



**Asia-Pacific Research
and Training Network on Trade**

**Improving Regional Trade Procedures and
Processes:
A Business Process Analysis of the Export of
Vegetable Ghee from Nepal to India and China
and the Import of Textiles to Nepal from India**

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Improving Regional Trade Procedures and Processes: A Business Process Analysis of the Export of Vegetable Ghee from Nepal to India and China and the Import of Textiles to Nepal from India

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Abbreviation

ADB	Asian Development Bank
ARTNeT	Asia-Pacific Research and Training Network on Trade
BPA	Business Process Analysis
COO	Certificate of Origin
DCO	District Chamber Office
DOC	Department of Customs
DOI	Department of Industry
FNCCI	Federation of Nepalese Chamber of Commerce and Industry
FY	Fiscal Year
GDP	Gross Domestic Product
GON	Government of Nepal
HS	Harmonized System
L/C	Letter of Credit
MFN	Most Favoured Nation
MOCS	Ministry of Commerce and Supplies
NICCI	Nepal India Chamber of Commerce and Industry
NVGPA	Nepal Vegetable Ghee Producers Association
PAN	Permanent Account Number
TPC	Trade Promotion Centre
TQM	Total Quality Management
TT	Telegraphic Transfer
UML	Unified Modeling Language
UN/CEFACT	United Nations Centre for Trade Facilitation and E-business
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNECE	United Nations Economic Commission for Europe
UNNExT	United Nations Network of Experts for Paperless Trade in Asia and the Pacific
VAT	Value Added Tax

Executive summary

Recognizing the need for greater efficiency in procedures related to international trade, this study was undertaken to examine the processes involved in the export of vegetable ghee from Nepal to India and China and in the import of textiles from India. This research was conducted as part of a regional study by the Asia-Pacific Research and Training Network on Trade (ARTNeT) on Improving Regional Import-Export Procedures and Processes.

Nepalese vegetable ghee is mainly exported to India and China and is exported by road transportation. India provides preferential entry of Nepalese vegetable ghee under the bilateral trade agreement, but there is quota on the quantity of vegetable ghee imported into India from Nepal. Most vegetable ghee exports to India are on an advance payment basis, while to China all vegetable ghee is exported on this basis.

For exports of vegetable ghee to India, the process consists of 15 steps and the exporter must visit 12 institutions and prepare 26 documents. The process takes an average of 41 days, and the cost per container is 1,067 USD. For exports of vegetable ghee to China, the process consists of 13 steps and the exporter must visit nine institutions and prepare 21 documents. The process takes 11 days on average and the cost per container is 834 USD.

Textiles are one of Nepal's major import items. They are mostly imported by road transportation through specific custom points, on an advance payment basis. The import process involves 10 steps and the exporter must visit five institutions to complete the process and prepare 12 documents. The process of importing textiles into Nepal takes six days, on average, and costs 320 USD per truck.

From the study findings, it has been observed that trade can be facilitated by addressing five main problems:

1. The present system of requiring recommendation letters from three agencies to obtain a share of the export quota.

As FNCCI is an umbrella organization, regulations should be revised so that a recommendation letter is only required from FNCCI.

2. Lack of recognized laboratories in Nepal, requiring vegetable ghee exporters to have their products tested in laboratories in India instead of in Nepal.

It is recommended that emphasis be placed on developing in Nepal the capacity and facilities necessary to facilitate trade.

3. The problem of traffic congestion on the roads between Nepal and India. Nepal and India have agreed to establish integrated check points (customs) on major trade routes between these two countries. It is recommended that this project be expedited.

4. Shortage of trained human resources in customs.

To make customs clearance more efficient, human resources should be developed. Furthermore, the citizen charter should be followed to reduce clearance time.

5. Delays in payment settlement.

The study shows that payment settlement through banks is excessively time consuming. An in-depth study in this regard is needed.

Introduction

Trade facilitation is the simplification and harmonization of international trade procedures and documentation. These procedures include commercial, transportation, regulatory and financial procedures. Improvements in these procedures reduce transaction costs and the complexities of international trade, and improve trading efficiency and competitiveness.

Business Process Analysis (BPA) identifies problems in each step of business operations and helps in reducing time and costs involved in the business process. It also helps in eliminating unnecessary documentation and improving business efficiency. Thus, it is an instrument to design effective trade facilitation measures.

Nepal is a small, landlocked least developed country. It has a number of trade-related problems. Although the volume of Nepal's foreign trade grew over the past decade, Nepal's export sector remains weak. The ratio of exports to Gross Domestic Product (GDP) declined from 13.5 per cent in Fiscal Year (FY) 2000/01 to 7.4 per cent in FY 2008/09. Furthermore, the volume of exports has remained far below that of imports, leading to a growing trade deficit, which stood at 23.82 per cent of GDP in FY 2008/09. In order to increase exports, it is important for Nepal to improve its trading procedures. Thus trade facilitation measures are increasingly necessary for Nepal.

This study aimed to identify whether there are any problems relating to documentation, cost and time in the import and export sectors in Nepal, and how these problems can be addressed. It analyzes the procedures involved in exporting vegetable ghee, examining the process all the way from the Nepalese exporters' warehouses to the warehouses of importers in India and China. This study also analyzes the procedures involved in importing textiles from India, examining the process all the way from the exporters' warehouses in India to the importers' warehouses in Nepal.

1. Literature review

Davenport and Short (1990) defined a "business process" as a set of logically related

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