total foreign trade. The major 11 trading partner countries of Nepal in FY 2022/23 are India, China, Indonesia, United States, United Arab Emirates, Argentina, Malaysia, Australia, Ukraine, Qatar and Thailand (Table 1).

**Table 1: Nepal's import, export and total trade with major Trading Partners in 2022/2023**

SN	Countries	Total Trade (NPR Billion)	Import (NPR Billion)	Export (NPR Billion)	% Share of Total Trade
1	India	1134.5	1027.85 (63.77)	106.69(67.89)	64.14
2	China	231.5	229.17	2.34	13.09
3	Indonesia	42.1	41.83	0.31	2.38
4	USA	39	19.42	19.57	2.20
5	United Arab Emirates	33.3	32.21	1.08	1.88
6	Argentine	24.9	24.86	0.01	1.41
7	Malaysia	22.7	22.41	0.31	1.28
8	Australia	20.2	18.60 (1.15)	1.61(1.025)	1.14
9	Ukraine	18.4	18.43	0.01	1.04
10	Qatar	13.4	13.31	0.11	0.76
11	Thailand	11.4	11.29	0.08	0.64
	Subtotal	1591.5	1459.39	132.12	90.0
	Total Trade	1768.9	1611.73	157.14	100
	<b>Share of Sub total</b>	<b>90.0</b>	<b>90.55</b>	<b>84.1</b>	

Source: Department of custom, (2023): Note \* The data in parenthesis indicate % share

These countries account for 90 % of the total trade (NPR 1591.5 billion) of Nepal. The total export for these countries is recorded as NPR 132.12 billion which comprises around 84.1 percent of Nepal's total export in FY 2022/23. On the other hand, Nepal imported goods worth NPR 1459.39 billion from these countries, which constitutes 90.55 percent of Nepal's total imports for this fiscal year. Nepal's total import encompasses more than 170 countries and export is scattered in 128 countries and territories. The total trade of all these countries occupies a total trade of NPR 1769 billion with imports of NPR 1612 billion and exports of NPR 157 billion in FY 2022/23. The majority of its trade took place with its two neighboring countries - India and China. India is the largest trading partner of Nepal – both in terms of import and export trade. Nepal's 64.14 percent of the total trade took place with India in the fiscal year 2022/23. India accounted for 63.77 percent of Nepal's total import trade and 67.89 percent of its total export during this fiscal year. China is the second largest trading partner of Nepal constituting 13.09 percent of Nepal's total trade in FY 2022/23. Nepal's import trade with China (including Hongkong and Taiwan) accounted for 14.22 percent and an export trade share of 1.49 percent in this fiscal year. The United States of America stood as the second largest export destination, despite it is 4<sup>th</sup> largest importers and trade destination for Nepal in FY 2022/23. Nepal's exports (of goods and services) as a share of GDP stood at 6.8 percent of GDP in 2022, which is much lower than that of the peers—low income, lower middle income, least developed and South Asian countries (Poudel, 2023). Nepal's major top 10 exported products in 2022/23 are refined palm oil, synthetic yarn, woollen carpets, refined soybean oil, large cardamom, readymade garments (prepared cloth), Iron plate, fruit juice, felt fabrics (Jamoth cloth) and Jute woven fabrics.

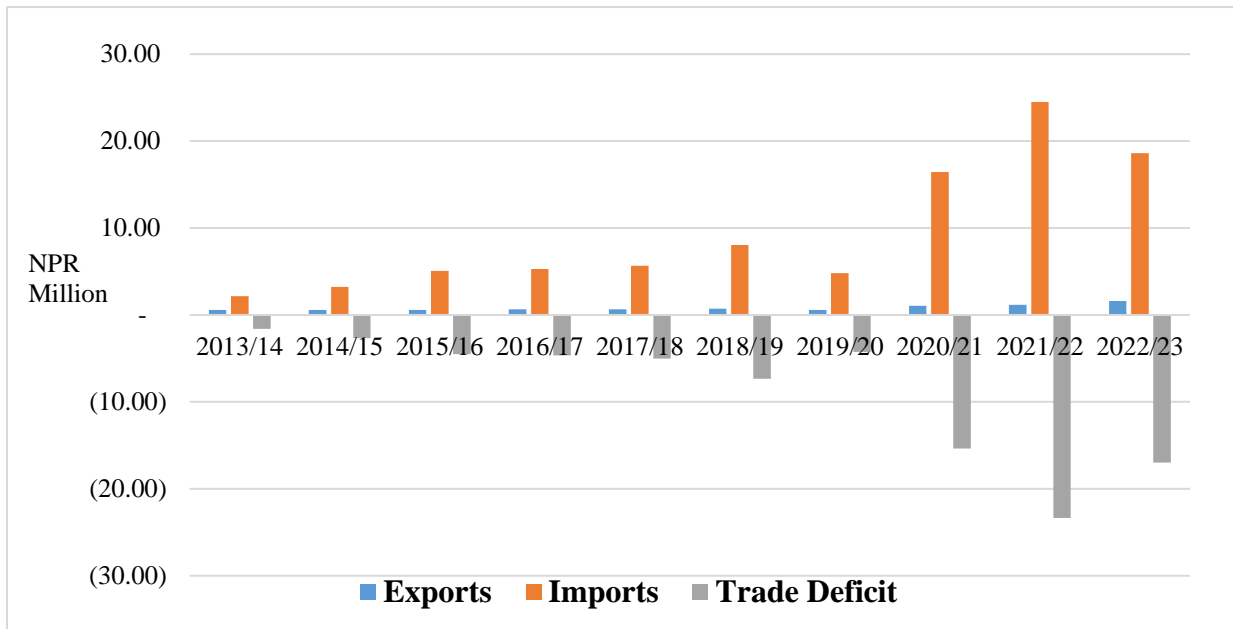
In addition, service exports that constitute information technology, travel, tourism and hospitality is showing an impressive rise in 2022. The export of information technology (IT) services has emerged as a valuable addition to Nepal's overall services exports offering good opportunity for both export growth and employment generation. According to a recent report from IIDS (2023), IT services, generated approximately US\$500 million in exports in 2022 and employed at least 66,000 workers.

Nepal's merchandise trade with Australia's totaled NPR 20 billion in 2022.23 with exports of NPR 1.6 billion and import of NPR 18.6 billion. This value does not include value of service trade. Nepal has a sixty years' diplomatic relationship, and a long-standing history of development partnership and close people-to-people links with Australia. Sixty years of diplomatic relationship between Nepal and Australia was celebrated in 2020. Australia remains a committed development partner to Nepal. In 2022-23, an estimated \$26.6 million in Australian official development assistance was allocated to Nepal. Australia is the tenth largest investor in terms of the number of industries in Nepal. Nepal signed a trade and investment framework arrangement (TIFA) with Australia on 9 February 2024 to strengthen economic ties and promote trade (<https://research.hktdc.com/en/article/MTYyMzgwOTg3OA>).

However, the trade of Nepal with Australia has not increased over the years despite Nepal had very good longer-term historical relationship. The trend analysis of trade data for the last decade shows that export value has not increased significantly, despite a very rapid increase of imports resulting in high negative trade balance, particularly in a recent 3 years (Figure 1). The country has presently total trade of NPR 20 billion with Australia with negative trade balance of NPR 17 billion in 2022/23. The trade deficit has rapidly increased from NPR 2 billion in 2011/12 to NPR

17 billion in 2022/23. During the last one decade, the exports has increased by three times from NPR 0.57 billion to NPR 1.61 billion, while imports has increased by 9 times from NPR 2.15 billion to NPR 18.60 billion. The share of import-export ratio has increased rapidly which is now 11.55 implying that the import is 12 times higher than export of the products resulting in huge negative trade balance with Australia.

**Figure 1: Trend of Export-Import Trade of Nepal with Australia (2011/12-2022/23)**



Source: Department of customs (2024).

Despite, some initiatives have been undertaken to promote export of Nepali products to Australia over the years with a strategy to increase trade competitiveness and reduce the trade deficit, information was scant about latest update about the identification of specific potential and emerging new priority products so that these products could be facilitated for export promotion and improve economic wellbeing of people in Nepal. In this context, this export study with Australia was undertaken with following purpose and specific objectives.

**Purpose:**

The overall aim of this study was to assess potential export basket of key selected commodities and products from Nepal to Australia in order to strengthen overall trade, improve economic welfare of Nepalese people and reduce rising trade imbalance of Nepal with Australia. The specific objectives of study are outlined below,

## **Specific objectives**

- Assess general trade situation and list of exportable products from Nepal to Australia
- Identify and prioritize 10 key exportable commodities with their long-term export potentials based on their current export trend, domestic origins, value chain potentials, technical feasibility and demand situations and unique future potentials
- Assess key constraints and policy environments affecting trade prospects of identified 10 commodities in the future

## **STUDY METHODOLOGY**

The study used a combination of desk study (literature review, collection of secondary official sources of trade data), face to face interviews, telephonic interviews and email survey focusing on exporters, traders, entrepreneurs and professionals. The field survey started from the mid of February to mid of May 2024. Regular exchange of information between Nepal and Australian study team was made to improve and complement the study. The specific details and methodology used for literature review, trade data analysis, and interviews of traders are briefly outlined below.

### **Desk Study**

Firstly, literature review related to trade situation of Nepal with Australia with specific focus on export of Nepalese products to Australia was carried out using various published and unpublished sources. Official time series trade data were collected from Department of Customs (DOC) of Ministry of Finance and Trade and Export Promotion Centre (TEPC). Inventory of all exported products to Australia was prepared for a recent 8 years (2015/16-2022/23) and then ranked them based on the total value of exports to Australia. A similar desk study was carried out in Australia focusing on major imported items from Nepal to Australia by collecting and compiling 5 years' (2019-2023) available data from Australian Government sources, mainly from Australian Bureau of Statistics. Desk study was also focused to identify primary list of entrepreneurs, exporters and traders through literature review. This consisted of searching website of relevant association of exporters (Export Council of Nepal (ECON), Federation of Export Entrepreneurs Association of Nepal (FEEAN), entrepreneurs and commodity association (e.g. carpets, garments, tea etc.). By combining desk study in both Nepal and Australia we identified and listed 20 top key exported products from Nepal to Australia and 20 top imported products from Nepal to Australia using official sources of data such as the Department of Customs /Trade and Export promotion centers data from Nepal and Australian Bureau of Statistics from Australia. In addition, trade in services t are also explored which can be future priority areas for the trade with Australia and other countries.

### **Questionnaire /Checklists Development and Finalization**

Questionnaire /Checklists are developed to collect and explore export status, constraints, challenges and opportunities for specific existing and potential exportable products. Considering the diversity of commodities that are exported ranging from agricultural, forestry, foods, industrial and handicraft, focus was given to develop commodity specific and stakeholder specific checklists to capture specific nature, features, constraints and opportunity for the commodity specific potential and priority products. The questionnaire /checklists also covered policy and legal aspects



(tax, tariff, duty, custom procedures), technical requirements (e.g. technical barriers to trade, sanitary and phytosanitary measures) including trade logistics and aspects related to whole value chains influencing export of specific products. The draft checklists are presented and shared with the NEPAFE team to receive major specific feed backs and comments. The specific comments are incorporated to revise the checklists and questionnaires for the use in the interview of exporters in Nepal and major importers from Australia. The specific checklists/Questionnaire used in Nepal is presented in Annex 1.1 and that is used in Australia is presented in Annex 1.2

### **Key Informant Interviews and Consultation Meeting**

Knowledgeable traders, government officials and experts are met and consulted to identify promising exporters, traders and entrepreneurs engaged in the exports of key existing, emerging and future new exportable products from Nepal to Australia. From key informant consultation (interviews), efforts were made to list out all potential exporters and entrepreneurs of the exportable products in the value chain in Kathmandu and other locations. The information of the exporters list was supplemented with the literature review. This consultation meeting with key informants also helped to develop and revise check lists of the actual interview with exporters and entrepreneurs. The major key informants included relevant specialists from Trade and Export Promotion Centre, Custom officials, Federation of Nepal Chamber of Commerce and Industries (FNCCI), Department of Food Technology and Quality Control Center (DFTQC), Plant Quarantine and Pesticide Management Centre (PQMC) and other professionals and entrepreneurs (see Annex 2.1)

### **Face to Face and Telephonic Interview of Exporters and Entrepreneurs**

The major exporters and entrepreneurs (manufacturers, processor, traders) of the exported commodities (garments, carpets, felts, tea etc.) to Australia are interviewed by face-to-face and through telephonic interview using detailed checklists/questionnaire. The interviewed exporters and entrepreneurs in Nepal with their specific companies and product exported to Australia is presented in Annex 2.2. Similarly, importers with their specific details of company and product types imported from Nepal in Australia, whom are interviewed face to face, telephonic and email survey is presented in Annex 2.3 and Annex 4.. The interview focused on status of exports of the commodities traded, export procedures, major constraints, challenges as well as opportunities involved. During the interview, the manufacturing /processing centers were also visited in few places to learn the process of manufacturing and export of the products.

### **Information Compilation, Analysis and Synthesis**

Information and data obtained from the field surveys and desk research are compiled, analysed and synthesized. Based on both field survey and desk research from Nepal and Australia, we prioritized and listed final 10 exportable commodities with their brief features, status of export, constraints, challenges, potentials and suggestions. Compound annual growth rate (CAGR) analysis using simple regression technique was carried out to assess the extent of export growth of these prioritized 10 listed products from Nepal to Australia using last 8 years' export trade data.

## FINDINGS

### Status of Nepal's Export Trade with Australia

Nepal has currently huge negative trade balance amounting NPR 16.99 billion with Australia with import of NPR 18.6 billion and export value of NPR 1.61 billion in 2022/23 (Table 2). The import trend is rising rapidly than export trend. As a result, a high trade deficit is being observed and is increasing trend. In 2022/23, the trade deficit reached to NPR 16.98 billion. The trend of import-export ratio is increasing rapidly in the last one decade from 3.79 in 2013/14 to 11:52 in 2022/23. This high import-export ratio implies that Nepal imports nearly 12 time higher than its exports to Australia.

The compound annual growth rate data also indicated that the annual growth rate of imports is 23.97% as compared to 10.24% for exports implying that the import growth is two times higher than annual growth of exports. The number of items exported and imported from Australia is also increasing rapidly recently. The major exported items to Australia are ready made garments, carpets, felt items, pasta and noodles, various food products, jewelry items, sacks and bags, beer and malts, tea and beaten rice etc. The major imported items from Australia are mineral oils (fuel and coal products), rapeseeds, red lentils, chickpeas, metal scraps (zinc, aluminum, copper), food supplements, alcoholic beverages etc.

**Table 2: Status Nepal's Trade with Australia in a recent decade (2013/14-2022/23)**

Year	Exports (NPR million)	Imports (NPR million)	Total Trade (NPR Million)	Trade Deficit	Import-Export Ratio
2013/14	566	2147	2713	-1580	3.79
2014/15	588	3234	3,822	-2645	5.50
2015/16	589	5076	5665	-4487	8.62
2016/17	649	5305	5954	-4656	8.18
2017/18	643	5649	6292	-5006	8.78
2018/19	735	8066	8801	-7332	10.98
2019/20	563	4826	5390	-4263	8.57
2020/21	1069	16428	17497	-15359	15.37
2021/22	1166	24506	25672	-23340	21.02
2022/23	1614	18601	20215	-16987	11.52
CAGR+	10.24***	23.97***	22.47***		

+CAGR= Compound Annual Growth Rate: Significance: \*\*\* at 1% level

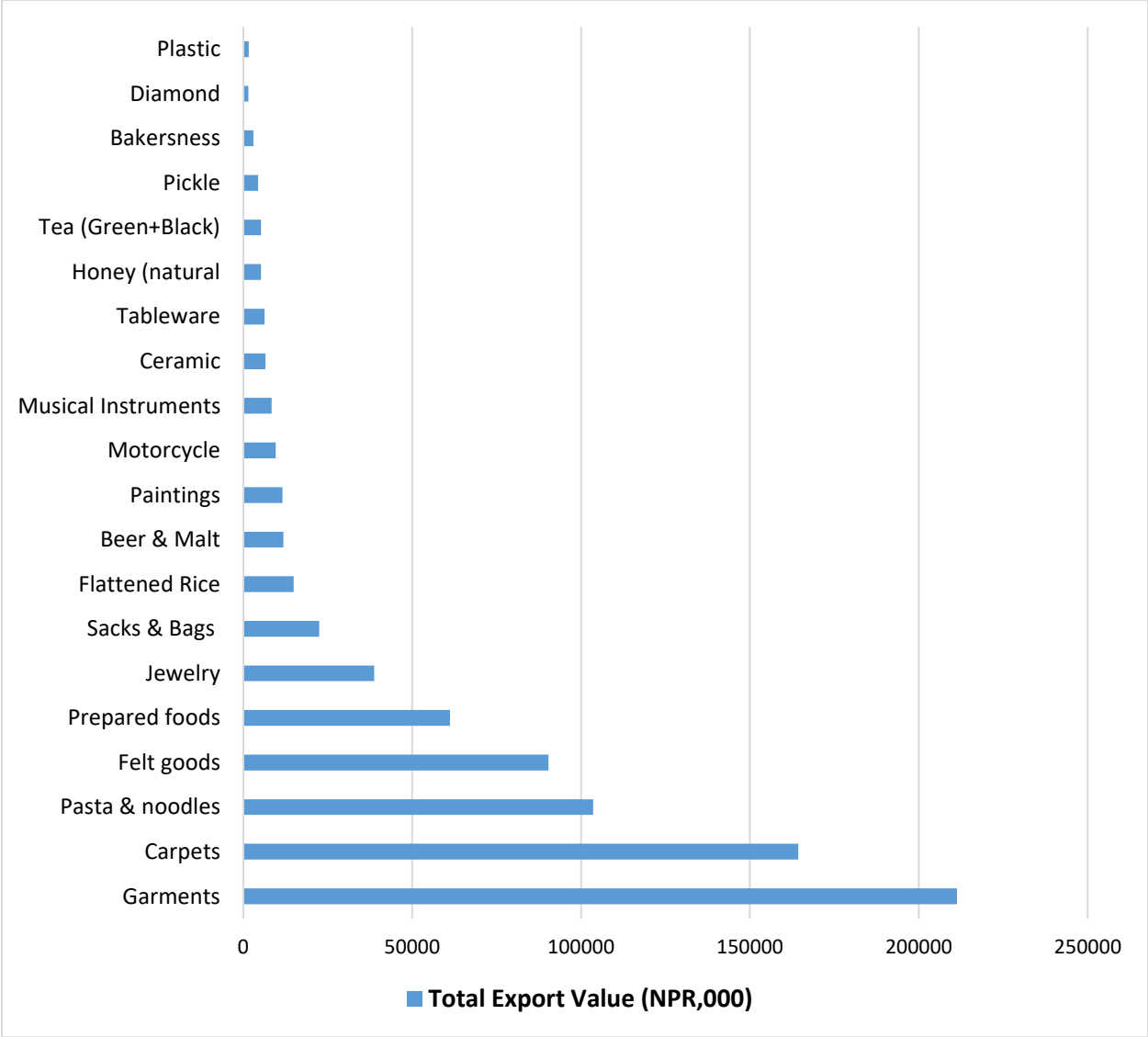
Source: Compiled and estimated from Department of custom data (2024)

### List of 20 Top Exported Products from Nepal to Australia

The inventory of all exported products from Nepal to Australia was reviewed and analysed using trade data of latest 8 years of data from 2015/16 to 2022/23. Based on the total value of exports, we listed 20 top exported products from over 200 exported items using averaging of data of recent 8 years. The top 20 ranked products are listed and presented in (Figure 2) and more details with

HS codes and total value in Annex 3). The analysis involved grouping of products with similar types and harmonized codes that are exported in different names /headings within the major HS codes. The top 20 exported products from Nepal to Australia include garments, carpets, pasta & noodles, felt items, prepared food from cereals and other crops, jewelry, sacks and bags, flattened rice, beer & malts, paintings, motorcycles, musical instruments, ceramic, tableware, honey, tea, bakeries products, diamond and plastic items. The listed 20 top exported products in a recent 8 years accounted for 89% of the Nepal’s total export share to Australia.

**Figure 2: Average Export Value of 20 Top Exported Products from Nepal to Australia (2015/16-2022/23)**



Source: Compiled Department of Custom (2024)

## Australia's Top 20 Imported Products from Nepal

The inventory of all imported products from Nepal to Australia are reviewed and listed for a recent 5 years (2019-2023). From the list of imported products, the top 20 products were ranked based on the total value of imports in the last 5 years (2019-2023). The top 20 listed products are presented in Table 3. Among them, the top 20 products imported were Floor Coverings (Carpets and Felt products), edible food products, garments (women's clothing), Jewelry and cereal preparations. Garments will rank first if different types of women and men's clothes and textile clothes are grouped together, which was done for Nepal study above (Figure 2).

**Table 3: List of top 20 imported products from Nepal to Australia and their value in ('000) Australian Dollars from 2019 to 2023.**

S. N.	Items	2019	2020	2021	2022	2023
1	Floor coverings	2,872	1,898	2,377	2,846	3,132
2	Edible products & preparations, nes	1,020	811	1,101	1,507	2,632
3	Women's clothing (excl knitted)	693	562	986	851	1,085
4	Jewellery	614	309	589	1,563	839
5	Cereal preparations	462	752	732	1,092	1,400
6	Other textile clothing	318	234	241	209	250
7	Made-up textile articles, nes	310	342	428	978	733
8	Paper & paperboard, cut to size	252	159	272	210	237
9	Women's clothing, knitted	220	192	175	167	
10	Textile clothing accessories	210	194	223	155	221
11	Prams, toys, games & sporting goods	197	459	743	694	1,142
12	Travel goods, bags & like containers	180	92	174	295	224
13	Clothing accessories, nes	165	107	108	139	185
14	Household equip of base metal, nes	158	153	492	418	392
15	Vegetables, prepared or preserved	144	335	547	519	1,196
16	Men's clothing (excl knitted)	135		92	195	198
17	Alcoholic beverages	124		128	335	395
18	Spices	48	125	153	149	254
19	Artwork & antiques				324	223
20	Special yarns & fabrics			109		243
21	Furniture, mattresses & cushions				130	
22	Rice	59	84			
23	Men's clothing, knitted	70				
24	Non-electric engines & motors		593			
25	Musical instruments & parts		97	120		
26	Tea & mate		84			
27	Aircraft, spacecraft & parts					616

Source: Australian Bureau of Statistics, accessed on 28 May, 2024

## Emerging Trade in Services

Trade in services is an emerging sector globally. Trade in services covers intangible transactions across various fields, including business and professional services, information technology and communication services, finance services, health care and education including travel and tourism. Among services trade, travel and tourism and information communication technology (ICT) have shown good promise for Nepal. In 2022, Nepal earned NPR 46.76 billion rupees of foreign currency from the tourist /travel business services (MoF, 2024). The travel business is now re-emerging after COVID-19 pandemics. Similarly, the export of ICT services has emerged as a valuable addition to Nepal's overall services exports offering good opportunity for both export growth and employment generation. It is estimated that IT services generated approximately US\$500 million in exports in 2022 and employed at least 66,000 workers (IIDS, 2023)..

In terms of services trade between Nepal and Australia, Nepal is Australia's third largest source of international students, which in turn comes to Australia's seventh largest services exports market with education services valued at Australian \$3.4 billion in 2022-23 (<https://www.dfat.gov.au/geo/nepal/nepal-country-brief#:~:text=As%20Australia's%20third%20largest%20source,%2D23%2C%20mostly%20in%20tourism>). For Nepal, this is a considerable proportion of national GDP and foreign currency reserves going overseas, that could be used in other productive sectors in the country. Following education sector, travel and tourism and ICT services are important. In 2022, Australian tourists accounted 4.4% of the total tourists' arrival in Nepal with estimated 4% of the total revenue obtained from tourists' arrival in Nepal (MoF, 2024). The ICT sector has high potential for Nepal, since developed countries including Australia commenced outsourcing of its services industry in 1990s to fill domestic skill shortage with cheap manpower based in overseas labour markets, mostly from south and southeast Asian countries. In Nepal, the ICT services sector is a new industry but growing rapidly. The sector is broadly divided into three areas (a) application services (e.g. app development, consulting and integration of systems); (b) IT-enabled services and business process outsourcing (BPO) such as home loan and mortgage services; and (c) products (for example, e-commerce, internet service providers, online payments, and mobile wallets). Most of the companies in Nepal are export-oriented in the first two sectors, offering services to international markets including Australia, such as call centers, medical transcripts, back offices, claims processing and the production of digital materials (<https://doi.org/10.3126/njmr.v4i4.43023>). Nepal's BPO market is rapidly growing due to cost-effectiveness, an english-proficient skilled workforce, fresh and young talents with IT skills base, and a flexible time zone almost matching to Australian business time zones, making it a strong contender in the global market. One such example is [Probits-an information technology \(IT\) company](#), which claims to providing top-tier IT services tailored to Australian clients' needs. With head office based in Sydney, [Probits](#) offers the unique advantage of in-person meetings and streamlined management processes, coupled with development teams operating in the Australian time zone for enhanced coordination and flexibility. Another example business is Home Loan Experts-Nepal. At Home Loan Experts-Nepal, a chorus of youths are busy finding potential home buyers thousands of miles away in Australia, doing everything right from customer services, their credit rating and up to searching for right lenders (<https://kathmandupost.com/money/2019/09/16/this-company-is-turning-millennials-into-successful-offshore-mortgage-brokers>).

## **Field Survey Results**

The field survey to assess the export profile of Nepalese commodity export to Australia was mainly carried out in Nepal, and this was supplemented by an import profile study of Nepalese products in Australia. A brief highlight of field survey status and results are presented below.

### **Nepal Export Study**

The results of field survey that involved face to face and telephonic interviews of exporters focused on the key exportable products from Nepal to Australia. The major exported items from Nepal to Australia are readymade garments (including Pashmina), hand knotted carpets, pasta and noodles, felt products, prepared food products (mainly cereals and other food items). sacks and bags prepared from cotton and other natural fibres, tea, flattened (beaten) rice. A brief highlight of these products are outlined below.

#### **1. Ready Made Garments**

There is a high demand of readymade garments and pashmina in USA followed by European. Australia has relatively modest demand. Nepal exports mainly Nepali designed single or multi-colored readymade clothes by either importing clothes or yarns from China/India and prepare and add unique Nepalese design for export to developed countries. It is profitable to export to USA as it provides duty free access to small gift items (cap, bags, shawls etc.) due to Nepal's preferential trade agreement with USA. However, there is higher import tax of 15-20% for bigger cloth items to export to USA. Since, Nepal has no specific preferential trade agreement (PTA) with Australia, there is no special provisions for duty free access to gift times except some relaxation through Generalized System of Preference (GSP) facilities for Nepal as a least developed country (LDC) status. Nepal's ready garment export to EU has declined recently due to requirement of conformity assessment that the materials should be free from harmful chemical, (Azo free). Presently, Nepal has no testing laboratory and therefore need to depend upon foreign countries testing for harmful chemicals such as Azo free status. Moreover, export process is highly cumbersome as custom clearance requires a lot of paperwork. In addition, there is VAT on clothes prepared in Nepal, which makes it expensive to compete with Bangladesh, China, India, Vietnam and other countries. Presently most of the labour in garment industries are carried out by imported Bengali labour, as availability of Nepalese labour is limited and costly.

#### **2. Hand Knotted Carpets**

Nepal handmade carpet with 100-150 knots is popular and highly demanded as it is unique and durable. Nepal has its own collective trademark registered in 2018 as "Himalayan Nepalese Carpet", which is now only registered in USA, UK and EU. Nepal is consistently exporting hand knotted carpets in the last 3-4 decades. Presently top 10 exported countries for the carpets from Nepal in order of rank are USA, UK, Germany, Italy, France, Belgium, China, Canada, Australia and, Qatar. Australia ranks 9<sup>th</sup> among the top 10 exporting countries from Nepal. The export of hand knotted carpets to Australia occurs based on both individual demand and through some Australian importers. There are 500 carpet industries in Nepal mainly in Kathmandu valley providing employment to 200 thousand people. Major constraints of carpet industry are, lack of facilities for accredited laboratory for quality testing and certification of the products (e.g., azo free). In addition, there is a lack of official support in training and market information for better carpet weaving. The other constraints include labor constraints, high cost of labor and labor union

problems including high cost of raw materials as it is mainly imported from New Zealand (80%) and Tibet (15%) and Nepal from Mustang (5%).

### 3. Felt Products

Felt products from Nepal are hand-made products, which include diverse woollen products ranging from dolls, shoes, decorative products (garlands etc.) to dryer balls, carpets and other floor coverings. A largest demand of felt products is from USA, hence, USA is number one exporting country from Nepal followed by EU, Canada, UK and then in Australia. Demand of felt products is higher normally from cold countries such USA, Canada and Europe. It is estimated about 50 exporters and 50 manufacturers are operating in Nepal, most of them carry both manufacturer and exporters.



*Photo (a) Researchers in Felt factory in Kathmandu. (b) Women preparing floor cover from felt products*

There is a reemergence of demand of the products recently after earthquake and COVID-19. The raw materials coming mainly from New Zealand as it is cheaper than from Australia. The major constraints to export of felt products to Australia include, poor linkage with reliable exporters, unreliability of payment of exported products (already suffered before about non-payment from importers in Australia), lack of reliable brokering agencies for consistent supply of felt products and lack of competitive edge with large suppliers from China and India. The cost of production and marketing has increased recently due to increased price of raw materials, labor cost, fuel and logistics (courier charges etc.) after COVID-19 pandemics. However, there is a high potential for future expansion of export. This requires investment on farming of improved Merino sheep in the mountains of Nepal for production of wools with better rangeland development. Better policy support could potentially provide better employment opportunities for unemployed people especially housewives, older people including disabled and sick people staying in homes as they can be done at homes during free time.

### 4. Pasta & Noodles

Pasta and noodles are in same harmonized codes and emerging food business in Nepal. They are popular among South Asian consumers including Nepali diaspora overseas. Presently, pasta and noodles are manufactured and exported from Nepal to Dubai, Australia, USA, Japan & Canada. The Nepalese manufacturers and exporters are mainly focusing on three types of Pasta namely, Macaroni, Fusilli and Sewai as per the demands from exporting countries. Nepal Pasta Company with BRARI brand is manufacturing and exporting pasta and noodles from Nepal to Duabi, USA, Japan, Canada and Australia (<https://barari.com.np/Contact>). The noodles could be chow Mein type and also popular Nepalese brand of Wai Wai and Rara noodles. The exporter interviewed

reported that the demand of pasta & noodles is increasing and there are only few pasta industries performing well now, though there were 42 companies before the year 2020. After COVID-19 pandemics and Russia-Ukraine crisis many pasta industries could not continue due to global rise of energy and input prices, increased production costs and financial sluggishness. Those industries who could produce quality product consistently and supply timely as per the demand. In addition, export linkages in Australia and other exporting countries are major factors that support production and export promotion. The major constraints to the business include lack of timely availability of food testing results and certification in Nepal for the time export.



Photo: Pasta and noodle from different companies

## 5. Prepared food Products

Prepared and processed food items are emerging export business in Nepal. With presence of Nepali communities in overseas, the demand for Nepali local native processed and prepared food items are increasing. The prepared foods include cereal flakes & flour, high altitude local beans, nettle powder, including prepared readymade foods for snack purpose such as *dalmod*, *lakhamari*, which are emerging exportable items to overseas. Pickles made from radish, *lapsi*, *timur* and other Himalayan spices are also being exported as food items. A high demand of mountain beans, *lapsi* pickle exists overseas. Specifically, value added prepared food products (e.g. pickles) has relatively higher profit for the traders as compared to processed buckwheat & millet flour and crushed beans. The major issue and constrains faced by prepared food exporters include lack of technical support and services for food testing and biosecurity tests for food products. Specifically, fumigation test required for packaging materials and containers is compulsory for exporting food products from Nepal to Australia. In addition, there is a lack of access to diverse markets and market information including high cost of raw materials (packaging materials especially bottles for pickles) and operation costs (transport, cargo etc.) for export of the food materials. Other critical constraints include the maintaining shelf life of food products while exporting from Nepal to Australia due to long time taken to export products from Birganj Nepal to Australia (minimum 45 days from Kathmandu to Australian Airport) and additional 2 weeks to get the biosecurity test results for export. Such delays and cumbersome custom clearance procedures make hindrances to export of Nepalese products to Australia and overseas.

## 6. Natural Fibre Products (Cotton, Jute, Hemp, Wild Nettle)

Nepal has a good potential for production and export of natural fibre products mainly sacks, bags, clothes and other products prepared mainly from jute, hemp, wild nettle (Allo) including cotton. products derived from natural fibres, which are better for both environmental and human health considerations. There are few factories and exporters who prepare sacks and bags and clothes from natural fibres mainly by using cotton, jute, hemp and wild nettle (Allo). Many of the entrepreneurs are preparing and exporting sacks, bags and clothes using traditional looms to prepare them. The raw material for wild nettle comes from eastern and western mid hills and mountains of Nepal, while for the cotton, the raw material mainly comes from India. Nepal is exporting sacks, bags, clothes and other products from jute, cotton, Allo (wild nettle) and hemp. The products from Allo and hemp is marketed and exported in small-scale but they have huge market demand and



potentials for domestic production and export to foreign countries including Australia. Especially, some exporters reported a good demand of hemp products in demand in Australia. However, entrepreneurs and exporters of natural fibre products are constrained by new technology, technical support and inconsistent supply of raw materials within the country. For instance, supply of raw materials of hemp and wild nettle products from rural Nepal frequently face problems of requiring approval from forest officials as they are mainly wild forest products.

## **7. Tea**

Nepal grows mainly 3 types of tea, i.e. *Camelia asamica* and *C. asamica spp lasiocalyx* for CTC (curl, tear and cut) and *Camellia sinensis* for orthodox tea. Tea is mainly exported to India followed by Europe and other countries. Two-third of cultivated tea is normal tea while one third is orthodox tea. Organic high altitude orthodox tea of Nepal has high demand in Europe (Germany, Switzer land etc.) due to Nepal's unique taste, flavor & texture. Eastern Tea state exports a small quantity of tea to Australia but not very regularly due to poor linkage with traders in Australia. The major constraints for tea exports are high cost of production and processing with poor technical support from R &D. Tea is not considered as an agricultural commodity in Nepal. Hence small farmers operating through cooperatives do not receive tax exemptions and other benefits stipulated in the Cooperatives Act of 2017. Nepal has approved its own collective trademark mainly for orthodox tea which is referred as "Nepal Tea Quality from the Himalaya". This trademark is registered only in a few countries; therefore, it is not popular in many countries. Potential opportunities exist for organic tea export due to price premium if organic certification and better trademark /branding, Geographic certification and marketing is done in destination countries.

## **8. Medicinal and Aromatic Plants (MAPs):**

Nepal exports medicinal and aromatic plants (MAPs) mainly to India and some extent to China in unprocessed form. Major exported medicinal and aromatic plants (MAPs) are Jatamashi, Yarshagumba, Dhosingre, Kutuki Iodex plant, Seto Chini, Cammomile, Chiraito. There is a high potential to export essential oils and processed MAPs in different countries including Australia. Major constraints are lack of processing industries for MAPs and lack of market linkages and market information of overseas markets for export of MAPs. A previous study conducted by one of the reviewers of this report finds that the main issue lies in the vertical and horizontal relationships between the market actors which are not interdependent, collaborative, or co-innovative. Top chain actors of this product group try to hide market information. The producers, on the other hand, think that they can sell whatever they produce on personal approach. There are no strategic alignments of the whole supply chain actors collaborating in a demand-pull direction. Developing appropriate strategies in collaboration with all actors and implementing them could be instrumental to solving these issues.

There is also a lack of inventory, identification, characterization and legal approval for trade of MAPs. The country also currently lacks value addition and processing and absence of high-quality laboratory testing and certification facilities for export. In addition, the need of approval for the collection of MAPs from the forest areas and current strict forestry acts and regulations make difficulty in trading and export of MAPs particularly those are listed under CITIES. The strict biosecurity requirements of Australia also make not feasible to export unprocessed MAPs to Australia in the present context.

## **9. Ginger**

Ginger is an important cash crop being exported from Nepal. The price of fresh ginger is very high with high demand potential. in Australia (AU \$ 28/kg) but currently, export of fresh ginger from

Nepal to Australia is difficult due to strong biosecurity requirement and low shelf life of fresh ginger to transport from Nepal to Australia. Since, Nepal is a landlocked country with no direct access to sea, it takes more than one month via Birganj-Kolkata (India)- Singapore route with cumbersome custom clearance procedures. Moreover, the shelf life of fresh ginger is low, and it will not be fit for consumption if export from Nepal to Australia takes longer time. Unless, large investment is made in processing ginger to produce ginger oil and other products, and biosecurity rules for fresh ginger is relaxed, it seems currently less potential to export to Australia and other third countries (other than India) in the immediate future.

### Australia Import Study

The Australian study was focused on identifying key imported commodities imported from Nepal to Australia and assess demand of priority Nepalese products in Australia that have potentials for trade expansion. A brief desktop study was performed in the beginning to identify major 20 commodities and their trend of imports from Nepal. Data from Australian Bureau of Statistics was analysed and extracted to identify major commodities and simplify trend. This was then followed by identification of major importers of Nepali commodities. Because of its time and budget constraints, this study could only locate and study three major importers based in Sydney who were importing mainly food and a few non-food items, primarily consumed by South Asian diaspora in Australia. The type of products imported from Nepal from those three interviewed importers in Sydney is presented in Table 4. The three importing companies namely Muglan traders, Sagoon group and 4-Corners Bazaar are located in Sydney, Australia. The major imported products by these companies include puffed rice and beaten rice, Timur or Nepali pepper (*Zanthoxylum armatum*), Buckwheat and Millet Flour, horse gram, Noodles, Spices, Liquor, Khajuri puffs, Pickles, Handicrafts and Cooking utensils.

Table 4: List of surveyed importers and priority commodities imported and sold in Australia

S. N.	Muglan/Nilgiri group (Mr Soviet Tunbahangphe)	Sagoon group (Mr Bhushan Kashyapati)	4Corners Bazaar (Mr Shyam Khatri)
1	Puffed rice	Noodles (Waiwai)	Khajuri puffs
2	Timur/Nepali pepper ( <i>Zanthoxylum armatum</i> )	Khajuri puffs	Noodles (Waiwai)
3	Jimbu/Wild onion ( <i>Allium hysistum</i> )	Liquors	Beaten rice
4	Buckwheat and Millet flour	Spices/Momo spices	Pickles, horse gram
5	Handicrafts	Pickles	Liquors
6	Cooking Utensils	Beaten rice	Spices

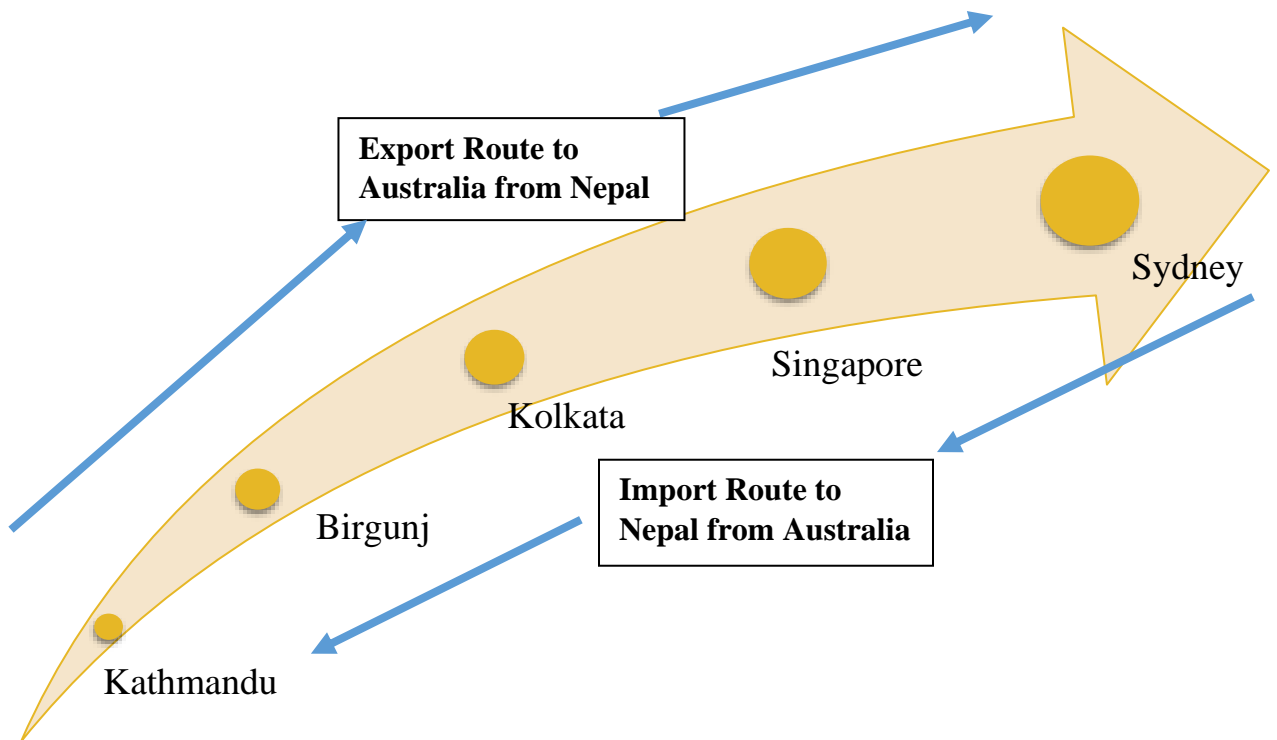
As the survey was done based on a short questionnaire and the list of imported items could not be accessed from the importers, the list below only covers names of major items provided by them during the interview. The latter part of the interview was focused on problems and barriers of trade and ways to improve the import trade performance from Nepal to Australia. Out of these listed products, based on field survey synthesis, the major demanded products from Nepal to Australia are (i) Buckwheat and Millet Flour, and Horse gram (ii) Himalayan Spices (Timur and Jimbu) (iii) Puffed and Beaten rice.

## Process of Exporting Products from Nepal to Australia

### (Import Route from Nepal to Australia)

Presently Nepal exports products from Nepal to Australia via two main routes viz, by air route and by road from Birganj port to Kolkata and then via sea route to Australia. The low volume and high value lighter product (e.g. small lighter garments, handicrafts etc.), are mainly exported through air route from the Kathmandu international airport to Australia. The majority of the products with bigger size and voluminous products are exported by land route from Kathmandu to Birganj and then Birganj to Kolkata by train and from Kolkata to Sydney (capital city of Australia) by sea route via Singapore (Figure 3).

**Figure 3: Current Export Route from Nepal to Australia for Exporting Products**



Before exporting the products, exporters need to contact an importer or importing agencies in Australia, who needs to fulfill importing formalities. After this, the products are packaged, labelled and put in containers for exports in Birganj with the completion of custom clearance procedures. The custom clearance procedures require certification of origin, phyto-certification documents and other relevant certification documents and testing results from the Authorized Agencies and laboratories (e.g. Department of Food Technology and Quality Centre). In addition, fumigation certification paper in packages and containers are required for many agro-food and other products. This is presently done in Birganj or Kolkata. In addition, for advanced laboratory testing, separate samples of the products (especially for food products) and required custom clearance documents

are to be sent by one week earlier in Australia for the custom clearance in the Sydney port. The exported products are packaged, labeled fumigated and put in the containers and sent to Sydney via Singapore. The custom officials check packages and containers in Birganj, Kolkata and may be repackaged again and sent to Sydney via Singapore. The importers in advance, need to submit import declarations to clear imported goods from customs control in Australia on their own or via licensed customs brokers acting on their behalf.

## **Identification and Prioritization of 10 Potential Nepalese Exported Products**

By combining information from the field survey of exporters, experts and stakeholders and list of 20 identified priority products from desk research, we identified top 10 priority exportable products from Nepal to Australia. The basis of identification and selection involves a similar approach adopted by NTIS (2023). The basis includes categorization of priority potential exportable products into three groups as follows.

1. The existing five top exported priority products have the highest exported value in recent 8 years with consistent export trend and higher compound annual growth rate.
2. Emerging three priority potential exported products- that fall between 6<sup>th</sup> to 20 top ranks which have emerging export growth trend in recent 4-5 years, domestic origins, value chain potentials and feasibility of future production and export growth.
3. Future two new priority potential products that have very low current export value but potential native products with higher market demand in Australia, better health and environmental value and future export growth potential from Nepal.

### **A. List of Existing Top Five Potential Exportable Products**

The top ranked five existing exportable products from Nepal to Australia are identified and listed as existing exportable products based on the total value exported from Nepal to Australia, consistency of export situations and the growth rate trend in recent 8 years. The identified five existing priority products are i). Readymade garments, ii). Hand knotted carpets (flooring covers), iii). Pasta & Noodle, iv). Felt Products and v). Prepared foods products. The list of these identified priority existing five products with their share of value of exports (%) and compound annual growth rate for a recent 8 years (2015/6-2022/23) is presented in Table 5. Garments share average of 24% of the total value of the export to Australia in the last 8 years (2015/16-2022/23) followed by carpets with share of 19% and pasta & noodles with 12%, felt products 10% and processed & prepared foods make 7% of the total share of exports. Among these five top selected exported products, the prepared food, pasta & noodles and felts products have very high annual export growth rate in a recent 8 years despite there was no export of felts products and prepared food in 2018/19. The garments and carpets have a high export share with a consistent trend but with very low or non-significant growth trend in the last 8 years.

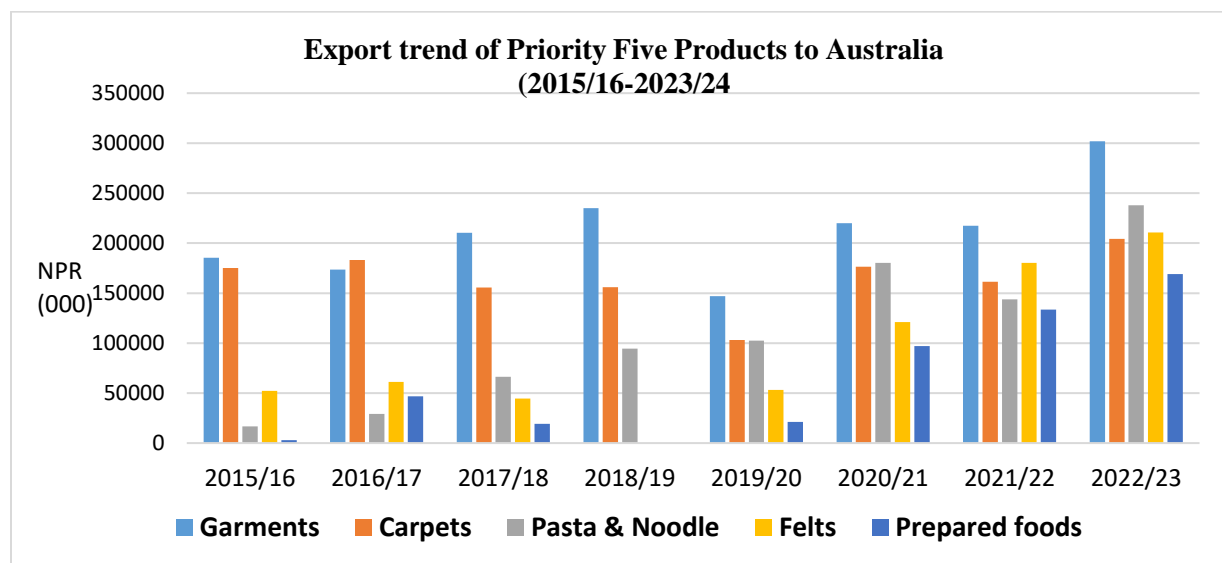
**Table 5 Share of export value (%) and CAGR of the priority products (2015/16-2022/23)**

Year	HS Code	% Share in total value of export	Compound Annual Growth Rate (CAGR)
Garments	61069;61079; 62061; 62062; 62063; 62044	24.05	5.15ns
Carpets	57011; 57019; 570249; 5702499	18.71	0.49ns
Pasta & Noodles	190211;190219; 192022; 192023;	11.80	35.69***
Felt Products	64052091; 9505; 65050011	10.29	21.82 ***
Processed & Prepared Foods	19041010; 1941099 19042000;	6.96	46.14***

\*CAGR= Compound Annual Growth Rate ;+ns= Non significant  
Source: Estimated from Department of Custom (2024) data.

The export trend of these selected top five existing exportable products is listed in Figure 4. There is an increasing trend of export of garments, carpets, pasta & noodles, felt products and prepared foods from 2015/16 to 2022/23. In 2019/20, the exports of garments and carpets have declined and again resumed growth after 2020/21. The export of felt products and prepared food was none in 2018/19. The export growth trend is especially high for felt products, prepared food and pasta & noodles in the last 3 years after 2020/21.

**Figure 4. Trend of Top 5 ranked existing exported products from Nepal to Australia**



The specific profile details of individual top five existing export products are outlined below.

## 1. Garments

Garment is number one exported product from Nepal to Australia with nearly one fourth (24%) of total export is constituted by garment only. Its export growth is also increasing in recent years with 5% annual growth in the last 8 years. The popular garment products of Nepal include men, women and children dresses, mainly Shirts, Jackets, Cotton Trousers, Tops Dresses, and Cotton Skirts with unique color choices mixing up well with Nepalese designs. The readymade garments (HS code 61069;61079; 62061; 62044) made from both the loom fabrics and mill fabrics are made and exported as per buyers' orders overseas. They could be either traditional or fashionable wear. The main categories of garments exported are coats, jackets, jumpers, jumpers, jump suits, shirts and blouses, skirts and trousers, slacks and shorts, quilted jackets & waistcoats etc made from cotton or rayon (TEPC, 2024). The sector has provided good income earnings and contributing employment opportunities to large sections of communities.



*Photo: Visit to readymade Garments (including pashmina) Sale stores in Thamel, Kathmandu*

One of the major constraints to garment exports to Australia and foreign countries are its high cost of production with increase price of imported of raw materials, high cost of labour and labor scarcity. Hence, it is difficult to compete in international markets with garments from neighbouring countries mainly, Bangladesh, India, China and Vietnam. In addition, presently, Nepal has no testing laboratory for Azo free status as per the requirement of EU. For this testing and export to Europe, need to depend upon foreign countries for testing of harmful chemicals.

## 2. Carpets

Hand knotted carpet is the second biggest exports from Nepal to Australia with its share of 19% in the total exports. The value of exports is consistent in the last one decade. Carpets include hand knotted woolen carpets and floor coverings, which ranks third overall exported items from Nepal to overseas in 2023/23. Carpet items exported from Nepal are coded under HS. Code 5701.10. The art of carpet weaving is an old tradition and culture in the Himalayan Kingdom of Nepal, especially in the mountainous region of the country. Nepalese hand knotted carpets are purely handmade with the finest quality of imported New Zealand wool and Chinese silk dyed using natural colors and produced using traditional Tibetan weaving technique. It has unique qualities like texture, color combination, resiliency, strength and durability. Designs are large and bold on a single dominant background. These carpets can be used either on the floor or hung on the walls. These carpets are

available both in natural dyes and synthetic dyes with 60, 80 and 100 knots per square inch density (TEPC, 2024). Specialized manufacturers may make even 120 knots per square inch density and more. Nepalese carpets are of various size that normally ranges from 16"X16" to 9 feet X 12 feet. The production process of Nepalese carpet includes: i) Wool sorting and washing ii) Carding iii) Spinning iv) Dyeing v) Knotting vi) Trimming vii) Washing and drying viii) Finishing. The price of the Nepalese carpet basically depends on its quality standard, size and design like other products. The export of hand knotted carpets to Australia occurs based on both individual demand and through some Australian importing agencies. At present, around 95% of the production of carpet is concentrated in the Kathmandu valley and the rest is outside the valley. Nepal Carpet Manufacturer and Export Association (NCMEA) estimates that there are 500 carpet industries in Nepal mainly in Kathmandu valley providing employment to 200 thousand people. It is one of the major foreign exchange earning sectors and employment generators particularly of rural women and men. Nepal has its own collective trademark "Himalayan Nepalese Carpet". which was approved in 2021.



(a) Handmade carpets display for sale (b) Collective Trade Mark of Nepali Carpets

This collective trademark is currently registered only in USA and registration is in process for EU. This is not yet registered in Australia due to high cost of registration process. As a result, the market has not expanded to Australia and many other countries to provide identity and guarantee of the Nepalese hand knotted unique Himalayan Nepalese products. Other major constraints to the carpet industry include lack of facilities for accredited laboratory for quality testing and certification of the products (e.g., need to be azo free). In addition, there is a lack of official support in training and market information for better carpet weaving. Other constraints include labor scarcity, high cost of labor and labor union problems. High cost of raw materials is also another major constraint as it is mainly imported from New Zealand (80%) and Tibet (15%) and Nepal (5%).

### 3. Pasta and Noodle

Pasta and noodles (HS code 1902; 1920) together account for the third largest export items from Nepal to Australia. It has export share of 12% in the total export in Australia with very high rate of export growth of 36% per annum. The export value has increased rapidly in recent years with an export surge of NPR 238 million in 2022/23 from NPR 16 million in 2015/16. Nepal is exporting three types of pasta namely, Macroni, Fussili and Sewai as per the demands. The popular

ready to eat noodle variety Wai, Wai and Rara and other noodles (e.g., chow mein) is being exported due to its demand in Asian communities in Australia.



*Photo: Two types of Pasta and a Chowmein*

#### **4. Felt Products**

Felt is the fourth largest and emerging export items from Nepal to Australia with its increasing export growth. The annual compound growth rate of export of felts products in Australia is 24%, which indicates significant growth in the last 8 years. Felt is a textile that is produced by matting, condensing, and pressing fibres together. Felt can be made of natural fibres such as wool or animal fur, or from synthetic fibres such as petroleum-based acrylic or acrylonitrile or wood pulp-based rayon. Nepali felt products are hand made from natural fibres mainly from wools.



*Photo: Gift Bags and Dolls made from Felt Fabrics, displayed in Thamel Shop*

Nepal is famous for providing some of the best quality felt products globally and presently exporting diverse handicraft products ranging from dolls, small gift items (caps, bags, key rings, balls etc.) to decorative items (garlands), shoes, floor coverings etc. The unique advantage of woolen felt item is that it is fire retardant and self-extinguishing. Felt absorbs sound, dampens vibration, and can hold a large quantity of water without feeling wet. Compared to other products, felt products are durable and long-lasting. Most of the felt items in Nepal are manufactured and prepared in Kathmandu valley and exported to foreign countries mainly USA, Canada, Europe, Australia. Felt is an emerging export handicraft products and potential for its growth in Nepal due to available surplus labour as it can be easily prepared by women and children at home with short



term training and orientation. Moreover, Nepalese felt products are from natural fibre (pure wool from New Zealand), ecofriendly and handmade by women artisan by felting process.

## 5. Prepared and Processed Foods

Nepal is exporting prepared and processed to many developed countries of the world, which is emerging export business. The export of prepared and processed foods under HS code 19041; 19042) has surged from NPR 2.8 million in 2015/16 to NPR 169 million in 2022/23 with an annual growth rate of 40% over the last eight years. This constituted an average of 7% share of total exported items from Nepal to Australia in the last eight years. With presence of Nepali communities in overseas, the demand for Nepali local native processed and prepared food items such as cereal flakes (rice, maize and wheat grits, wheat & barley flour, roasted maize etc.) buckwheat and millet flour, high altitude local beans, nettle powder, pickles and prepared readymade foods for snack purpose such as *dalmod*, *lakhamari*, momo are emerging exportable items to overseas. Pickles made from radish, lapsi and others and spices (e.g. turmeric, timur, ginger, herbs etc.) are also being exported as food items



Photo: Prepared food items packaged for export

All imported food intended for sale in Australia must be safe and meet Australia's food standards. Laboratories in Australia test imported food to verify safety and compliance with Australia's food standards. (<https://www.agriculture.gov.au/biosecurity-trade/import/goods/food>).

## B. Emerging Three Potential Exportable Products

The three emerging priority potential products are identified based on the following criteria (i) top listed exported products that fall within 20 ranks (that fall between 6<sup>th</sup> to 20 top ranks) (ii) products with emerging export growth trend in recent 4-5 years (iii) domestic origins and value chain potentials and (iv) demand in Australia. These include the following.

6. Natural fibre products (sacks and bags) used for packaging of goods prepared from cotton, jute and other natural fibres (hemp, Allo etc.) products,
7. Flattened (beaten) and puffed rice and
8. Tea (green, herbal and black tea)

The value of export share (%) to total exported value and CAGR of emerging these identified three priority products are presented in Table 6. The average share and CAGR of sacks and bags, flattened & puff rice and tea in the last 8 years (2015/16 to 2022/23) is low which is 2.56 % for sacks & bags, 1.7% for flattened (beaten) & puff rice and 0.6% for tea. Despite their low share in total exported value, recently their growth is steadily rising particularly for flattened & puff rice and tea. The annual growth rate in a recent 8 years is quite high for tea and flattened (beaten) & puffed rice.

**Table 6 Share of export value (%) and CAGR of the emerging products (2015/16-2022/23)**

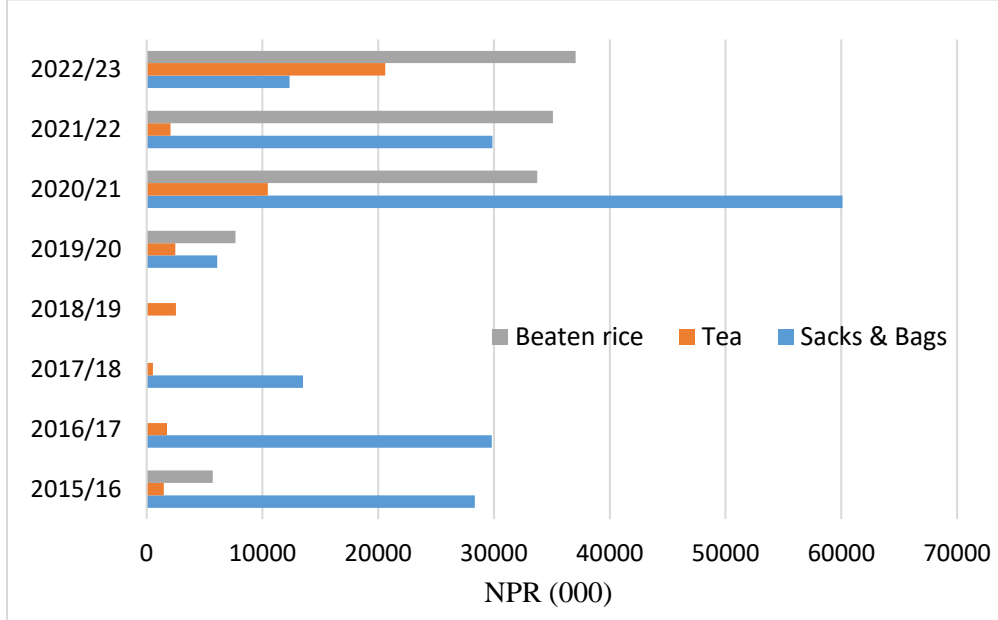
Year	HS Code	% Share in total value of export	Compound Annual Growth Rate (CAGR)
Sacks & Bags from cotton and natural fibre	63052;630533; 6305900; 53039; 53109;63051	2.56	2.53**
Flattened & Puff rice	19049020 (beaten); 19049010 (puffed)	1.70	29.86*
Tea	9021;09022; 09023; 09024; 21069092	0.6	35.3*

\*CAGR= Compound Annual Growth Rate

\*\*= significant at 5% and \* significant at 10% respectively

The export trend of emerging three priority products namely Sacks & Bags, Beaten & Puff rice and Tea are presented in **Figure 5**. The data showed that there is an increasing export trend of flattened & puff rice and tea. However, the export trend of natural fibre product-sacks & bags is highly fluctuating over the years despite some increase in export is observed from Nepal to Australia in 2020/21 and 2021/22. The export of sacks & bags in 2020/21 was very high reaching NPR 60 million, despite its very low export in 2019/20 and nil in 2018/19. The export trend of beaten (flattened) rice is increasing rapidly in the last 3 years particularly after 2020/21, though its export was very low in 2019/20 and nil in 2018/19 and 2017/18. Export trend of tea is increasing steadily in most of the years, but rapid surge occurred in 2022/23.

**Figure 5: Export Trend of Emerging Products to Australia (2015/16-2022/23)**



A brief description of three emerging exportable products are outlined below.

### **9. Natural Fibre Products (Sacks & Bags)**

Natural fibre products mainly sacks and bags made from cotton and bast (natural) fibres (HS code 63051; 63052) is the seventh largest exported products from Nepal to Australia with value of NPR 22.5 million that are based on average export data of last 8 years (2015/16 to 2022/23). The share of its export on total export to Australia is 2.56%. Export data show that there is a variability in the export value of sacks and bags in different years with low export value of NPR 6 million in 2019/20 to a very steep increase of export value of NPR 60 million in 2020/21. Unlike most of the other major exported products, it's growth is not very apparent despite its relatively high export to Australia. The sacks and bags derived from natural fibres (jute, cotton and other bast fibres) are mainly used for packing goods. Traditionally, Nepal is exporting Jute derived sacks, bags and other products. The main destinations of Nepal's export of sacks and bags are India, Canada, USA, UK, France and Australia. There is also small-scale production and exports of sacks, bags and other products from wild nettle (Allo) and hemp mixed with cotton fibres and exported to USA, Europe and Australia. The demand for hemp products seems to be relatively high in Australia. Allo (wild or Himalayan nettle) and hems are grown and collected from the forests from the Hills and mountains of Nepal spanning from the east to west. Traditional indigenous communities mainly women are engaged in fibre making and preparation of sacks, bags and clothes from these plants.



*Modern Jute Sacks (Natural Fibre)*



*Bag made from Hemp (Natural Fibre)*

Credit: <https://naturalfibre-nepal.com/natures-finest-fibre/>

The potential also exists for preparing sacks and bags from other natural fibres such as from bamboo, banana etc. These domestic natural plant products have huge potential for preparing sacks and bags and export to overseas due to their availability, potential for production scale and traditional knowledge and skills in handmade preparation in Nepal. In terms of environmental aspect, the sacks and bags made from natural fibres and fabric are better as they are biodegradable and renewable that help in the reduction of production cost. However, after COVID-19 the prices of raw materials have increased sharply resulting in increased cost of production and distribution.

## **10. Flattened (Beaten) Rice and Rice Puff**

Flattened (beaten) rice is an emerging exportable product from Nepal to USA, UK, Canada and Australia in recent years. The share of beaten rice in total export from Nepal to Australia is about 2% with 30 % annual growth rate in the last 8 years. The export value of beaten rice surged to NPR 37 million in 2022/23 from NPR 5.7 million in 2015/16. There were some gaps in export of beaten rice from Nepal to Australia from 2016/17 to 2018/19 but after this the export surged due to high demand of Nepalese beaten rice among Nepali diaspora and other South Asian communities in Australia. Beaten rice is a popular breakfast and snack item and can be consumed any time. It is prepared from raw, toasted or parboiled rice grains pounded into flakes. It is toasted, fried, or used as ingredients or toppings for other dishes. It is also known as rice flakes. Rice puff is often referred to as Bhuja or Murali in Nepali and prepared it from pre-gelatinized milled rice usually by sand roasting method. It is an important cereal snack among South Asian communities. Puffed Rice has many culinary benefits.

Beaten rice prepared from Taichung-176 variety of rice is popular in Nepal due to its better taste, flaky structure and crunchy structure, even though it can be prepared from other varieties as well. Makawanpur-1 variety is also good for preparing beaten rice which is more popular in Terai region. Taichung-176 rice variety has been cultivated mainly in Kathmandu valley, Banepa valley (Kavre district) and some parts of Makawanpur district. It is used for preparation of beaten rice consumed

and marketed widely. It is eaten raw or fried both ways which tastes better with flakey structure and crunchy texture. There is a high demand of Taichung beaten rice in Australia among Nepali and other South Asian countries.



Photo: Taichung Red and White rice being marketed in Sydney and other Australian market

## 11. Tea

Tea is emerging as an important exported commodity from Nepal to Australia. Nepal's export of tea surged to a value of NPR 20 million in 2022/23 from 1.4 million in 2015/16 with a growth of 35% per annum in the last 8 years (see Figure 6 and Table 6). Black, green and herbal teas are mainly cultivated and exported from Nepal. Tea has been cultivated in Nepal dating back to more than a century mainly in the eastern mid hills of Nepal (Illam). Based on production systems, there are mainly two commonly known types of tea grown in Nepal, namely orthodox and CTC (crush, tear and curl/cut). However, scientifically, Nepal grows mainly 3 types of tea, i.e. *Camelia asamica* and *Camelia asamica spp lasiocalyx* for CTC and *Camellia sinensis* for orthodox tea. Orthodox tea is cultivated in the mid hills of Illam, Panchthar and Dhankuta mainly for exports, while, CTC tea is primarily cultivated in the lowlands of Jhapa district, predominantly to meet the domestic market needs. Orthodox tea refers to loose leaf tea produced using traditional (orthodox) methods, which involves plucking, withering, rolling, oxidation/fermentation and drying, while normal tea is produced by processing black in which tea leaves are passed through a series of cylindrical rollers with serrated blades that crush, tear, and curl (CTC) the tea into small, even-shaped pellets. Nepali orthodox tea is somewhat similar to Darjeeling Tea in its appearance, aroma and fruity taste due to similar agro ecological, landscape and cultivation techniques. However, tea from Nepal is considered better than Darjeeling tea in its aroma, fusion, taste and colour due to rich organic matter, young tea bushes and high-altitude topography of Nepal. Green organic tea grown in high altitude areas from Nepal has better flavour than low altitude teas. Nepal's middle hills mainly in



Photo: (a) Interviewing Tea Exporter in Kathmandu (b) Organic Green Tea Products

the eastern region between the Himalaya and Terai landscape is endowed with good qualities of soil, climate, and topography ideal for the production of organic tea. The organic orthodox tea from Nepal has high potential for export markets in Australia, Europe, USA and Asian countries. Nepal has potential of cultivating tea in 1.8 million hectares as per the GIS data, but it is cultivating now only in 20,000 hectares. But there are some constraints for export expansion due to competition of tea from India (Darjeeling), Sri Lanka (Ceylon tea) and Kenyan tea. The tea from commonwealth countries such as Darjeeling, Ceylon and Kenya are already popular in Australia. Strong export promotion is needed in Australia for its market promotion as Nepalese tea is of high quality, aroma and taste. Registration of Nepal's own collective trademark: 'Nepal Tea Quality from the Himalaya' to be registered in Australia to promote increased demand of Nepal's tea. A high potential opportunity exists for organic orthodox tea export to Australia if organic certification and better trademark /branding, geographic indication and marketing is done overseas. However, the country lacks advanced laboratory testing facilities for quality testing, certification and tracing and maintain quality and purity.

### **C: New Future Emerging Two Potential Products**

The two new future emerging potential products are identified based on the demand of these products in Australia, domestic origins and potential for production and exports from Nepal. These products are currently exported in negligible value and volume to Australia, but they have higher perceived demand and therefore expected to have future export potentials in Australia. These include:

9. Indigenous food products (buckwheat flour, millet flour and horse gram)
10. Himalayan Spices (Timur and Jimbu)

## 9. Indigenous Food Products

The indigenous food products include three indigenous minor crops, namely buckwheat, finger millet and horse gram which are cultivated in marginal rainfed lands without or little external inputs. These crops are highly nutrient dense and resilient to changing climate (drought, high temperature and pest tolerance). The scientific and local names and description of these crops are given below.

9A. Finger millet (*Eleusine coracana* (L.) Gaertn): Local name: Kodo

9B. Buckwheat (*Fagopyrum esculentum*): Local name: Fapar

9C. Horse gram (*Macrotyloma uniflorum*): Local name: Gahat

### 9A. Finger millet

Finger millet is a very hardy drought tolerant crop grown across the mid hills of Nepal. Compared to major cereal crops, finger millet stands top with its superior nutritional value. It is fourth most important crop of Nepal after rice, maize and wheat in terms of area and production. The importance of millet is well recognized because of its high content of calcium (0.38%), dietary fibre (3.6%), phenolic compounds (0.3–3%) and high iron content. The crop offers several health benefits such as anti-diabetic, anti-tumorigenic, antioxidant and antimicrobial properties. Millet flour is a staple food for those suffering from diabetes and other similar health problems in Nepal. Millet is often an underrated crop in Nepal, have been quietly nurturing and sustaining the people of Nepal for centuries. These climate resilient hardy grains are renowned for their adaptability to diverse and challenging agro-ecological conditions where other major crops can't be grown, making them a lifeline in regions with low fertility and limited resources. For many small-scale farmers grappling with infertile, arid, or upland fields and no access to irrigation or inputs, millets have emerged as a vital food source. With climate change affecting agriculture across the nation, millets offer a sustainable solution to fortify nutrition and food security, while also safeguarding biodiversity. Considering its significance in cropping systems, nutritional and health benefits, cultural values, and in safeguarding biodiversity and climate resilience, UN general assembly declared 2023 as a year of millets. Nepal government also actively participated and supported the UN program with various initiatives to enhance production at a commercial scale and promote consumption of millets as an everyday food in the country.

Since, the South Asian diaspora is increasing in Australia in recent decades, so is the ongoing demand of finger millet flour. All surveyed importers of Sydney mentioned that millet flour demand is always high. When the demand is not met from the imports from Nepal, the consumers source this product from the import from India and other country of origin. This indicates the potential of ever-increasing production and trade of this commodity from Nepal.

**Photo: (a) Millet flour and (b) Buckwheat flour and Horse gram (c): Horse gram beans**



(a) Millet Flour (packgae) (b) Buckwheat Flour (package) (c) Horse gram (package)



(d) Millet flour (e) Buckwheat flour (f) Horse gram beans

## **9B. Buckwheat**

In Nepal, buckwheat flour has been a staple ingredient for centuries, especially in the mountainous regions where other grains do not grow as well. In fact, buckwheat is sometimes referred to as "Nepali rice" due to its prevalence in Nepalese cuisine. It has an excellent nutritional profile, with high protein content. It makes a great addition to the diets of people with diabetes, gluten intolerance, coeliac disease or those trying to manage their weight. Buckwheat is cultivated in 61 districts of Nepal from an altitude of 60m to 4500m, however mostly cultivated widely in the western and mid-western hilly region to serve as food for human consumption, animal feed as well as for medicinal purpose. It is short duration crop having photo periodically insensitive in nature. It can be cultivated under low input conditions year-round if temperature and moisture are favourable in different agro-ecological zones. It suits very well for different cropping systems such as sole cropping, intercropping, cover cropping, catch cropping and double cropping. Buckwheat is considered as a sixth staple food crop after rice, maize, wheat, finger millet and barley, representing an important food crop for remote mountain areas in Nepal. The total area and production of buckwheat in Nepal in the year 2021/2022 was 13875 ha and 15917 metric tons,



respectively. Out of two cultivated species, *F. esculentum*, common buckwheat is generally grown in Terai and mid hills while *F. tataricum*, bitter buckwheat is in mountain areas. In mountain areas, bitter buckwheat is generally grown in upland, whereas in Terai and InnerTerai, common buckwheat fits in rainfed lowland under Rice-Buckwheat-Maize crop rotation. The Bitter buckwheat has relatively wider adaptability compared to common buckwheat. However, farmers prefer to grow common buckwheat, due to bitterness and difficulty of making flour after dehulling in bitter buckwheat. There are a lot of opportunities and advantages to grow buckwheat in all seasons (summer, autumn, winter, and spring) in different agroecological zones of Nepal. The major buckwheat producing districts of Nepal are Mustang, Humla, Dolpa, Mugu, Kalikot, Jumla, Rukum, Rolpa, Jajarkot, Kavre, Dolakha, Solukhumbu, Okhaldhunga and Taplejung districts.

The survey of three major importers in Sydney demonstrates year-round high demand of buckwheat flour produced from Nepal among South Asian diaspora. Because of its unique nutrition, pleasant nutty flavour, and health benefits to people with different health conditions, buckwheat is preferred for daily dishes like bread, *chapati*, and so on. Since, only a small section of such demand is catered from the import of buckwheat flour from Nepal, majority is supplied by the imports from India and other countries. Given the high potential of buckwheat production in the country because of the versatility of the crop which can be grown all the year round in different agro-ecological zones, there is a huge potential to commercially produce quality buckwheat and fetch ever-growing Australian market.

### **9C. Horse gram**

Horse gram is (also known as **Gahat** in Nepal) is one of the lesser-known grain legumes. In ayurvedic tradition, horse gram is considered a food with medicinal qualities. It is prescribed for people suffering from jaundice or water retention and as part of a weight-loss diet. Horse gram is mainly cultivated in mid-hills of Nepal. It is cooked and consumed as a whole seed, or as a whole meal, popular in mid-hill regions of Nepal. In traditional medicine besides nutritional importance, it has been linked to have a reduced risk of various diseases due to the presence of non-nutritive bioactive substances. These bioactive substances such as phytic acid, phenolic acid, fibre, proteinase inhibitors have significant metabolic and physiological effects. The importance of horse gram has been well recognized by the traditional healers of Nepal as a potential therapeutic agent to treat kidney stones, urinary diseases, piles, common cold, throat infection, fever, and so on. With the inception of the nutraceutical concept and increasing health consciousness, the demand for horse gram is increasing among Nepali, Indian and other South Asian diaspora in Australia. The surveyed importers in Sydney mentioned its demand remained higher than the supply stock available.

Agronomically, horse gram is a valuable legume crop for sloping lands that are poor in nitrogen and mineral content in either hot, moist areas, or semi-arid up to 1,500 meters' altitude in the mid-hill regions of Nepal. It is a drought tolerant crop, requiring less rainfall or irrigation and less intensive cultural practices. Because of those cultivation features, it is best suited to those regions of Nepal where the land has remained uncultivated because of mass agricultural labour migration and less human activity. So, a big potential is there to resume cultivation of horse gram at a commercial scale and meet the domestic and overseas market demands.

## 10. Himalayan Spices (Timur and Jimbu)

Himalaya spices that include Timur and Jimbu are popular spices among Nepali and south Asian communities in Australia. The brief features of these spices are briefly described below.

### 10A. Timur (*Zanthoxylum armatum*),

Nepalese pepper (Timur) *Zanthoxylum armatum* is similar to Sichuan pepper, hence it is also known as Sichuan pepper. However, it possesses a distinct flavor, aroma and taste. The dried fruit /seed is an essential ingredient in Nepali cuisine, to enhance the flavors of meat dishes, soups, and stews. Timur is a cherished ingredient in traditional Nepali dishes such as mo:mo (dumplings), *sukuti* (dried meat), and pickles.

### Photo a and b. Himalayan spice: Timur (*Zanthoxylum armatum*),



(a) Timur bottled pickle



(b) Timur fruits in package for sale

This Nepalese pepper is widely found in wilds in the mid hills and mountains of Nepal and more commercially cultivated and collected mainly in western mid hills of Myagdi, Salyan, Pyuthan, rukum, rolpa districts. Timur seeds and fruits are extensively used in traditional medicine in Nepal and Yunan china. Seed and fruits are used as medicines in stomachic, analgesic, expectorant, diuretic insect/repellent and also used for dental problems and scabies. Timur is also a potential crop not easily damaged and eaten by monkeys and other wild animals, in the mid hills of Nepal, where wild animals are currently major constraints to agriculture production. Nepal presently exports most of Timur pepper it produces annually (850 - 1,100 metric tons), as demand from Europe (for Timur oil) and India run high. So, expansion of growing areas to mountain areas and slope lands translates into opportunities. Estimates show that currently, 20,000 farm holdings are involved in collecting and selling this timur for their livelihoods. Especially poorer populations, mainly women, children and the unemployed, are involved in collecting the Timur fruit from the communal land and community forestry areas. Some farmers have already started planting it to rehabilitate degraded forest lands. There is a need for research and innovation as well as adequate investments to support technology development, value chain development and resources management. Specifically, focus is needed on identifying and developing high yielding better Timur varieties to maximize the taste, aroma and yields.

## 10 B. Jimbu (*Allium A. hypsistum* & *A. przewalskianum*).

Jimbu is a popular spice among Nepali community in Australia. It is an aromatic herb belonging to the onion family, collected as wild in high mountain region (Mustang, Manang, Dolpa etc.) and also presently grown in kitchen gardens in different parts of Nepal. It is composed of two species of *Allium*, *A. hypsistum* and *A. przewalskianum*. It has a taste between onion and chives and is commonly used cooking spice in Nepalese dishes. It has medicinal property and therefore used as household medicines. It is a seasonal herb, harvested between June and September in high mountain regions mainly Mustang, Manang, Dolpa etc. The dried herb is used as spice to flavor in cooking bean and lentil soup, vegetables and also meat items. The dried leaves are fried in ghee to develop their flavor and used in various food items. After harvest, people store Jimbu dried for later use since it is a seasonal herb (main harvest between June and September).

**Photo. Himalayan Spice Jimbu** (*Allium A. hypsistum* & *A. przewalskianum*).



(a) Jimbu dried and packaged for sale (b) Jimbu plants cultivated in pot in the home

Most of the households in upper Mustang, Jimbu is a cash crop that generates some cash income. Rural households here use Jimbu as medicine to cure medicinal illnesses such as flu, cough, stomach pain. The dried Jimbu is generally stored in a dry, low humidity, enclosed area after it is harvested. Hence, there is no need to refrigerate the spice when exporting it. A recent study shows that Jimbu has a high antioxidant activity with significant antimicrobial activity that can inhibit growth of bacterial population such as Salmonella (Pandey et al. 2023). Jimbu has a good demand among Nepali community in Australia. It has also potential for demand among Asian and other communities because it offers (i) a traditional taste for the Nepali and Asian cultures in Australia, (ii) a unique and organic taste for non-Asian consumers, and (iii) a healthy seasoning alternative to salt and fats in a health-aware society. Since, it is a high-value low-weight product (dried form) with high shelf life and currently no strict Phytosanitary requirement needed in Australia, potential exists for its export from Nepal to Australia. However, this will require improvement in production systems in its alpine cultivation domains in the high mountain region of Nepal. Presently, degradation of community lands in alpine region, summer drought with climate change and labor scarcity are creating constraints to promote its production, wild collection and preservation in the high mountain regions of Nepal.

## **Export of Trade in Services**

Trade in services can also be a potential sector for future in Nepal due to country's growing liberal business environment. Being a land locked country with no direct access to sea route, it becomes difficult to have an efficient merchandise trade and compete with other countries. The newly emerging trade in services includes ICT services including business, financial, health care and travel and tourism services. Among them, ICT and travel and tourism sub sectors have a particularly good potential due to country's growing youth population and good touristic destination in Nepal. However, because of the lack of targeted studies and access to open publication source, we are not able to provide reliable data of Nepal's these potential services export to Australia.

Our preliminary assessment showed that the promotion of services industry in the country and tapping the potential of BPO from developed countries including Australia holds immense promise for trade in services in Nepal. By actively participating in the global digital ecosystem and integrating into the global value chain, Nepal can gradually transform its economy and reap the benefits of a digital-driven world economy. To promote the growth and development of the ICT sector in Nepal, policy revision is needed to provide incentives to this sector so that, it will help to minimize permanent loss of young talents to developed countries, that the country is seriously facing today. Outsourcing to Nepal presents a compelling solution for big companies of developed countries including Australian companies struggling with talent shortages, offering a perfect blend of quality, affordability, and innovation. In addition, development of infrastructure, facilities, logistic services and other conducive environment is to be developed to promote trade in services mainly IT services linked with BPO needed to promote travel business and attract Australian and other overseas tourists.

## **Constraints and Challenges to Export of Priority Products to Australia**

There are various constraints, challenges and policy and legal environments affecting export trade of Nepalese products to Australia. These are briefly discussed below.

### **1. High cost of production and supply constraints**

The major constraint to exports to Australia and foreign countries perceived by exporters is high cost of production of the listed priority products due to high cost of imported raw materials (e.g. raw wool from New Zealand and China for carpets and felts product and cotton yarns and clothes from China and India for readymade garments) and high cost of labour. Moreover, there is scarcity of labor in many of the garments and carpet factories due to outmigration of youth overseas. In addition, the cost of collection and supply of domestic raw materials that are used in production of natural fibre products (Allo, hemp, jute) mainly sacks, bags and other clothes has also increased recently with increase wage rate and scarcity of labour in rural areas. In addition, since, Nepal has no advanced testing laboratories, exporters have to depend on foreign countries for testing, certification and fumigation which add cost of export. Recently the courier and transport costs have increased with the rise of price of energy, appreciation of US dollar value for importing raw materials and increase of labor wage. Hence, it is difficult to compete in international markets with garments from Bangladesh, India, China and Vietnam. Furthermore, presently, Nepal has no advanced laboratory testing facilities and therefore exporters need to depend upon foreign countries for testing of chemicals such as Azo free status and pesticide residue in food products.

### **2. Low volume of production and poor value additions**

A consistent and economic volume of exports is essential for generating economic growth. This requires economic scale of production of priority exportable products. However, presently, economic scale of production of many of these products is limited in Nepal due to low investment in modern technologies, use of traditional technologies and lack of proper value addition and product diversification. The production and export scale of indigenous food products (e.g. buckwheat and millet flour, horse gram) and Himalayan spices (Jimbu and timur) are low in Nepal despite there is high import demand for these products in Australia. The value chain of these commodities is also weak, fragmented, and poor. The technologies for processing, drying and value addition are traditional, labor intensive and lack appropriate quality standards. Moreover, there is a lack of adequate efforts to improve the efficiency of supply chains, and an uneconomic volume of production due to capacity gaps of small sized exporters and entrepreneurs.

### **3. Poor market support, market information and export linkage**

Entrepreneurs and exporters in Nepal lack adequate market support capacity building, market facilitation, information and better market linkage with importers and entrepreneurs in Australia. Exporters of carpets and tea often reported lack of government support in popularizing trademarks, market linkage support in Australia and funding support in organizing trade fairs in foreign countries. In addition, they also lack adequate information, training support and requirements for the SPS and trade related technical information. Entrepreneurs and exporters lacked appropriate technical support and market linkages for expanding export trade. In addition, many of the priority

exported products do not have collective trademark, and even if they have, they are not known and registered in Australia for their better market promotion. For instance, Nepalese hand knotted carpets, and tea have recently approved collective trademark in Nepal, but they are not known and popular in Australia due to lack of market promotion, internationally accepted organic certification and trade mark registration in Australia. Trademark registration requires some costs which are not possible by small scale entrepreneurs and exporters to bear the costs. Similarly, due to lack of Geographic Indication (GI) law in the country, native products with unique characteristics of the geographic and culture lack GI certification that help product popularization and marketing. Exporters also often lack access to necessary support services, such as access to finance, customs brokerage, legal advice, and market information as well as adequate knowledge and skills to promote standard packaging and labelling of Nepali products.

#### **4. Fumigation of packaging materials and containers**

Many of the exporters in Nepal and importers of Nepali products in Australia reported that lack of fumigation facility is a critical hurdle for smooth trade of priority products ((see Annex 4). Nepal is identified as one of the host countries for *Khapra* beetle (*Trogoderma granarium*) by the Australian Government (Department of Agriculture, Fisheries and Forestry of Australia) which is an exotic insect pest. The pest spreads through infested shipments of grains and other food stuffs, machinery and other materials. For this reason, including protection from other pests, Australian government has made prerequisite for fumigation of packaging materials and containers. Presently, Nepal lacks Methyl Bromide fumigation facilities which is essential in packaging materials and containers as per the biosecurity requirement of developed countries including Australia. As a result, exporters must depend on India for fumigation services in the port in Birganj and Kolkatta. This causes logistic problems such as delays and hassles during exports. Information from plant quarantine and pesticide management centre (PQPM) of Ministry of Agriculture and Livestock Development (MoALD) reported that the Government of Nepal has established fumigation structure in Kritipur few years ago for the use of Methyl bromide. But this is not yet in operation due to requirement of Initial Environmental Examination (IEE) for the potential impact of the use of Methyl bromide in fumigation and formulation of mitigation measures. The officials reported that the IEE is in the process which will be completed soon to initiate the operation of fumigation facilities. Timely operation of this fumigation facilities with Methyl bromide is urgent to reduce current technical barriers to trade (TBT) with Australia.

#### **5. Weak Sanitary and Phyto Sanitary (SPS) Measures**

Exporters of priority exported products mainly carpets, garments., tea reported lack of modern laboratory facilities for testing of chemical residue (e.g. Azo free in carpets and garments, Aldicarb free in tea etc.), microbial contaminations and pest risk analysis in agri-food products. Lack of advanced laboratory testing facilities in the country has forced traders to send their samples to foreign countries to get the relevant test results and certificates. This makes not only delays in receiving testing certificates but also become expensive for small exporters to bear the costs. In addition, lack of international standard testing facilities has hindered export of some of the potential high value products. For instance, presently there is a high market price and demand of fresh ginger in Australia but due to lack of international standard phytosanitary testing facilities and stringent phytosanitary requirement of Australia, the export of ginger to Australia is not currently possible. Therefore, Nepal's current Sanitary and Phytol Sanitary (SPS) system has

capacity gaps and weaknesses to comply with international requirements and biosecurity requirements of Australia. Moreover, exporters of food products reported that it takes longer time for the issuance of food testing results certificate from DFTQC. which delays timely export of the products to Australia and other foreign countries. The country also lacks regulations on maximum residues limits of contamination by certain substances in agro-food and industrial products. Moreover, the current SPS system is not risk-based; and the food control system is mainly focused on quality requirements rather than on food safety requirements (Meer, 2015).

## **6. Bureaucratic hurdles in custom clearance and custom complexity**

Customs process in Nepal is often cumbersome that requires paperwork and is affecting the efficiency and cost of trade. Delays in customs clearance are common, often due to a lack of modern facilities, inefficient processes, poor infrastructure, including inefficient logistics or bureaucratic processes. During custom clearance process, checking requires frequent opening and repacking of consignments in the containers in custom points and ports which make hassles and delay in export of the products. Small and medium-sized exporters often struggle the most to meet these market entry requirements. Nepal being a landlocked least developed country, trading costs are high. Long transit times, insufficient supply capacity and inadequate domestic infrastructure hinder export development efforts. Many of testing and conformity assessment procedures such as certification are required for export that provide proof of compliance with underlying technical requirements. Small entrepreneurs and exporters have difficulties in accessing export incentive facilities, VAT return facilities and tax relief process due to bureaucratic process of paper works, lack of adequate awareness and access to Government officials and need to provide VAT documents of the informally purchased local products (e.g. pickles, buckwheat & millet flour etc.).

## **Policy and Legal Environment and Potential Opportunity for Export of Products**

Nepal has favourable policy environments for export of the products. The country has a few trade related policies such as Trade Policy (2016), Trade Logistic Policy (2023); Nepal Trade Integration Strategy (2023) and Trade Deficit Reduction National Action Plan (2018). Trade Policy (2016) has provisions for development of support programs for major exportable products such as carpets, garments, handicraft products, tea, coffee, vegetable seeds, medicinal and aromatic plants, non-timber forest products (Trade Policy, 2016). For the products manufactured and exported using imported raw materials, exporters in Nepal get a refund of taxes and duties paid during the import of raw materials and auxiliary raw materials (such as packing materials not produced in Nepal) from the government. As a least developed country under General System Performance (GSP) facility, Australia provides duty free or low duty access to Nepalese products. Nepal is eligible to Australian System of Tariff Preferences (ASTP) based on the general principle of a five-percentage point margin of preference, where the General Tariff (GT) rate is 5% or higher, for goods from Nepal. If the GT rate is less than 5%, the ASTP rate is zero (TEPC, 2024). Therefore, the identified 10 prioritized products are eligible for preference under the ASTP, as these goods comply with rules of origin requirements. Felt, carpets (floor coverings), garments and sacks and bags are handmade and derived from purely natural fibres /fabrics. Similarly, the other items such as prepared foods, pasta & noodles, beaten & puff rice, tea, Himalayan spices and buckwheat and millet flour also are prepared mainly either manually or using traditional non powered machines. Therefore, the tariff barriers that Nepal faces for exporting Nepali products to Australia are low due to being a least developed country (LDC).

There is a provision for export incentives for the export of products of domestic origin. For instance, there is a cash subsidy of 5 to 8 percent based on extent of value addition, collective trademark used and export value from value added activities. In addition, Government of Nepal also provides export incentives for export of organic products. There is also specific subsidy provision for organic certification fee for producers and exporters of organic agricultural products in proportion to value of exports from the Department of Agriculture (DoA/CAIMDP) of the Government of Nepal (<https://caidmp.gov.np/en/acts-rules/8/96525903>). Department of Agriculture, Nepal has developed a working procedure in September 2022 to provide a subsidy of up to 50% on organic certification fees to exporters of agricultural products in proportion to the value of exports (DOA, 2013 & 2022).

Furthermore, one of the supportive policy environments for exporters is the provision of requirements of advance payments from importers from the overseas (e.g, Australia) before approval for exports Under the Nepal Foreign Exchange Act (1962) and Rules (1963). According to theses Act and Rules, exports are permitted only against advance payment from the importing companies or Letter of credit (L/C) from overseas countries to ensure that the payment for the goods is received in Nepal (TEPC, 2024). This is a good assurance of the payment to be received by the exporters from exports of the products. These enabling policy environments provide good opportunities for expanding exports of priority listed products including other new future products. However, some of these good policies are not being implemented fully, specifically small entrepreneurs and exporters find difficulties in getting easy access of export incentives, tax clearance and vat refund due to poor linkage and access to government machineries.



## CONCLUSIONS

Presently the value, volume and share of Nepal's trade with Australia is small accounting only about 1.14% of the total trade of Nepal. In the recent years, the imports have surged rapidly while exports have grown only marginally. The import-export ratio is 12 implying that Nepal imports 12 times more than it exports to Australia. Despite Nepal's 60 years of diplomatic relationship with Australia, the trade of Nepal with Australia has not increased. In this context, this study has identified the top 10 priority exportable products with specific actions for reducing the increasing trade deficit by improving future export performance. These include readymade garment, hand knotted carpets (flooring materials), pasta & noodles, felt products, prepared foods, natural fibre products (sacks & bags), flattened and puffed rice, tea, indigenous crop products (buckwheat & millet flour and horse gram) and Himalayan spices (Timur and Jimbu). Among them the first five is listed as existing priority products based on their highest rank in value and share in export from Nepal to Australia. The three emerging priority potential products namely natural fibre products (sacks and bags); fattened and puffed rice and tea are within the top 20 listed products with emerging export growth trend in recent 4-5 years and high potential for exports due to their domestic origins and value chain potentials and a good demand in Australia. Their annual export growth rate is also quite high particularly for flattened & puff rice and tea despite their share in total export is very low. The two new future emerging potential products are indigenous food crop products, namely buckwheat, millet flour and horse gram and native Himalaya spices- Nepalese pepper (timur) and Jimbu with high demand in Australia, native origin of Nepal and future value chain potentials. These products are currently exported in negligible value and volume to Australia but have future export potentials in Australia. In addition, trade in services for Nepal, particularly, ICT services and travel and tourism can be potential areas to be further explored.

Currently, the major constraints to export trade of these priority products to Australia are high cost of production, low volume of production and poor value addition, poor market support, market information and linkage for exporters and entrepreneurs in Australia, lack of fumigation facilities in Nepal, weak sanitary and phyto sanitary (SPS) measures and bureaucratic hurdles in custom clearance and custom complexity. Among them, requirement of fumigation facilities and wean Sanitary and Phytosanitary (SPS) measures are major constraints to export trade of Nepalese products to Australia. The country also lacks regulations on maximum residues limits of contamination by certain substances required by developed western, Asian and Australian markets. Therefore, presently exporters are not interested to engage in the export of ginger, dairy products (e.g. dog chew), meat items and seed and plant products due to stringent biosecurity requirements from Australia and other developed countries including absence of adequate modern laboratory testing facilities in Nepal. Exporters, therefore, face more problems providing compliance with regulations than with the regulations itself (ITC, 2017). Lack of internationally recognized standard certification mechanism and delay in provisions of available food testing results are serious problems faced by the exporters which is hindering in the growth of trade. Therefore, even though concessional market access has been provided by Australia and other developed countries, Nepal has not been able to utilize them properly by expanding its export, especially of agricultural, food and forestry products [http://www.tepc.gov.np/tepc\\_pub/2017\\_Export%20Procedures.pdf](http://www.tepc.gov.np/tepc_pub/2017_Export%20Procedures.pdf)

Despite all of these constraints, Nepal has presently some favourable policy environments for export of the products. Unlike the importers, exporters do not need to pay tax on the export of the priority listed products. There is a provision for receiving 5-8% cash incentives on the total value of exports depending upon the extent of value addition and fulfilment of other criteria. There is also provision for subsidy on organic certification fee and VAT refund for the imported raw materials used in the production of exported products. Australia also provides duty free or low duty access to Nepalese products and eligible to Australian System of Tariff Preferences (ASTP). The identified 10 prioritized products are eligible for preference under the ASTP, as these goods comply with rules of origin requirements and Nepal is a least developed country. Despite these good policy environments, small entrepreneurs have faced difficulties in accessing export incentives, VAT return and subsidies on organic certification due to bureaucratic process, poor documentation, limited access to knowledge and information about available policy incentives.

## RECOMMENDATIONS

Based on the study findings, the following recommendations are made to improve export performance of Nepalese priority products to Australia and overseas.

### 1. **Reduce cost of production and invest in economic scale of production and supply**

The exporters and entrepreneurs need to invest in advanced technologies to increase efficiency, reduce labor costs, and improve product quality. In addition, exporters need to focus on bulk purchasing of raw materials and components in bulk to take advantage of volume discounts and lower per-unit costs. Value addition, maintenance of quality standards, improve product designs, product packaging and labeling are essential to improve the export of indigenous food and other priority exported products to reduce variability, simplify production and supply, and decrease export costs. There is a need of increased investment in better transportation networks, warehousing, logistics facilities and custom clearance procedures to reduce costs and transit times.

### 2. **Development of fumigation and other advanced laboratory testing facilities**

Installation and operation of methyl bromide fumigation facilities in appropriate locations in the country and its accreditation from Australian biosecurity authority is very urgent and critical to improve export trade of some of the priority products. Government also needs to increase investments on establishment and operation of advanced internationally accepted laboratory facilities for testing and assessment of pest risks, pesticides and other various chemicals, microbial contaminants for promoting export of products. The institutional capacity of country's sanitary and phytosanitary (SPS) agencies mainly the Department of Food Technology and Quality Control, Plant Quarantine and Pesticide Management Center, and the Department of Livestock Services need to be improved with adequate internationally recognized laboratory facilities and human resource capacity.

### 3. **Improvement of custom facilities and custom clearance facilities**

Government of Nepal needs to invest to modernize custom clearance processes using digital technologies to reduce administrative delays, bureaucratic hurdles and custom clearance procedures at border points. Strengthening capacity of custom officials is required to simplify and harmonize customs clearance procedures, documentation and regulatory requirements. There is a need for separate warehouse and cold storage facilities in border custom points in Birganj and Kathmandu International Airport for safe storage of perishable agro-food products during custom clearance process for exports. In addition, adequate custom facilitation with Indian Government in custom points in Kolkata and Birganj is needed to speed up the process of exports.

### 4. **Capacity development of small sized exporters and importers of Nepali products.**

The public sector agencies need to develop orientation and awareness programs in improving knowledge and capacity of small sized exporters of the priority products in Nepal and those of importers of Nepalese products in Australia in preparing invoices, preparing product list compatible with harmonised code and labelling of produce with scannable barcode i.e. EAN-13 barcode. In addition, small sized entrepreneurs need to be supported with adequate access to finance, market information, market access and technical knowledge for biosecurity requirements (SPS and TBT) and measures through orientation, information flow and networking. There is also support needed to strengthen institutional capacity of commodity specific entrepreneurs and trade associations in trade and market

intelligence to provide information on market entry requirements of Australia and potential other export destination countries.

**5. Organic certification, collective trademarks and Geographical Indication Law.**

Organic certification that is accepted globally and in Australia is prerequisite for market promotion and export trade of Nepalese agro-food products such as tea and other agri-food products. In addition, collective trademarks and geographical indications (GIs) are essential components of intellectual property rights that help in promoting and protecting products in the export market. Development of collective trademark for many of the exportable products and expanding registration of trademarks in Australia and destination countries is needed to promote exports. In addition, Nepal government has to immediately develop legal framework for GI and develop standards for the GI to implement GI certification to many of the unique geographical origin products for their product branding, marketing and protection of brand identity in overseas in Australia and other countries. Specifically, GI and organic certification will be very useful for branding and overseas marketing of Nepalese native pepper (timur), Jimbu, buckwheat and millet products including other unique native Nepalese geo-linked products.

**6. Promote trade facilitation services**

Government of Nepal need to enhance its capacity and investment for export facilitation services in Nepal. The capacity of TEPC has to be improved to support exporters and entrepreneurs to provide adequate training, orientation and information including end to end export support including market intelligence services, legal, logistical and market access advice and trade networking opportunities. In addition, Nepalese diplomatic mission needs to provide adequate import facilitation services for importers of Nepalese products in destination countries (e.g. Australia and others). The Government Ministries Mainly Ministry of Industry, Commerce, and Supplies and Ministry of Foreign Services and Diplomatic Missions overseas need to proactively engage in trade negotiations for duty free/preferential market access of Nepalese products during transition and after LDC graduation in 2026.

**7. A fresh approach to promote technology-based services industry**

The promotion of services industry in the country specifically focusing on ICT, travel and tourism and tapping the potential of BPO from developed countries including Australia holds immense promise for Nepal. By actively participating in the global digital ecosystem and integrating into the global value chain, Nepal can gradually transform its economy and reap the benefits of a digital-driven world economy. To promote the growth and development of the ICT sector in Nepal, policy advocacy, incentives system to lure youth including research, and development professionals together in collaboration with foreign universities for investing in education, skills development, and capacity building of existing Nepali universities and institutions are vital for the growth of the service sector.

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## **ANNEXURE**

### **Annex 1: Checklists/Questionnaires used for the Export Profile Study to Australia**

#### **Annex 1.1. Checklists for the Export Study to Australia-Nepal Study**

##### **(Exploratory Export Study)**

Kathmandu, Nepal; Date: 28/2/2024

##### **A. General Checklists for basic understanding of the commodity exported**

1. What are the specific felt items produced and exported? How they are produced /prepared? Are they domestically produced or imported and re-exported?
2. What does uncooked/cooked Pasta or Other Pasta, include? Does it include noodles/ chow mein or noodles such as, “Rara” or “Wye” etc?
3. What are unprepared /prepared foods? What are prepared foods obtained from unroasted cereal flakes or mixtures of unroasted & roasted ones and other prepared foods?
4. What type of readymade garments (men’s and women’s dresses) are being exported from Nepal to Australia?
5. What are beer and malt products exported from Nepal? Are they domestically produced or imported and re-exported to Australia?
6. What are the competitive products from overseas that hinder export of Nepalese products such as in Carpets, Garments, Felt, Tea, Pasta etc?
7. What type of NTFP s are being exported from Nepal? What is the prospects of Oils from the Medicinal and Aromatic Plants exports to Australia?
8. What type of Jewelry products exported from Nepal?
9. What are the sacks being exported from Nepal? Are they prepared from Jutes?
10. What are Table wares being exported from Nepal? Are they prepared in Nepal?
11. What type of musical instruments being exported from Nepal?
12. What are the ceramic products being exported from Nepal? Are they domestically prepared or imported from overseas?
13. What are the paintings /thanka products being exported from Nepal?
14. What are the major handicrafts being exported from Nepal?
15. Who are involved in the production, processing, domestic trade and export of these products? Please provide names and contact address of them.?
16. Who are involved in NASAA (National Association for Sustainable Agriculture Australia) organic certification of products in Nepal? Please provide names and contact address of NASA Inspectors in Nepal?

##### **B. Checklists to Exporters for Specific Commodity /Products Exported**

1. Are you involved in the export of given (carpets/garments/felt products/pasta/ prepared food/ tea etc.) products?
2. Since when you are involved in the export of the given products?
3. How much value and volume of the products you export every year?
4. In which country(s) do you export the given commodity? Do you export it to Australia?
5. If yes, since when you are exporting the products to Australia?
6. Is it possible to give the contact details of Australian company /agencies to whom you are exporting?
7. From which port and transport methods (by Air from Kathmandu or by Train) you are exporting the products to Australia?

8. Specify the name of market brand /trade mark you use exporting the product. Has the associated IPRs registered in Nepal or in Australia
9. What is the trend of the demand (increasing, constant or decreasing) of the products being exported to Australia in the recent 5 years?
10. If declining which are the competitive products from overseas that hinder export of Nepalese products?
11. If increasing, what are the factors influencing increase of export of these products to Australia in recent years?
12. What products and attributes of the products have high preference and demand in Australia?
13. Are you able to meet the export demand of the products from Australia?
14. How did you start exporting these products? Who provided market information and linkage for exporting the products?
15. What is the process involved in exporting the products from Nepal to Australia?
16. What are the custom procedures and provisions for exporting the products? What are the bottlenecks and constraints in the process?
17. Do you receive adequate profit margin by exporting the given products?
18. What are the sources of raw materials for these products? From where they are produced and obtained?
19. How much is the cost per kg of exporting (preparation and delivery cost) the products in Australia?
20. Do you pay export tax /custom duty for the export of the products? If yes, what is the level of export tax/ custom duty on the specific commodity/product?
21. What are the other taxes and costs to be paid for the export of the products (e.g. export packing, storage, inland freight from factory to port/border, insurance, handling, export inspection fees, customs brokers, fees, commission)?
22. Do you receive any Government support and subsidy on the export of the products? If Yes, how much?
23. Do you have easy access to credit and insurance facilities on the exportable products?
24. Do your exported products receive duty free access to Australian market?
25. Are there any legal, logistic, quarantine and quality standards required from Australia for the export of the Nepalese products? If yes, please specify...
26. Do you have access to laboratory facilities for quality testing and certification of the products? If yes, please specify.
27. What are the key production, process and policy constraints and challenges in exporting the products from Nepal to Australia? Please specify in order of rank
28. What are the unique advantage and potential benefits of exporting the Nepalese products to Australia?
29. Are there any preferences and price premium for the export of organically certified products?
30. Do Nepalese products have unique attributes and feature that can meet the demand of Australian consumers? If Yes, please specify the attributes of the product.
31. Please provide your important 3 suggestions by order of importance, how to improve sustained and increased export of these products to Australia?
32. Please provide if you have any other issues, insights and remarks in improving export of the products to Australia?

### **C. General Checklists for Entrepreneurs, Key Stakeholders and Policy makers**

1. What are the emerging and potential products being exported from Nepal to Australia?
2. What is the level of demand and preference of Nepalese products in Australia?
3. What is the export trend of Nepalese products in Australia? Is it increasing, constant or decreasing?

4. Could you provide name and contact details of company/agencies of Nepal that are exporting in Australia?
5. What are the advantage of exporting products to Australia as compared to Europe, America and other countries?
6. What are the process involved in exporting the products from Nepal to Australia?
7. What is the major ports from which Nepalese products are being exported to Australia?
8. What are the custom procedures and provisions for exporting the products?
9. Are their export tax /custom duty to be paid for the export of the products?
10. If yes, what is the level of export tax/ custom duty on the specific commodity/product for the exports?
11. What are the other taxes and costs to be paid such as export packing, storage, inland freight from factory to port/border, insurance, handling, export inspection fees, customs brokers, fees, commission?
12. Do any Nepalese products receive duty free access to Australian market? If yes, what are those products?
13. Is there any Government support/ subsidy on the export of the products? If Yes, how much?
14. Do firms have access to credit and insurance facilities on the exportable products?
15. Are there any policy /legal provisions required for the export of the products? If yes, what are those policy/legal provisions?
16. What is the quality standards required for the export of the products?
17. What are the specific technical and logistic requirements for the export of the products?
18. What are the major constraints, challenges, and issues in exporting the products to Australia?
19. What are the major policy, legal and technical hindrances in exporting the products? Are biosecurity issues hindering the export of the product?
20. Which products have unique advantage and potential for exporting the products?
21. What are the preferred attributes of the products in Australian market?
22. Are there any preferences and price premium for the export of organically certified products?
23. What are other opportunities and benefits for exporting these products?
24. What are the potential suggestions to improve the export of the products?
25. Please provide if you have any other issues, insights and remarks in improving export of the products to Australia?

## **Annex 1.2 Checklists for the Export Study to Australia-Australia Study**

1. Name of the company and Address \*
2. Email
3. Phone number.
4. What are the major products you import? \*
 

<input type="checkbox"/> Garments	<input checked="" type="checkbox"/> Food Produce
<input type="checkbox"/> Floor Coverings	<input checked="" type="checkbox"/> Handicrafts
<input type="checkbox"/> Jewelry	<input type="checkbox"/> Medicinal Items
	<input checked="" type="checkbox"/> Other*Liquor, Puja Items
5. What are the items produced in Nepal and imported? Where are they are produced/prepared? \*
6. What is the major product you import in terms of economic value? What in terms of volume?













