Indian Trade Policies and Performance of Nepalese Agriculture

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Abstract— *This paper infers that Indian trade policy plays a crucial role for Nepalese producers and farmers. Due to the geographic proximity and socio-political relationship with India, Nepalese economy remains indo-centric. Trade intensity of Nepal with India is about 20 times higher with other South Asian Association of Regional Cooperation (SAARC) countries. The long porous border has been accepted by the people of both the countries as a measure of free flow of goods and people. The hurdle of the soft boarder for a small country like Nepal is to price the goods independently because of the age old illegal cross boarder trading. Highly protected Indian agriculture sector makes Nepalese product expensive and raises the issue of competitiveness in price. It is very difficult for Nepal to have independent output price policy and the market has not been able to function independently. Custom union could be one viable option to promote agricultural market. Replicating the success stories of other small-big country partnership could be another alternative. Since Nepal has been importing majority of primary and secondary products, consumer price could stabilize with appropriate reform and consumer get benefit to some extent. Nepalese trade sector is, hitherto, dependent upon Indian policies and market situation than its own production and economy. The massive reform in Indian agriculture sector provides space for hope. Nepal should more liberalize its trade not roll back as an alternative back to subsidy regime to compete with Indian, regional or international products.*

Keywords— **Agricultural trade, informal trade, liberalization, subsidy, tariff, trade policy.**

1. INTRODUCTION

Nepal, a heavily trade dependent economy, is also one of the most open economies of South Asia. Trade to GDP ratio is 50%, an average tariff rate is about 8% and there is virtually no quantitative restriction of import trade in Nepal [3]. Despite its geographical constraints and the dependence of three-fifth population in agriculture, Nepal has comparative advantage in agricultural products and in a few other manufacturing segments and sectors.

A country remains competitive in global markets as long as it continues harnessing the resources of comparative advantage in producing and exporting its products to other countries, even if the country has lower productivity in producing those goods. The gains from trade and global integration of a country depend largely on competitiveness of that country's economy. Competitiveness is a key concern for Nepalese real sector. Nepal's low labor wage places the country in a comfortable position in manufacturing labor intensive products even in a condition of lower labor productivity. This essentially includes the cost of production to cost of marketing and processing.

With the advent of periodic development planning in 1956, Nepal followed restrictive and import substitution policies with the rest of the world while it had open trade relation with its large neighbor India. Nepal's trade performance over recent years has been highly inconsistent, reflecting the unnerving constraints to realization of its potential. Even with structural change in its merchandise exports, Nepal remains dependent on a relatively small basket of exports and a few destination markets. A significant share of its exports has been encountering the pressure of gradually decreasing world demand. This poses challenge for restructuring of its export basket.

More than a decade long conflict affected Nepal's economic performance through different channels. Economic growth slowed, thousands of people have been killed, physical infrastructure has destroyed, thousands of people have been displaced, economic disruptions have increased and development expenditures have declined sharply. Private investment has also declined significantly. Ra, Sungsup and Bipul Singh [9] found that the economic growth loss attributed to the decline in development expenditure ranges from 1.7% to 2.1% per annum. These all has adversely affected the agricultural sector as well. However, various conflicts related studies[1] have not specified about the agricultural sector and its impact on agricultural production.

With regard to trade policy, Nepal has significantly opened up trade in the past decade and present trade policy is guided by its regional free trade arrangements and basically by WTO. In addition, the high transaction costs associated with formal cross-border trade with

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[1] For details, please see Deraniyagala, Sonali (2005), Political Economy of Civil conflict in Nepal; Parwez, Md. Shahid (2006), An Empirical Analysis of the Conflict in Nepal; and Morshed, S. Moansoob and Scott Gates (2003), Spatical-Horizontal inequalities and the Maoist Insurgency in Nepal.

India is diverting towards informal and unaccounted trade significantly over the years. Reduction of these costs at the border will be an important part of trade facilitation between the two countries. Strengthening Nepal's capacity to administer and implement trade policy will require institutional strengthening across a range of public and private agencies. Emphasis should also be given on improving the process of trade policy formulation.

Competitiveness of Nepalese agriculture sector largely depends on price effect of all tradable inputs like fertilizer, insecticides and non-price effect of non-tradable like credit, irrigation, and knowledge also equally affect the competitiveness. Nepal largely depends on Indian market for major agricultural as well as merchandise trade due to its geography, culture and social affinity. Since India is the convenient market for Nepal, the relevant measure (effective rate of protection) affects competitiveness of Nepalese agricultural products. Nepal's productivity and competitiveness had shown some increment over the 1990s but these improvements were not sustained by the end of the decade.

The paper reviews the trade situations especially agricultural trade in response to the Indian trade policy vis-à-vis liberalization in Nepal. Section 2 discusses about trade policy reform in Nepal. Section 3 explains the trade situation and determinants of trade. Section 4 depicts the agricultural sector reform. Section 5 briefly talks about the agricultural trade situation in Nepal. Section 6 and 7 discuss about the Indian trade policies ant its implication to Nepalese agriculture sector and the paper concludes with concluding remarks in section 8.

2. INITIATION OF TRADE POLICY REFORM

Nepal's major trade reform took place in the early 1990s after the restoration of multi party democracy and India's economic reform, although structural adjustment program was launched in 1986. In 1990, Nepal kicked off market oriented trade policy reform that opened a new vista on economic integration and trade. The reforms unleashed the barriers of restricted trade and decontrolled pricing. The other salient features were the end of licensing and advent of deregulation. The foreign exchange regime was also liberalized and currency trading was made open.

Nepal is *de facto* integrated with India for trade. High cost of access to the third country markets and India as the only transit point, the country took no pain to diversify its trade. Moreover, conventional trading by petty merchants were benefitted by the long, porous and easy boarder. The nearest port for access to the world economy is about 900 km, which is far expensive and time consuming due to poor infrastructure in neighboring India. Moreover, Nepal has granted almost free access to Indian goods ever since its first agreement with British India in 1923. The treaties with independent India were first signed in 1950, which has been subsequently renewed with the latest one in March 2007. These all affect Nepal's initiation of trade liberalization and reform by compelling it to adopt protection and design incentive structure similar to that of India [5]. Lower tariff structure in Nepal provide incentive for trade deflection to India of the goods imported by it from the rest of the world causing drain in its foreign exchange reserves. If Nepal provides export incentives, Indian goods will be re-exported causing fiscal imbalances.

On the process of tariff reform, custom tariff has been reduced, rationalized and simplified since the early 1990. The tariff rates fell from 245 % in fiscal year 1980s to 110 % in July 1994 then further down to 80 % in 1997/98. The number of tariffs categories also fell from more than 100 in 1980s to only 5 in the fiscal year 1995/96 and then to 7 in 1998/99. The prevailing tariff structure include five basic standard rates (5, 10, 15, 25, 40), with the larger number of import items within the custom duty of 10 – 20 % and having a significant number of tariff lines with zero duty. These measures led to decline in tariff protection. Both the trade weighted nominal rate of protection (NRP) as well as effective rate of protection (ERP) fell substantially. The trade weighted NRP fells from about 80 % in the early 1980s to about 9 % in 1996.The distribution of tariff rates in 1990 and 2002 are presented in Table 1, which shows that the recent tariff rates close to 14 %.

Table 1. Distribution of Tariff Rates

Tariff Rates	No. of tariff items 2002	1990 (% in each category)	2002 (% in each category)
0 - 5	1,288	7.4	0.8
5-10	1,731	8.4	22.1
10-15	1,729	2.8	32.2
15-25	1,582	2.7	29.4
25-40	543	37.1	10.1
40-50		0	4.4
50-80		38.8	0.5
80 plus	52	2.9	0.04
Total	5,374	100	100
Average		**39.8**	**13.8**

Source: World Bank, Trade and competitiveness study, 2003.

There has also been substantial liberalization in non-tariff barriers. These include elimination of quantitative restrictions on imports and phasing out import license auction and replacing them with appropriate tariffs. In an attempt to reduce anti-export bias, the export duty drawback scheme and the bonded warehouse facilities were introduced. The export service fee was also reduced to 0.5 % of the export value from 2 % in 1993/4. The government has also gradually reformed the export floor price system.

3. DETERMINANTS AND TREND

Nepal's trade-to-GDP ratio increased over the last two decades, from 23% during the 1980s to more than 50% by the end of 1990s. The improved business environment greatly augmented rapid exports growth (by 30% annually from 1991 to 1995), driven mainly by manufacturing exports, especially carpets and garments. In the case of garments, export growth came initially from the spillover of Indian exports, due to quota limitations for India. Additionally, improved profitability and increased willingness of domestic producers to enter the industry also stimulated the growth of Nepalese garments exports.

Within manufacturing, Nepal's export basket is narrowly concentrated in a few products: garments, carpets, and *pashmina*[2]. These accounted for more than 50% of total exports in the late 1990s. Furthermore, they depend on limited external markets. Carpets are exported primarily to Germany and garments to the U.S. Just after trade liberalization, in 1992, export of textile and clothing was increased by 80 and 60 % respectively. Following the signing of a renewed bilateral Trade Treaty in 1996, Nepal has been exporting new manufacturing products, all destined for India. These include vegetable ghee, toothpaste, toilet soap, acrylic yarn, copper rod, zinc oxide, MS pipe, *Hazmola*[3], *Chyawanprash*[4], noodles and biscuits. Other exports comprise a basket of about 20 agricultural products and consumer goods, which route primarily to India. After trade policy reform and implementation of the 8th five years plan in 1997, foot ware and textiles were the largest exportable products and their export increased by average 20 %. Petroleum and other non-specified manufacturing products are the major imported items. The structure of export was same in 2003 as well.

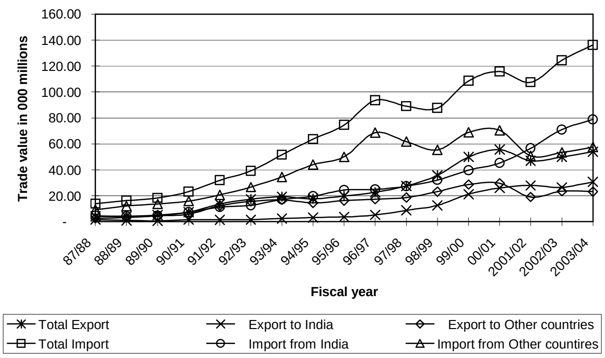

Fig 1: Nepal's Trend of Export before and after its trade liberalization

Note: Export is on a F.O.B basis and Import is on C.I.F. basis

Source: Central Bureau of Statistics, 2005

In the last decade, Nepal's dependence on the same few markets has also increased. At present, 90% of its total goods are exported to India, Germany, and the U.S.; of the three, India is the most important. Long porous borders, free movement of people and capital, and the special regime of trade and payments between two countries are the major factors responsible for export enhancement. Nepal's dependence on exports to India has recently increased sharply (more than 50%) due to the preferential trade treaty, and a sharp slowdown in exports has been observed to other key markets due to elimination of the multi fiber arrangement (MFA) quota. Also the country has not been able to proliferate businesses in regional markets. As seen in Fig.1, both export and import to and from India increased after trade policy reform and the case is similar to the other countries as well. According to the least developed countries report of UNCTAD [11], types of commodity export from Nepal remain the same as manufactured products (MAN) in the period 1980-1983 and 2000-2003. Similarly, number of commodities exported increased from 37 to 63 during the same period.

No significant changes have occurred in Nepal's import structure over time. Manufacturing constitutes the largest share of Nepal's total imports, with machinery and transport equipment the most important product. These imports underpin much of Nepal's manufacturing export capacity. Intermediate goods constitute the second largest share of Nepal's total imports, followed by food and fuels. The almost stagnant structure of imports reflects the slow and narrow growth of manufacturing activities during these periods. If industrial deepening had occurred, marked increase in imports of capital goods would have been evident. On the import front, markets are relatively more diversified. More than 10 countries supply 90 % of Nepal's imports.

4. AGRICULTURAL SECTOR REFORM

Agriculture sector is central to the livelihood of Nepalese, contributing to around 40% of the country's GDP and employing 76% of its labor force. For 90% of the poor, which comprises households in the bottom 25% of the consumption scale, agriculture is the only income-generating activity. The importance of agriculture as the single most important provider of livelihood for 90% of Nepal's population implies that the commercialization of agriculture will have a decisive effect on poverty reduction. This sector remains the focal point of overall development and it is likely to continue being the same in the immediate future. So, this sector is at the root of country's overall development. As seen from this prospective, agricultural modernizations need to be emphasized by commercialization and competitiveness.

Agriculture value added grew at an annual average rate of 2.8% during the 1990–2001 periods, slightly exceeding the average annual population growth rate of 2.3%. Agriculture growth accelerated during the second half of the 1990s to about 3.6%, with implementation of the Agriculture Perspective Plan (APP) and increased presence of the private sector in trade. The growth of agriculture sector and its composition are presented in Table 2.

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[2] Pashmina refers to a type of fine cashmere wool and the textiles made from it. This wool comes from a pashimna goat, which is a special breed of goat indigenous to high altitude of Himalaya.

[3] Hazmola is a herbal medicine for digestive disorder

[4] Chyawanprash is an ancient Ayurvedic herbal preparation, widely used in India as well as in Nepal, as a rejuvenative, energizer and immunity booster. It is often called "the elixir of life" due to its alleged nutritional properties.

Table 2. Growth of Agriculture Sector in Nepal and Composition

	Growth Rates	Growth Rates	Share of Value added
	1990/1 to 1994/5	1995/6 to 1999/0	1995/6 to 1999/0
Agriculture, Fishery and Forestry	1.75	2.97	100.00
Food grains	-0.88	2.32	34.70
Cash Crops	3.44	5.55	7.56
Other Crops	5.41	3.02	18.73
Livestock	1.62	3.57	28.97
Forestry	3.33	9.66	1.35
Fishery	2.51	0.26	8.70

Source: Central Bureau of Statistics of Nepal occasional paper 1/01

Nepal's agriculture-sector policies were liberalized relatively late in the second half of the 1990s; since then, however, there has been significant progress. A more comprehensive reform of agriculture sector was started in 1998-2001. Liberalization of both agriculture inputs and outputs was done by allowing them to be priced according to the market forces. Institutional reform of state-owned Agricultural Input Corporation (AIC) and Nepal Food Corporation (NFC) took place. Until 1997, the Nepal Food Corporation and the Agricultural Inputs Corporation dominated agricultural inputs trade and, to a lesser extent, food procurement, which adversely affected food supply and utilization. In 1998, government removed the monopoly of AIC allowing the private sector to import and distribute the fertilizers. Government has also removed the subsidy on fertilizer from the same time. Similarly, the role of state-owned NFC is modified to promote competitive agricultural produce markets by eliminating unnecessary market distortion including the withdrawal of subsidies in food grain distribution. Other reforms are the removal of irrigation subsidy and strengthening agriculture research, extension and training system. All price interventions have been withdrawn, with the exception of deep-tube wells in agriculture. Nepal has greatly liberalized its external trade regime for both agricultural and nonagricultural products, with average tariffs currently falling below 11%.

5. AGRICULTURAL TRADE

Nepal's exports of agricultural products also showed greater dynamism in the second half of the 1990s. Indeed, the late 1990s witnessed rapid growth in agricultural exports of items such as foods and feeds at an annual average rate of 11%, compared with 7% growth in agricultural imports. India remained the most important partner in agricultural trade, accounting for 80% of Nepal's agricultural exports and; 36% of its agricultural imports. Exports to India have been the major source of growth in agricultural exports during the second half of 1990s.

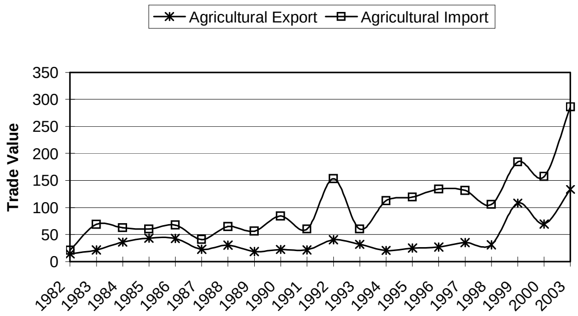


Fig. 2. Nepal's Agricultural Export and Import

Agricultural export has grown at 21 % on average during 1995- 2003, much higher than the overall towards high-value crops. This is further illustrated by data relating to growth of agro industries. Farmers are increasingly producing crops and livestock for sale to agro based industries. Agro-Industries, which have benefited from the liberalization of agriculture markets and private sector participation during 1990s, now comprise more than half of the manufacturing GDP and about 4.5% of Nepal's overall GDP. There has been strong growth in agro industrial products. Growth of agro products with strong external demand such as vegetable ghee, tea, noodles, and processed milk are the strongest. According to UNCTAD [11], the dynamic agricultural goods as percentage of total primary exports increases from 27.6 to 61.2 in the period 1980-1983 to 2000-2003. Agricultural export and import pattern is presented in Fig.2.

Despite stronger performance of exports relative to imports in recent years, Nepal suffers from chronic deficit in its agricultural trade, with exports receipts accounting for less than half of import payments. In contrast to formal agricultural trade, informal imports from India have been dominated by agricultural products (mainly food items), while Nepal exports some spices and vegetables. The extent of informal trading in agricultural produce is estimated to be much higher than that of formal trade between Nepal and India [1]. The share of formal and informal fertilizer imports from India is presented in fig. 3.

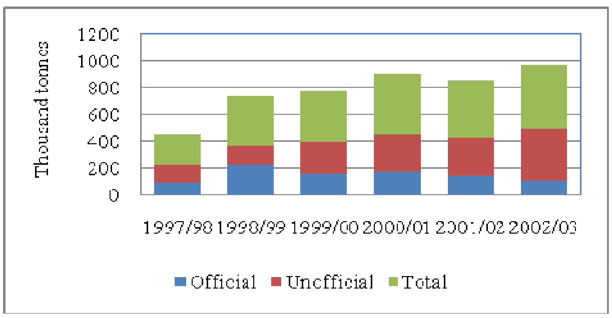
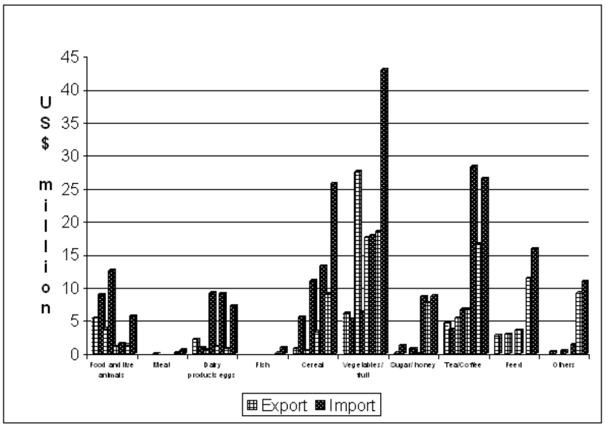


Fig.3. Share of formal and informal fertilizer trade with India

In 1987, before economic policy reform, fruits and vegetables were the major exportable commodities but it turns major importable items in 2003. Live animals are exported and imported in the same proportion during that period. Just after trade policy reform, in 1992, fruits and vegetable, and spice crops are major exports and export value is increased by 300 and 15 % respectively compare to 1987. During the same time the import commodities did not change. In 1997, export items remained the same but the import items changed to spices and coffee, and vegetables, which used to be the exportable commodities in 1992. So, major export and import items were vegetables and fruits, and coffee and spices during the 90s and early 2000. Export and import of agricultural commodities based on standard international trade classification (SITC) Rev. 2 of the years 1987, 1992, 1997 and 2003 are presented in the bar chart Fig. 4.



Agricultural commodities (SITC Rev. 2)

Fig. 4. Agricultural trade (in the year 1987, 1992, 1997 and 2003 respectively)

From the data there is an irregularity in the commodities traded and trade value. It is not clear that such a variation is due to the trade policy or other factors related to trade.

Several factors constrain the competitiveness of agricultural products. First, the productivity of Nepalese agriculture is low. Nepal's labor productivity is about half that of India, while yields of most crops are also low compared with its South Asian neighbors (e.g., some 33% less than neighboring Bangladesh). Crop agriculture is characterized by little diversification, with cereal crops accounting for more than 80% of gross cropped area.

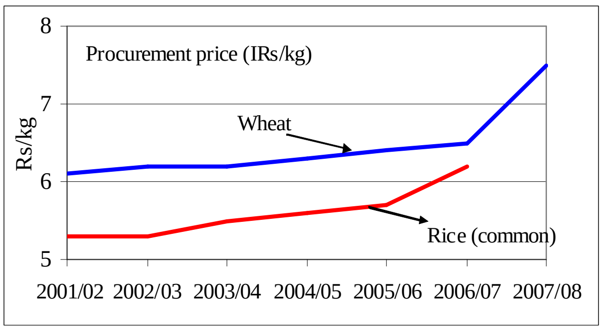
Underdevelopment of markets and lack of commercialization are key factors underlying this weak performance. Currently, only half of Nepali households sell any agricultural produce in the market, while nearly all households in Bangladesh sell some of their produce. Such low levels of commercialization and productivity of agriculture stand in sharp contrast with the country's significant potential, arising from its inherently favorable agro-climatic conditions and regional diversity. Domestic policies affecting agriculture that restricted trade and distorted prices until a few years ago, competition from Indian producers who are supported by large subsidies and the poor state of Nepal's infrastructure are the key factors behind the country's low labor productivity and lack of market development.

Analysis from the various experts about Nepal reveals that access to market and road infrastructure is a major constraint to commercialization, diversification, and technology adoption in Nepal's agriculture. In addition, Nepal has a low productive processing sector (e.g., the costs of rice milling are twice that of Uttar Pradesh, India). Similarly, product losses during transport, as well as transport margins, are extremely high. Nepal also ranks low in both rural electrification and telecommunications.

To improve the competitiveness of Nepalese agriculture and stimulate non-farm activities in rural areas, significant investments in rural roads, electrification, and communications will be essential. Other requirements include mechanisms to test and verify quality according to international standards, disseminating marketing information in order to link domestic producers to foreign markets, developing mechanisms to enforce sanitary and phytosanitary standards, and establishing facilities to test and handle chemical residue restrictions. Nepal will also need to develop a research and extension infrastructure to provide technical services to the farmers on appropriate farming, harvesting, processing, and preservation techniques. An important way to gain market access and access to technical knowledge will be to attract foreign investment in these areas, which will require simplifying regulatory procedures to facilitate foreign investment.

6. INDIAN AGRICULTURAL AND TRADE POLICIES

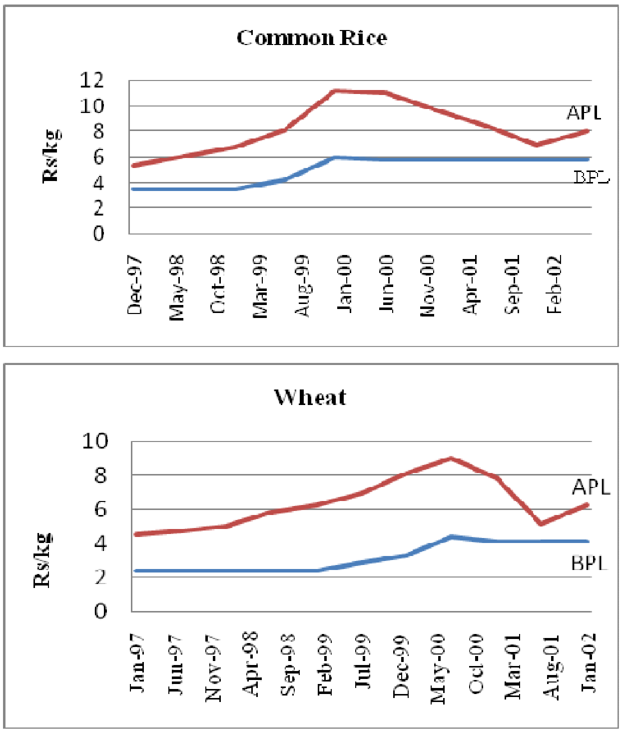
Liberalization reforms in India over the past decade clearly mark a significant departure from the country's protectionist past. India has been gradually but palpably shifting from its inward-oriented, state-led development strategy to a policy of active integration with the world economy. The first round of trade reforms (1991–95) was largely confined to the manufacturing sector. But recently steps have been taken to broaden trade liberalization to cover trade in consumer goods and agricultural products. By 2002, almost all quantitative restrictions on agricultural imports had been abolished. Tariffs are now the principal means by which India protects its domestic industries and agriculture.



Source: Trade and Export Promotion Center, Nepal, 2006

Fig.5. Procurement price of wheat and rice in India

The focus of these reforms has been on liberalization; openness, transparency and globalization with a basic trust on outward orientation focusing on export promotion activity and improving competitiveness of Indian industry to meet global market requirements. In early 2002, the Indian Government presented a Medium Term Export Strategy (MTES) for 2002-07 providing a vision for creating a stable policy environment with indicative sector-wise targets, with a mission to achieve one per cent of global trade by 2007. The new Export and Import (EXIM) Policy framed for the period 2002-07 also seeks to usher in an environment free of restrictions and controls. Synergy between these policies and strategies is expected to realize India's strong export potential and enhance the overall competitiveness of its exports.



Source: ADB, 2005

Fig.6. Subsidy and sale price of rice and wheat in India

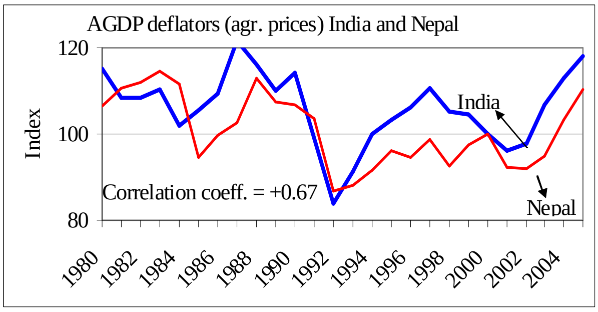
India's net food import dependence has fallen and total imports had declined. The strong net food export position of India is, however not a reflection of agricultural transition along the line of country's comparative advantage but it is due to interventionist agricultural development policy regime that includes domestic price support, insulation from world markets, trade restrictions and subsidization of inputs [2]. Trade opening has started to the intermediate and capital goods only and all consumer goods and agricultural products were kept on protected. The protections on agricultural goods were still continuing even after the market access commitment of World Trade Organization (WTO) in 1995. India has been subsidizing export of excess storks of wheat and rice by violating the market access provision of Agreement on Agriculture of WTO. Domestic price stability is a key objective for India; so, Indian agriculture sector is still highly protected and subsidized. Fig.5 shows the minimum support price of wheat and rice in India, which are in increasing trend. Similarly, fig.6 shows the regulated market price of wheat and rice for people above poverty line (APL) and below poverty line (BPL).

Undoubtedly, the reform initiatives undertaken in Nepal and India have provided new impetus to trade activities of both the countries. More significantly the treaties of Trade and Transit as well as the agreement to control unauthorized trade have changed the trade composition, in particular of the Nepalese trade.

7. INDIAN POLICY AND NEPALESE AGRICULTURE

Most of the agricultural products prices of Nepal are influenced heavily by Indian prices. Although India liberalized its agricultural trade regime during the second half of the 1990s, it still applies quantitative restrictions on agricultural imports. Several price interventions and subsidies also distort producer incentives in agriculture. Because of open boarder and informal trade, it will be hard to regulate by policy measures and restrictions. India's agricultural policies, which heavily protect their farmers, have been major issues for Nepal. While the overall domestic policy environment for agriculture in Nepal currently presents only few distortions and anomalies, India still applies high tariff, quantitative restrictions and tariff rate quotas on imports. Several price interventions and subsidies also distort producer incentives in agriculture. The Central Government of India provides subsidies to all major purchased inputs (fertilizer, seed, and pesticides). Irrigation water from surface schemes is heavily subsidized, along with power subsidies for irrigation pumps. State governments also provide additional support. The farm gate prices for major commodities are influenced by State trading agencies at fixed procurement prices. The large subsidies and price support programs accorded to major agricultural produce in India provide important cost advantage to Indian farmers (accounting for some 25-50% of purchased input costs). This situation caused high cost of production to the Nepalese farmers as compare with Indian farmer. Private sectors in fertilizer trading could not grow due to the same reason.

Given the reality that Nepal has a long and virtually open border with India, competitiveness of Nepal's agricultural products have been constrained by Indian agriculture policies. The large subsides and farm support programs accorded to major agricultural produce in India provided important cost advantage to Indian farmers. While some of the Indian subsidies on traded inputs (e.g., fertilizer) tend to benefit Nepalese farmers located in close proximity to Indian borders, most interior input markets are not well integrated into Indian markets, limiting such spillover benefits. On the other hand, output markets appear to be better integrated, exposing Nepalese farmers to artificially low border prices, due to heavy subsidization of Indian agriculture. Despite better performance of exports relative to imports in recent years, Nepal suffers from chronic deficit in both formal and informal agricultural trade.



Source: Graph based on World Bank WDI data.

Fig.7. Prices in Nepal and India

8. CONCLUSION

This paper has focused on the Indian trade policy, Nepalese trade sector and situation of Nepalese agriculture trade. Since Nepal has de facto economic integration with India, it is clear that India's trade policy will greatly affect Nepalese agriculture. It is very difficult for Nepal to have independent output price policy such as support price and price band defend stock. High tariff rate, subsidy and price support in India make Nepalese produce expensive and less competitive. Due to the open boarder and informal trade Nepal cannot regulate its market. Price is determined on cost of production and market situation in India. Basically, producers in Nepal are greatly affected by subsidized cheap price in Indian side. However, some positive effect has also been observed, pesticide and fertilizer price in the boarder area has benefited Nepali farmers. Those along the Nepal-India boarder have been procuring fertilizer at cheaper rate, but supply and quality is never guaranteed. Similarly consumers have also benefited by relatively cheaper price of illegally imported goods.

Nepal is becoming net importer in many products; so Nepalese price will be higher. Nepal can assure some price stability but hard to do much. Independent pricing is not appropriate as well. Some regulation and administrative arrangement for informal trade could be useful. Custom union could be a solution so implementation of South Asian Free Trade Agreement (SAFTA) might be an answer. Cases from other small-big partner such as Uruguay-Brazil; Paraguay-Argentina; Niger-Nigeria, Botswana-South Africa will be useful to get some concrete idea and apply some success case if possible.

The value of trade is simply enhanced; however, further analysis is needed to conclude on policy impact on trade. Exports and import of agricultural products have increased after trade liberalization in Nepal. Various manufactured as well as agricultural commodities have comparative advantage for Nepal. Focusing on these items with liberalized policy will boost both productions and trade. Due to very limited destination market and few products, Nepal should focus equally on the other aspects of trade along with policies in India.

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