

A STUDY OF TEA SECTOR IN THE CONTEXT OF NEPAL'S MEMBERSHIP INTO THE WTO

A DISSERTATION

BY

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DECLARATION

I hereby declare that the work reported in this dissertation entitled “A Study of Tea Sector in the Context of Nepal’s Membership into the WTO” submitted to the Office of Dean, Faculty of Management, Tribhuban University, Public Youth Campus is my original work done in the form of partial fulfillment of the requirement for the master degree of business studies, under the supervision of associate prof. Dr. Ram Krishna Shrestha of Public Youth Campus. A mistake or blunder in this research is completely on my own.

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ABBREVIATIONS AND ACRONYMS

%	-	Percentage
&	-	And
A.D.	-	After the Death of Christ.
AEC	-	Agro Enterprise Centre
AMS	-	Aggregate Measurement of Support
AoA	-	Agreement on Agreeculture
AQIS	-	Australian Quarantine and Inspection Service
Avg.	-	Average
B.S.	-	Bikram Sambat
BIMSTEC	-	Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation
CIF	-	Cost, insurance, and freight
CoC	-	Code of Conduct
COMTRADE	-	United Nations Commodity Trade Statistics Database
CTC	-	Cut, Tear and Curl.
Dr.	-	Doctor
etc.	-	Etceteras.
EU	-	European Union
FAO	-	Food and Agriculture Organization of the United Nations
FNCCI	-	Federation of Nepalese Chambers of Commerce and Industry
GATT	-	General Agreement on Tariff and Trade
GI	-	Geographical Indication
GSP	-	Generalized System of Preferences
GTZ	-	German Agency for Technical Cooperation
GTZ/PSP	-	GTZ / Private Sector Promotion Project
Hec.	-	Hectares
HIMCOOP	-	Himalayan Orthodox Tea Producers' Cooperative.
HOTPA	-	Himalayan Orthodox Tea Planters' Association
HS Code	-	Harmonized Schedule Code
i.e.	-	That is
IFOAM	-	International Federation of Organic Agriculture Movements
Incl.	-	Includes
INGO	-	International Non Governmental Organizations
IP	-	Industrial Property
IP	-	Intellectual Property
ISO	-	International Organization for Standardization
JICA	-	Japan International Cooperation Agency
KG	-	Kilogram
LDC	-	Least Developed Country
Ltd.	-	Limited
MFN	-	Most Favored Nation

MFTR-	Memorandum of Foreign Trade Regime
MRL	- Maximum Residue Limit
MT	- Metric Ton
NASAA	- North American Securities Administrators Association
NBSM	- Nepal Bureau of Standards and Metrology
NGO	- Non Governmental Organizations
No.	- Number
NRS	- Nepalese Rupees
NTA	- Nepal Tea Association
NTCDB	- Nepal Tea and Coffee Development Board.
NTPA	- Nepal Tea Planters Association
P	- Page
PE	- Polythene
PP	- Polypropylene
Prod ⁿ .	- Production
Pvt.	- Private
RoR	- Rule of Origin
Rs.	- Rupees.
SAARC	- South Asian Association for Regional Cooperation
SAPTA	- SAARC Preferential Trading Agreement
SAWTEE	- South Asia Watch on Trade, Economics & Environment
SFTGFOP	- Silver Flowery Tippy Golden Flowery Orange Pokoe
SNV	- Netherlands Development Organisation
SPS	- Sanitary and Phytosanitary
T.U.	- Tribhuban University
TBT	- Technical Barriers to Trade
TDA	- Tea Development Alliance.
TEASEC	- Tea Sector Service Centre
TEPC	- Trade and Export Promotion Centre
TGFOP	- Tippy Golden Flowery Orange Pokoe
TR	- Technical Regulations
TRIPS	- Trade Related Intellectual Property Rights
UAE	- United Arab Emirates.
UK	- United Kingdom
UNCTAD	- United Nations Conference on Trade and Development
US \$	- US Dollar
US	- United States
USA	- United States of America
USAID	- United States Agency for International Development
Vol.	- Volume
WIPO	- World Intellectual Property Organization
WTO	- World Trade Organization

Chapter I: Introduction

1.1 Background of the Study

Following years of negotiations, Nepal was offered WTO Membership in September 2003 during the fourth WTO Ministerial meeting at Cancun, Mexico. It became the 147th Member of the WTO on 23 April 2004 after ratifying the Membership. The WTO Agreements cover a wide range of areas in the sphere of economic policy and a host of topics, ranging from trade in goods and in services to intellectual property rights. The Membership is viewed as a source of opportunities and challenges. In this context a commonly asked question is the implications it has on the economy of Nepal. All WTO Agreements, Decisions and Understandings have some impact on every aspect of nation. And there are some Agreements that have a more direct bearing on it. As such, one of the vital portions of Nepalese Agriculture 'TEA INDUSTRY' also lies under the effect of global trading agreements.

The government plans and policies recognize that tea is an important export commodity of Nepal and that it has high potentials to contribute to national income, employment and environment protection. Nepalese teas come in two main categories: orthodox/green (leaf) tea and black tea/CTC tea. The former is produced in the hills for export, while the CTC tea produced in the Terai is mostly for domestic consumption. However, the orthodox tea is produced in limited quantity due to some reasons like- lack of efficient technology as per the need of time and lower production volume.

The study mainly focuses on the trends of export and import of Tea in Nepal. It also analyzes the WTO-related issues affecting promotion and export of Nepalese tea and outlines the opportunity and challenged by this sector at the present time.

1.2 Nepal's Membership into the WTO:

The World Trade Organization (WTO) is the only international organization dealing with the global rules and regulations regarding trade among the nations. It ensures that trade flows as smoothly, predictably and freely as possible. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War, in

January 1948. The WTO came into being on 1 January 1995 after the abolition of GATT ending its 47 years long existence. The General Council on 18 December 2007 approved Cape Verde's membership of the World Trade Organization (WTO). Also, the General Council on 5 February 2008 paved the way for Ukraine's membership by approving its terms of accession. With these decisions, the WTO's membership is set to reach 153 at the present.

In this globalized world, countries are directly and indirectly interrelated in terms of trade. A nation can't stay silent on the internal trade policies, rules and regulations adopted by another. Since only the bilateral and regional trade agreements are not sufficient to Nepal, a LDC member to keep the pace of development, so it jumps into the multilateral trading arrangements. As such, Nepal being the member of WTO, has invited both opportunities and challenges in the field of agriculture. Nepal felt the necessity of a International forum where it raise it's voice against its trade related resistances only in 1989, after facing the 'economic blockade' by India. As such, the significance of the WTO has increased which ensures that trade flows as smoothly, predictably and freely as possible among the nations. The WTO is rapidly establishing itself as one of the most important international agencies. In the ongoing trend of global competition, the nations are competing in the international market and trying to be benefited to the large extent, through the accession to the WTO and bounding to multilateral trading system. The member countries of the WTO can get the competitive benefits. However, it is very must to be more competitive to grab the opportunities created by the WTO. The countries can take benefits from lower range of tariff rates, resolution of disputes, free trade, provision on intellectual property rights, investment, trade negotiations, trade related rules and regulations etc. Though the member countries can get the competitive advantages through entering the WTO, there are some both negative and positive implications.

Since the WTO Agreements and rules & regulations have impact on major industries and their production and its import-export, there are some Agreements that have a more direct bearing on it. These include the Agreements on: Agriculture (AoA); the Application of Sanitary and Phytosanitary Measures (SPS); Technical Barriers to Trade (TBT); and Trade-Related Intellectual Property Rights (TRIPS). Other important Agreements include those on trade remedy measures. One challenge for a WTO Member is to fully understand the meaning of all these Agreements from both legal and trade perspectives. This is essential for taking full advantage of the new trading opportunities created by the WTO

Membership and for defending own trade interest. All in all, there is a great deal of homework and preparations to do. Therefore, it is vital while to take initiatives to prepare itself for the challenges in the post-accession period.

1.3 Introduction of Nepalese Tea Industry:

The tea industry started in 1863 in the Himalayan area with the first factory for processing built in the district of Ilam in 1878. Although tea was known as a commercially viable crop, it was not identified as export commodity until 1982 by the government. Some major districts known as tea estates were Jhapa, Ilam, Panchthar, Terhathum and Dhankuta of eastern Nepal. From then onwards, the Government provided assistance to the tea growers and processor in a modest way for its development. The industry began to be more organized and recognized as a potentially significant sector with the government promoting the establishment of the Nepal Tea and Coffee Development Board Act in 1993 and setting up of the Tea Board. A National Tea Policy was introduced in year 2000 to support the growth of the sector. The Government divested their holdings so that the private sector would become the engine of growth for the industry envisaging that tea would be one of the major crops for poverty reduction in the rural and Hill areas and become a significant export earner. Against this background, there has been a significant increase of export in quantity and value of tea over the past years.

Nepal produces two types of tea: orthodox tea in the hills from Chinese clones and CTC tea in the plains from Assamese-variety plants "Orthodox" and "CTC" refer to two different types of tea-processing methods. Orthodox tea is leaf tea, has a good aroma and gives mild liquor. It is the premium variety. CTC is 'curled leaf' tea and gives strong liquor without much aroma. It is a mass consumption item. The distinction is, however, in the processing of the green leaves, not in the leaves themselves or in the locations in which they are grown.

Since Nepal has diversified weather conditions and soil composition, tea is grown in two significantly different agro-climatic regions, in the Terai and the hills. It is a seasonal crop with no harvesting in the cold period. The first flush leaf comes out in May/June and followed by the second flush. The rainy period starts in July and teas processed at this time are relatively lower in quality. Again in August/September, the leaf improves with good sunshine and dry winds to give the Autumnal teas with better quality. The

tea produced in the Terai region originates predominantly from clone bushes, which are very similar to those of the Indian Siliguri region, and producing similar CTC type of tea. Though there is no exact data available, the huge quantity of green leaf goes to Indian factories across the border. Benefiting from the varied agro-climate, tea plantations in Nepal have comparatively young bushes with 29% of smallholder farmers owning bushes less than 5 years old. The bushes are grown both from clones and seed stock varieties. And it is significant to enable the producers to capitalize on these natural conditions to increase, diversify product range, and improve on quality with proper application of new developments using modern technology. However, these aspects have not been addressed by the vast array of authorities, organizations, associations and local bodies involved in the tea business.

Orthodox tea grown in the hill regions mainly from seedling varieties is very close to the Indian Darjeeling type, the processing too, being similar. With tea growing areas very close to each other, across the borders of the two countries, the plant material used come from the same mother bushes and clones. As the machinery used for processing being the same supplied by Indian manufacturers, the final product range of Orthodox tea is similar. Over 90% of the produce is exported to India officially/unofficially whilst the small balance finds their way to international specialty tea markets in small parcels at attractive prices. A guesstimate, based on available data indicates that approximately 17- 20 million kgs of green leaf from the hill areas find its way to Indian factories in the Darjeeling area.

There is an engagement of a large number of small holder farmers in growing tea in both terai and hill areas. As per NTCDB, they account for 26.5% whilst the bigger estates produce 73.5% of CTC tea, at the present. Over 30,000 people are directly involved in the industry with a large percentage being rural women. Therefore this industry has the potential to empower rural women through poverty alleviation and has become the focus of attention of many NGOs and INGOs. Eastern Nepal Alone, there are more than 6500 small family farms¹. The area under tea cultivation is estimated 16420 hectares of land comprising more than 85 tea estates with more than 7500 small farmers attachment scattering over different places of the country and mostly concentrated in eastern Nepal². At present, tea cultivation has been extended in different districts from Jhapa in terai region to Ilam, Paanchthar, Dhankuta, Terhathum,

¹ Tea & Coffee Trade Journal. Vol. 178/No.4. April 2006, Page No. 85.

² NTCDB

Sankhuwasabha, Bhojpur, Dolkha, Ramechhap, Solukhumbu, Sindhupalchowk, Nuwakot, and Kaski in the western Nepal.

1.4 The Global Tea Market

The production of tea in the world has been increasing due to its growth in consumption and expansion of export market. The world tea production was 3,420 million KG in 2005. And its trend is up going. The first bigger producer is China with production of 935 million KG and second is India producing 928 million KG.³ Asian nations count the more in global tea production and export. According to International Tea Committee Statistic Yearbook, the origin countries retain nearly 100m kgs additional, from their increased production, for growing domestic consumption annually. Calculated figures based on per capita consumption, indicates an annual increase of around 1.5%, which is about 21,000 MT. However it must be noted that in the Middle East, and Near East, tea consumption is very high and increasing at 3.5% or higher whilst in the highly populated Asia it would similar.

The production figures indicate a rate of expansion and growth at 3.29% per annum, which reflects an official increase of 110,000 MT. The increased quantity retained in all producer countries is calculated at 94,000 MT annually thus indicating a figure of 5,000MT shortfall from the calculated 21,000 MT to supply the world non- producing consumer markets only. It can be safely assumed that there would be an annual shortfall in production to meet the demand much more than the data indicates of 5,000MT.

The current world export is 1,563,199 million kgs (incl. re-exports) produced in 12 Asian, 13 East African, 4 South American countries together with some smaller producers⁴. FAO's recent projections show that world production of tea would be 3.3 million tones by 2010 - black tea growing at the annual rate of 1.2% and green tea by 2.6% . From a global perspective Nepal is still one of the smallest players representing two tenths of a percent of global production. Also as a producer of orthodox tea Nepal is a small player. The world tea producers are broken down into CTC and orthodox teas. Orthodox production is in smaller volume, especially in Africa, but the opposite in the case of producers like Turkey, Indonesia, Sri Lanka and Vietnam.

³ Tea A Tea. Annual Journal 2065.

⁴ COMTRADE. April 2008.

Pakistan is an important buyer of CTC tea from Nepal and is in fact the world's second largest buyer of bulk packed black tea. Pakistan's imports in 2006 were up from 2003 and mainly in value. Pakistan buys most of its tea from Kenya/other East African producers meeting 61% of its import requirements in 2006. In 2005 Pakistan's imports peaked significantly higher than other years, East African producers, mainly Kenya met this supply requirement with 72% market share in the same year. Pakistan is clearly an attractive market for Nepalese CTC exports and Nepal also enjoys a 10% tariff advantage under SAPTA over Kenya. Strong growth in imports of black tea in bulk is occurring in Middle East, in countries such as Iran, Saudi Arabia, Syria, UAE, Egypt and Jordan (likely to be importing on Iraq's behalf) and CIS countries like Ukraine and Kazakhstan.⁵

In 2005, India's Production of 8,61,300 tons of tea accounted for 28% of the world total and consumption at 6,35,400 tons accounted for 22.4 % of the world total. Tea penetration is at 93% in India.⁶ India is the world's largest tea-drinking nation. However, the per capita consumption of tea in India remains a modest 750 grams per person every year due to the large population base and high poverty levels.⁷

1.5 Nepal's Position in the Global Tea Market:

Nepal being located between the two bigger producers and marketer of the tea, India and China, has a small space in the global context. Though there is a great possibility of expansion of the market in coming days. Nepal tea industry is very vulnerable due to their dependency on one major market – India, for over 90% of their orthodox and nearly 40% for the CTC teas.⁸ Therefore any changes outlined above which affects this one outlet causes severe price fluctuations. The dependency on India as a trading partner for tea has increased tremendously in the past 5 years, which further illustrates Nepal's vulnerability. It is therefore imperative that their agricultural produce as well as expansion of their international markets be diversified.

Over 90% of orthodox tea processed is sold to India through official and unofficial channels. Reportedly, nearly 60% of the CTC tea is sold in the domestic market whilst nearly the total balance goes to India. There is

⁵ Commodity Trade Journal, 2007

⁶ Tea & Coffee Asia: Going Green. Journal. 1 Quarter 2008. Volume 10. No. 1. Page No. 52

⁷ www.wikipedia.org

⁸ Trade and Export Promotion Centre (TEPC)

some interest now coming from Pakistan with about 10% exported in 2006.⁹

Though Nepal has been affected by its political instability and conflict, tea industry has played significant role. However, in spite of all difficulties, tea is the only area where export is increased by 17% and plantation by 21 % per annum.¹⁰

According to Trade Development Alliance (TDA), export order for Nepalese tea through Himalayan Orthodox Tea Producers' Cooperative (HIMCOOP) increased from 26575 in 2005 to 41,965 in 2006 i.e. almost by 58%.

Major Countries Importing Nepali Tea through blenders and direct consumers are Germany, Hong Kong, USA, UK, Austria, Japan, France, Norway, Australia, India, Denmark, Holland etc. All Nepali Tea Companies that export teas are 100 percent organic; all are certified by NASAA, Australia, which is accredited to IFOAM and AQIS. Teas are produced from pure agricultural soil, biologically and ecologically balanced methods. No wonder Tea awards are lined up for Nepalese Tea. Guranse Tea wins China Expo 1999 award for superb taste, aroma, infusion and character.¹¹

The National Tea Policy announced in the year 2000 has provided some policy guidelines to boost this sector with the extremely ambitious aims of reaching a total plantation area of 40, 875 hectares by 2005 (currently just over 9,000 ha) and 46 million kg of annual tea exports by 2010. The policy also provides for long-term leases on State land for tea cultivation.

1.6 Implication to Tea Sector by Membership into the WTO:

After a long waiting, Nepal became member of WTO since 23 April 2004. It has thereby taken an important step to be integrated with the global economy through the multilateral trading system. As such, Nepal has bilateral agreements with individual nations, entered into regional agreements like SAARC, SAFTA, BIMSTEC etc, and finally multilateral agreements under the roof of WTO. It is expected that WTO membership

⁹ TEPC

¹⁰ Tea & Coffee Trade Journal. Vol. 178/No.4. April 2006, Page No. 85

¹¹ www.intracen.org

enhances Nepal's capacity and capability to be more competitive in trade through policy and legislative reforms to attain an overall increase in trade efficiency and effectiveness. As an LDC, Nepal was allowed a transitional period until 1 January 2007, in order to bring its foreign trade regime into full consistency with the WTO Agreements on Customs Valuation, TBT, SPS and TRIPS. And now practicing the laws and regulations tied up with WTO.

After the WTO membership there is legal right not to be discriminated against in its trade with the other members of the organization. The principle of non-discrimination, which is especially important for a country's exports, is laid down for the most favoured nation (MFN). Progressive liberalization of trade through successive negotiations has led to lower (or zero) import duties, and thus increased export opportunities, especially in developed country markets. The Agreements on Technical Barriers to Trade and on Sanitary and Phytosanitary Measures ensure that such requirements do not create unnecessary obstacles to international trade and provide certain rights to exporters. It is a challenge to Nepal to meet the WTO obligations by participating fully in the multilateral trade negotiations and make adjustments to our own trade policies and rules. As per commitment, Nepal still has to amend and adjust acts and policies.

As it has impact on the overall trading system and import/export business of the nation, Nepalese Tea industry do not remain isolated from its impacts. Mainly the impact on export of Nepalese Tea is studied in detail in this report. The study also analyzes some provisions under the WTO, affecting tea sector.

1.7 Statement of the Problems:

From the preliminary review, it is known that there are so many problems underlying in the Nepal's Tea Industry. Some are common and some are specific. The obstacles facing the industry also include the export barriers and lack of proper development of technology leading higher cost of production. There is difficulty in competing in the international market. Though there is high potentials for the productions and export marketing of tea as Nepal has suitable topography and environment, there are various factors affecting this sectors.

This study mainly focuses on the following research questions: -

1. How is the present scenario of Nepalese Tea Export Market?
2. Does Nepal's Membership into the WTO affect the tea industry favorably or adversely?
3. What are the Challenges and Opportunities underlying in the Tea Industry?

1.8 Objectives of the Study:

The broad objective of the study is to shed light on the problems of Nepalese Tea Industry in the course of export its products. Side by side, it analyzes implications created by WTO in the sector and to underline the opportunities and challenges it faces in the present scenario. Hence, the objectives of this research can be outlined as below:

1. To find out the current trends of import and export of Tea in Nepal.
2. To Assess the WTO-related Issues affecting to Tea Industry.
3. To analyze the Opportunities and Challenges for Tea Sector in the context Nepal's membership into the WTO.

1.9 Need and Scope of the Study

Nepal being an agricultural country and the member of WTO, there is a great potential for agro-trade in global scale. The topography of country also let opportunity to grow and market varieties of agricultural products. Among them, Tea has become vital production due to the development in this sector throughout its very short history. There has been large portion of farmer engaged in this sector to reap benefit from this sector. Moreover, main prospective is its export to the international market for its further development and increment in national income. However, there are many possibilities as well as obstacles created by multilateral agreements under the global trading system of the WTO. There are many issues like transit & duty obligations to competitiveness in the international market for Nepalese tea. Hence, there is need of the study to know the effects of all these issues in Nepal's tea sector to find out the opportunities and challenges in the current scenario. Therefore, it is felt necessary to

examine the some of the problems to be identified that can be overcome for its development.

As the study mainly focuses on the export of Nepalese tea to the international market, it would cover the barriers and possibilities in export business of tea in the post membership period into the WTO. The study includes the area of Tea only leaving the Coffee, though tea and coffee are correlated with similarities in many ways. The research is based on the data of national import and export of tea with its trend analysis. It also gathers the WTO-related issues affecting its export to foreign market.

1.10 Significance of the Study

In the of age globalization, every nation depends to others directly and indirectly in terms of trade. One country can not remain silent on the internal trade policies, rules and regulations adopted by another. Only the bilateral trade relations are not sufficient to LDCs to keep the pace of development. So, almost all countries are ready for bilateral, regional and multilateral trading arrangements. Nepal being the member of WTO, has invited both opportunities and challenges in the field of agriculture. Since the Tea industry is vital part of Nepalese agriculture, it considers to take further steps in the development and promotion of this sector in the international market. There requires the inspirational role from every side of the stakeholder to increase its export and develop market globally. The study is useful to achieve these common goals of the industry to some extent.

This study is helpful to those stakeholder involved for the development and promotion of export in Tea sector in Nepal. It analyzes the various issues related with WTO that directly and indirectly affects the industry. It significantly helps to policymaker to grassroots level farmer who are engaged in this sector for their hands to mouth.

Since it tries to make clear the current trends of import and export of Tea to foreign market, it helps to business men to forecast its market in some coming years. It also grants the opportunity to the tea industrialist and businesspeople to estimate the production as per the demand in foreign market. Basically, its attempt is to know the trend of export of tea, which can help to further promotion of this product and take necessary actions by the authorities concerned.

This research gives knowledge of the present situation facing by the industry for the different stakeholders like government, businesspeople, producers, and farmers engaged in grassroots-level. The study also suggests the necessary recommendation for the decrease and/or eliminations of the deviations found and advices to improve the condition in the context. The findings and recommendations of the study may be suitable to the all stakeholders. It is also important work for the national policymakers who formulate the favorable and harmonious rules and regulations under the WTO framework ensuring benefit for the stakeholders in the tea business. The study might help government to take necessary steps to further promote the tea industry and increase the national revenue from the export. It is anticipated that the study assists to reduce the problem facing the tea industry and increase the competitiveness of Nepalese Tea in the international market.

1.11 Limitations of the Study

The followings have been limitations of the study:

1. Although effort has been made to make it biasfree as far as possible, due to based on secondary information, there is uncertainty of complete & accurate outcomes.
2. Available data and information relying on secondary source may be insufficient and to be updated.
3. All the respondents for this study has been taken from only Kathmandu Valley.
4. Only some of the variables like SPS Measurement, Standards, Technical Regulations, Geographical Indications, Tariff effect, Impacts etc. have been taken in consideration in 'WTO Related Issues'.
5. Though Tea and Coffee goes side by side, the study covers only 'Tea Sector'.
6. Limitation of time and budget factors.

1.12 Organization of the Study:

The study has been organized in the following scheme:

The first chapter contains the introductory part with background of the study, objective of the study, need & scope of the study, significance of the study, Nepal's membership into the WTO, Introduction of Nepalese Tea industry, The global tea market, Nepal's position in the global tea market, and Implications to the tea sector by the membership of the WTO.

The Second chapter includes the Review of Literature with conceptual review and reviews related to subject matters.

The third chapter involves the research methodology: research designed used, data collection methods and sources, methods and tools used in the interpretation and analysis of gathered information.

The fourth chapter consist of various data presentation and analysis. It examines the import-export trends of Nepalese tea.

And the chapter five mentions the summary, conclusions and recommendations based on this research.

Chapter II: Review of Literature

2.1. Conceptual Review:

Tea is an infusion made by steeping processed leaves, buds, or twigs of the tea bush, *Camellia sinensis*, in hot water for several minutes. The processing can include oxidation, heating, drying, and the addition of other herbs, flowers, spices, and fruits. The four basic types of true tea are:

- Black tea: Fermented Tea
- Oolong tea: Semi Fermented Tea
- Green tea: Unfermented Tea
- White tea: Unoxidized Tea

Tea is traditionally classified based on producing technique¹²:

Yellow tea: Un-wilted and unoxidized but allowed to yellow

Green tea: Wilted and unoxidized

Oolong: Wilted, bruised, and partially oxidized

Black tea/Red tea: Wilted, crushed, and fully oxidized

Post-fermented tea: Green Tea that has been allowed to ferment/compost

White tea: Un-Wilted and unoxidized

The term 'herbal tea' usually refers to infusions or tisane of fruit or herbs that contain no *Camellia sinensis*¹³. The scientific name of tea is *Camellia Sinensis* (L) O Kunze.

There are mainly three grades of tea¹⁴:

1. *Camellia Sinensis*: Chinese Type
2. *Camellia Assamica*: Assami Type
3. *Cassamica* ssp *Lasiocalyx*: Cambod Type.

Tea is one of the most widely-consumed beverages in the world, second only to water. It has a cooling, slightly bitter, astringent flavor. It has almost no carbohydrates, fat, or protein. The word tea came into the English language from the Chinese word for tea, which is pronounced *tê* in the Min Nan spoken variant. The British English slang word "char" for "tea" arose

¹² <http://en.wikipedia.org/wiki/Tea>

¹³ *Camellia sinensis* is an evergreen plant that grows mainly in tropical and sub-tropical climates. However, it is commercially cultivated from the equator to as far north as Cornwall on the UK mainland

¹⁴ Tea A Tea Journal. 2065. P 5.

from its Mandarin Chinese pronunciation "cha" with its spelling affected by British English arhotic dialect pronunciation.¹⁵

The type of tea produced in Nepal is the Black Tea. There are two types of black teas:

1. **Orthodox Tea:** Orthodox tea is leaf tea, has a good aroma and gives mild liquor. It is produced in Ilam, Panchthar, Dhankuta, and other hilly districts. It is the premium variety. The major destination of the Nepalese orthodox tea are Europe, America and Japan.
2. **CTC Tea:** CTC is abbreviation of 'Cut Tear and Curl'. It is 'curled leaf' tea and gives strong liquor without much aroma. Jhapa is the only district produces the CTC tea in Nepal. It is a mass consumption item.

Nepal produces orthodox, also named as the Himalayan Orthodox Tea only for export purpose. Nepali Tea estates and gardens are the immediate neighbors of the mighty Himalayan Range. Nepali Organic Orthodox Teas are First Flush (FTGFOP I), STGFOP I (Silver Tippy Golden Flowery Orange Pekoe). The naming system tells us about the tea's color, shape, size, aroma and and a whole lot and more:

- S - Silver
- T - Tippy
- G - Golden
- O - Orange
- P - Pokoe
- B - Broken
- W - Wiry
- I - First Flush, and II - Second Flush

Based on grades, Nepal has Orthodox Teas like TGFOP, GFOP, FOP, OP, BOP and P.

The system of consuming tea differs according to facilities, economic standard and habit of drinking. The systems are as under:¹⁶

- I. Iced Tea – USA
- II. Fruit Flavored Tea – European Countries

¹⁵ www.wikipedia.org

¹⁶ Sharma, M.R. Problems of Nepali Tea. Tea A Tea, 1999.

- III. Foamy Tea – Taiwan
- IV. Herbal Tea – China and USA
- V. Instant Tea – USA, France, UK, Germany

Other Teas are also slowly being produced and marketed such as Nepalese Green Tea. Nepalese Tea bushes are grown at high altitude ranging from 3,000 feet to upto 7,325 feet. All Nepalese Tea Companies that export teas are completely organic; produced from pure agricultural soil, biologically and ecologically balanced methods. CTC teas are grown in Terai region of Nepal while Orthodox Teas are grown in Hill regions. CTC teas are mainly consumed in the domestic market as it is cheaper to produce while Orthodox Tea takes more time and money to produce hence are more expensive than CTC Teas.

2.1.1. A Brief History of Tea Development in Nepal

Tea cultivation in Nepal was initiated with the establishment of Ilam Tea Estate in the Hills of Ilam District in 1863 and Saktim Tea Estate in the plains. While Colonel Gajraj Singh Thapa, son-in-law of the Rana Prime Minister, Jung Bahadur, was on a tour of Darjeeling, was impressed by the sight of the young tea plants and the tasty drink he was offered everywhere he visited. So upon his return he determined to grow the beverage in his own. He soon set up two plantations - the Ilam and Saktim tea estates, 103 acres each - and so Mr. Garjaraj Singh Thapa is the remarkable name in Nepalese tea history who planted tea first time in Nepal¹⁷. It's the same geographical and topographical conditions with a open border to Darjeeling in India. The first production of Nepalese tea was Orthodox. And for more than 100 years, Nepal's tea industry remained largely under government/ruling class domain.

Over the years, Nepal's tea industry has grown steadily. In 1920 there were only two estates occupying 233 acres producing a little over two tons. Today's tea gardens are situated at an elevation ranging from 3000ft to nearly 7000ft above sea level producing some of the most exquisite teas in the world. With the objective of overall development and promotion of the tea, Nepal Tea Development Corporation (NTDC) was established in 2023 BS. This led to the further expansion of the tea estates and development of tea after establishment of 5 more tea states in Ilam and Jhapa with 951 hectares area of total 7 tea estates¹⁸. Later in Shrawan of 2057 BS, all the

¹⁷ <http://www.gshaly.com/teas/nepal.htm#>

¹⁸ Tea A Tea Annual Journal 2065.

tea estates under NTDC, were privatized. Buddhakaran Tea Estate established in 2016 BS in Jhapa in the first private sector's tea estate in Nepal. After the initiation of Small Farmer Tea Project in 2035 BS, the professional tea farming had started. Late King Birendra declared the five districts i.e. Jhapa, Ilam, Panchthar, Terhathum and Dhankuta of the eastern development region as 'Tea Zone' in 1982.¹⁹ From the government side, Nepal Tea and Coffee Development Board (NTCDB) has been established in 2050 BS for the promotion and development of the tea sector. Now there are many other private associations like HOTPA, HIMCOP, TDA, NTA etc.

Nepal offers a diverse range of teas including seedling and clonal varieties. Greens and blacks are mostly manufactured in CTC style however, Orthodox styles, with a very few gardens producing organic and Fair Traded teas are becoming increasingly more prominent. The high altitudes of the Himalayas and the close proximity of Darjeeling across the Indian border means Nepal teas have Darjeeling-like characteristics. Of unique distinction to Darjeelings, Nepali tea liquor can be darker and typically offers a more delicate and very lightly sweet flavor.

With reform in the early nineties, Nepalese tea is became grown by primarily by small holders unlike tea grown in some other countries. The benefit of small producers is artisan quality and care. However the challenges of lack industry infrastructure and dependence on exportation out of Calcutta have produced challenges that have limited the ability of Nepal teas to gain consistent access to international markets and to protect their unique identity.

To better improve the opportunities of these small tea farmers and others working in the Nepal tea industry, national and international organizations have emerged to support and provide broad-based foundations for long-term growth, economic self-reliance and on-going social-programs development. For example, Winrock International helped established the Himalayan Tea Producers Cooperative Limited (HIMCOOP) in 2003 to meet the needs of improving international market access, promoting self-sustainable agricultural practices and developing international trade networks, along with many other projects to increase the production of high-quality tea and effectively bring it to market. Cooperative funds range in use from acquiring irrigation equipment to supporting labor issues like the empowerment of women and banning child labor.

¹⁹ www.teacoffee.gov.np

2.1.2 Current Situation of the Nepalese Tea Industry:

Tea business is emerging as a potential export item of Nepal. Its cultivation has been extending in a commercial way under active participation of the private sectors with small holder farmers. The climate for tea growing in Nepal has no problems. The involvement of private sector is encouraging, the role of tea marketing actors is excellent, and the tea policy is also farmer-friendly. Despite all that favorable condition, one cannot guarantee the fulfillment of set target of tea production. The export promotion of international markets is a big challenge as Nepal is not the only one country that produces and exports the tea.

The area under tea cultivation is estimated to be 16420 hectares of land in 2006/2007. There exist total 134 tea gardens with 40 processing factories. Among them, 25 processing factories are for CTC, and rest 15 processing factories are from Orthodox tea. There are more than 85 tea estates scattering over different places of the country and mostly concentrated in eastern Nepal. At present, tea cultivation has been extended in different districts from Jhapa in terai region to Ilam, Paanchthar, Dhankuta, Terhathum, Sankhuwasabha, Bhojpur, Dolkha, Ramechhap, Solukhumbu, Sindhupalchowk, Nuwakot, and Kaski in the western Nepal as well.²⁰

As per government statistics, tea production for the year 2006/2007 has been 1,51,67,743 KG²¹. Nepal has been instantly observing "Baisak 15" as a Tea Day since 1998 in order to back up the tea farmers, traders, industrialists and the stakeholders to extend and to develop tea sub-sector in Nepal. The government has also introduced national tea policy in 2000 with a goal of creating employment opportunities and export promotion through private sector involvement in order to increase production and to develop tea-processing units in Nepal.

Orthodox tea and CTC tea are the major tea produced in Nepal. Out of the total tea production, Orthodox is only 30% and CTC is 70%. Bigger portion of the CTC tea is consumed in domestic market and a few quantity is exported to India and Pakistan. However, there is very low consumption of Orthodox tea in Nepal due to its higher cost in comparison with CTC. Only 5% of total production of orthodox tea is consumed in Nepal²². The demand for Nepalese tea in international market is increasing. As per

²⁰ Tea A Tea. Annual Journal 2065.

²¹ Tea A Tea. Annual Journal 2065.

²² Information provided by HIMCOP.

official statistics, export for 1996/97 has been NRS. 2,26,17,000 and has increased to approximately 40,00,00,000²³ for 2006/07. The price offered by Pakistan is lower than the price that prevailed in domestic market of India is the key factor behind declination of tea export in Pakistan. Nepal has started to export green tea to overseas countries. International demand for Nepalese green tea seems to be increased in the days to come.

The government aims at producing 36 million kg of CTC tea by the year 2010-11 B.S., from which 600 to 650 thousand kg will be available as surplus to export. Similarly, the target fixed for orthodox tea production within the year 2010-11 B.S. will be above 16 million kg.²⁴

There are currently 7,593 farmers engaged in the tea industry counting 6,722 in Orthodox and 871 in CTC. In the orthodox tea production, 60.88% of the area is belong to small farmers claiming 66.78 % of the total production of the orthodox. There are some 40,000 employees engaged in the tea industry.²⁵ The dependent family members of the small holder farmers comes to be 37,965.²⁶

In the absence of advanced and well-equipped processing technology and lab facility, portion of planted leaf tea is directly exported to India. In fact, the high quality leaf tea is being exported in cheaper price unfortunately. Due to the lack of expertise in export marketing, the processed tea is also exported through India to international market.

Competitive market, quality products and agreement made on WTO are major challenges to the Nepalese tea stakeholders. Provided that these challenges have been well addressed and be formulated the policy as per international scenario, the future of tea industry in Nepal is very bright. Development of this sector helps not only the farmers and the stakeholders; but also helps strengthening the whole national economy.

²³ Unpublished information provided by NTCDB.

²⁴ Tea Development Alliance E-news. Volume No.: 10/06 Bi-Monthly E-news October/November, 2006.

²⁵ Tea A Tea. Annual Journal 2065.

²⁶ Calculation is based on assumption of average 5 family member of each small holder farmer.

2.1.3 Major Actors in the Tea Industry:

There are dozens of organization and institutions associated to Nepalese Tea Industry. However, some of the active associations who contribute directly to the development and promotion of tea are as below:

Nepal Tea and Coffee Development Board (NTCDB)

To accomplish and simplify the cultivation and manufacturing of Tea and coffee, production of high quality and quantity, implementing modern technology and marketing management like Export and Import a solid rule and regulation was necessary to establish and run. The National Tea and coffee Development Board was Constituted on 2050/02/20 (1993/06/02 AD) under the NTCDB Act 2049 (1992 A.D.) by the Government. It's main objective is to formulate plans and policies for the development of Tea and Coffee at the national level and to strengthen the public, private and the small sectors involved in the Tea and Coffee industry.

The NTCDB assists in promotional work and has been willing providing some funding in the participation at exhibitions overseas in meeting part financing of the infrastructure with the participation of the Embassies. It also provides market information by gathering news in the tea scene globally. In the near future, it hopes to develop a website incorporating all the information useful to the trade which can be accessed by all within and outside Nepal. Furthermore, the NTCDB arranges seminars overseas and workshops to advice and train on tasting and marketing.

The Agro Enterprise Center (AEC)

AEC, which falls under the FNCCI, has been the most significant private sector agency providing institutional supports for the commercialization of agro-based product since past couple of decades. The AEC initiated its efforts in the tea sector by assisting entrepreneurs in providing information and undertaking necessary research for the overall development. Currently the AEC is continually supporting in launching various programs such as organization of trade fairs, trainings, workshops, trial productions, policy advocacy and lobbying, business plan formulation, etc.

Trade and Export Promotion Centre (TEPC):

This Government body is tasked with the function of providing support to the overseas export trade of all Nepal goods. There is no sector specific

specialist in their team who is able to assist in the promotion of tea. In order to contribute more to this commodity, which now has been identified as a primary export potential item, a member should be recruited to the staff, with the knowledge, and expertise following a training program as outlined below, from the same group. The selected person can be the one who should be given overseas exposure to serve the department.

Himalayan Orthodox Tea Planters Association (HOTPA)

HOTPA was established in 1993 to look after the producers and processors of Nepal orthodox tea. HOTPA was formed to develop and promote Nepal tea industry. In 2003 the marketing unit under the name of HIMCOOP was created to find export markets. A code of conduct was drawn up with international assistance with the aim of achieving the production of a quality tea. This was made official and implementation process commenced in 2006. A good measure of success has been achieved so far with the participation and cooperation of NGO's and INGO's with donor funding arranged by USAID and JICA. In 2004 an international event under the style of "Nepal Tea & the World" was conducted to make known the commodity to international buyers. HOTPA is a non-profit making association, which aims to develop orthodox tea industry in the hill region, motivating small landowners for plantation and promoting the tea market abroad.

Himalayan Tea Producers' Cooperative (HIMCOOP)

HIMCOOP is a marketing cooperative for a complete range of Nepali Himalayan tea. Established in 2003, in response to the need for consolidated professional marketing, it represents orthodox tea processors of Nepal. Over 15000 small farmer families with each small-holding of an average size of approximately 0.25 hectares sell tea leaves to the HIMCOOP member processing plants or process in their own cooperative factories. This is like marketing arm of HOTPA, assisting the producers in finding buyers overseas and effects shipments on their behalf for an agreed fee.

Tea Development Alliance (TDA)

The Tea Development Alliance, which comprises of AEC/FNCCI, HOTPA, HIMCOOP, NTCDB, SNV Nepal, GTZ/PSP, IDE, TEASEC, and Winrock International is a unique concept that promotes the interest of all stakeholders including smallholders. The composition indicates the focus

of development to be the orthodox tea sector, although as mentioned earlier, the CTC tea sector too, which is larger should be encompassed onto the alliance, as there is good potential for improvement to contribute more to the Nepal economy. This alliance, at present, is more focused on the improvement at field and factory levels with the introduction and implementation of the Code of Conduct, and eventually to obtain certification with GAP, GMP, and Fair Trade through an accredited agency in Nepal.

Nepal Tea Planters Association (NTPA)

This association, started in 1987/8, is concerned with the welfare of producers and processors, mainly of CTC tea. Their contribution would be to ensure a quality leaf is supplied to the processors to enable processing a good tea free of pollutants to assist the exporters to find markets without the difficulties of their contracts being rejected, thereby building credibility so that long term relationships can be built beneficial to all stakeholders. They have created a marketing section referred to as Planters Himalayan Tea Plantations Limited (PLANTEA) and are credited with introducing the Nepal CTC tea to international markets. NTPA was constituted with the ambition for the development of CTC tea industries.

Nepal Tea Association

Established in 1985, supports promotional activities of Tea packagers and traders with a combine strategy. This body of people involved in production and processing should assist in the same manner as outlined above for the NTPA.

2.1.4. Nepalese Tea Market

After the involvement of private sector, the tea industry in Nepal has taken a steady growth. As a result, there has been tremendous increment in the quality, marketing, production and productivity of the tea in Nepal. Yet, there are plenty of areas to be improved and strengthened for Nepalese tea to stand in the competitive world market.

Since, Nepal is already self sufficient for CTC tea and about 90 percent of the orthodox tea are exported to different countries; the time has come to enter into the world market. In achieving the desired benefit from tea business, the concerned stakeholders should now look into new marketing

tools and strategies in order to be the players in the international market. However, the present status of Nepalese tea export remains as a small share of only about 0.2 percent of the world's total tea export²⁷. The tea from Nepal has penetrated into several high-growth markets in the past and there is a huge potential for their growth in the world market.

Whereas from the total production of 1.6 million orthodox tea, 90% of it is exported to India whilst the small balance find their way to international speciality tea markets in small parcels at attractive prices. CTC tea being domestically demanded is mainly marketed within the country whereas the domestic market for orthodox tea is limited and it is mainly export oriented due to its demand and high value.

The scenario in expansion of CTC tea sector prevails that it will fulfil the national demand in near future and it will be surplus for export by coming years. Furthermore, the recently announced tea policy aims for the production of CTC tea up to 36 million Kg by the year 2010-11 from which 0.6 to 0.65 million kg will be available as surplus to export.²⁸ So, Nepal needs to start market promotion of CTC in the international markets, of which one of the probable countries would be Pakistan.

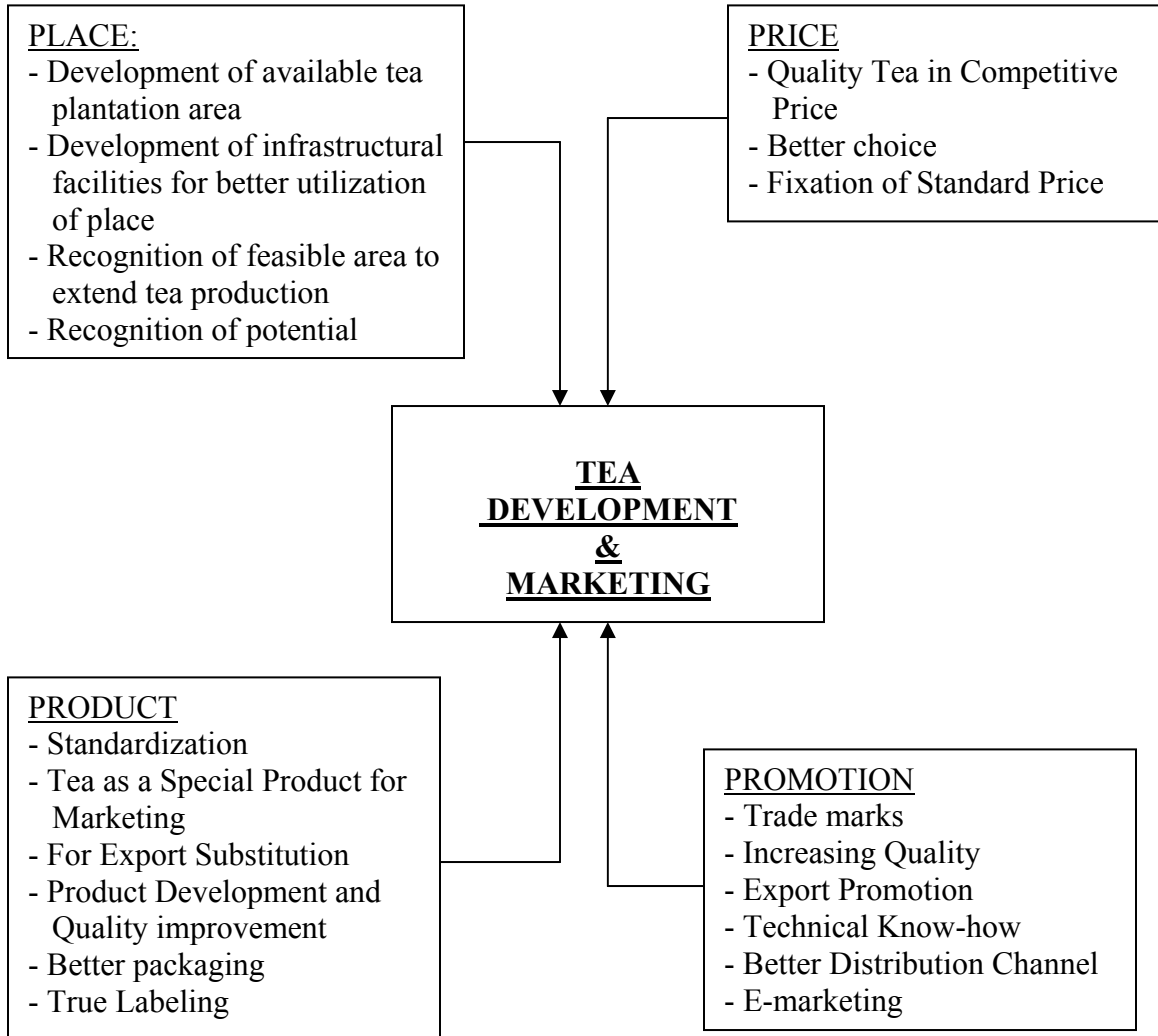
Similarly, the demand for orthodox tea in the overseas markets is increasing due to the increase in the health conscious and quality demanding consumers. Most of the orthodox Tea exports are destined to directly to Germany, Japan and US and other overseas destinations and also to India for its consumption and re-export. Also, the government has put forward an ambitious plan to increase the production level of orthodox tea more than 16 million kg within the year 2010-11, so the market prospectus and growth of this sector is promising too.

The private sector is continuously promoting the Nepal Tea in International markets particularly in Europe and Japan. And in order to capture the existing market and expand it further to enter as a niche product, Nepalese Orthodox tea manufacturers and processors are in the process of acquiring organic certification and in this course, two tea processors have already been certified as organic, which will also enhance the marketability of Nepalese orthodox tea in the international markets.

²⁷ Market Intelligence and International Standards for Tea & Pashmina. A Report by Nepal Chambers of Commerce. February 2008.

²⁸ Nepal Tea. Leaflet Published by Agro Enterprise Centre/FNCCI in March 2007

Chart 1: Conceptual Framework of Tea Development& Marketing:



The above chart shows various elements under 4Ps of marketing in the tea sector. The keys to successful marketing are always enclosed within the periphery of most essential elements of marketing i.e. 4Ps Place, Price, Product and Promotion. The correct strategies are to be formulated and implemented effectively. The study is carried on the conceptual basis of 4Ps in Tea Development and Marketing.

2.1.5. Plantation and Production of Tea in Nepal

The area under tea cultivation in Nepal in 2006/07 has more than 16,420 hectares of land consisting of more than 134 tea gardens and 40 processing factories and 832 metric ton of tea production²⁹. The tea produced here are mainly of two types namely CTC and Orthodox tea.

The following table make clear on the plantation and production of tea in Nepal: -

Table 1

Plantation and Production of Orthodox Tea and CTC Tea in 2006/2007

Parti- Cular	Orthodox			CTC			Total		
	No. of Farmer	Area Hec.	Prod ⁿ KG	No. of Farmer	Area Hec.	Prod ⁿ KG	No. of Farmer	Area Hec.	Prod ⁿ KG
Garden	-	2904	656600	871	6107	8684154		9011	9340754
Small Farmer	6722	4520	1320149		2889	4506840	7593	7409	5826989
Total	6722	7424	1976749	871	8996	13190994	7593	16420	15167743

Source: NTCDB

The above table indicates that the 7593 farmers so far have been engaged in orthodox tea production, among them 6,722 farmers are small farmer. Similarly 7593 farmers have been engaged in CTC production. Total area planted for the orthodox in 2006/2007 is 7,424 hectares and 8996 hectares for CTC. The total plantation area for the year has been 16420 hectares. Similarly, production of orthodox reached to 1976749 KG counting 656600 KG in gardens and 1320149 KG from small farmers. Total CTC tea produced for the year was 13190994 KG consisting 8684154 KG from the garden and 4506840 KG from the small farmers.

Table 2

Total Tea Production and Tea Plantation Area:

F. Years in BS & AD	Tea Plantation in Hectors					Tea Production in Kgs.			
	Private	NTDC	Small Holders		Total	Private	NTDC	Small Holder	Total
			Farmers	Area					
1996/97 2053/54	1685.2	937.6	2390	829.0	3501.8	180000	925942	180000	2905942
1997/98 2054/55	2192.0	937.6	2546	1385.4	4515.0	1946455	603136	468980	3018571

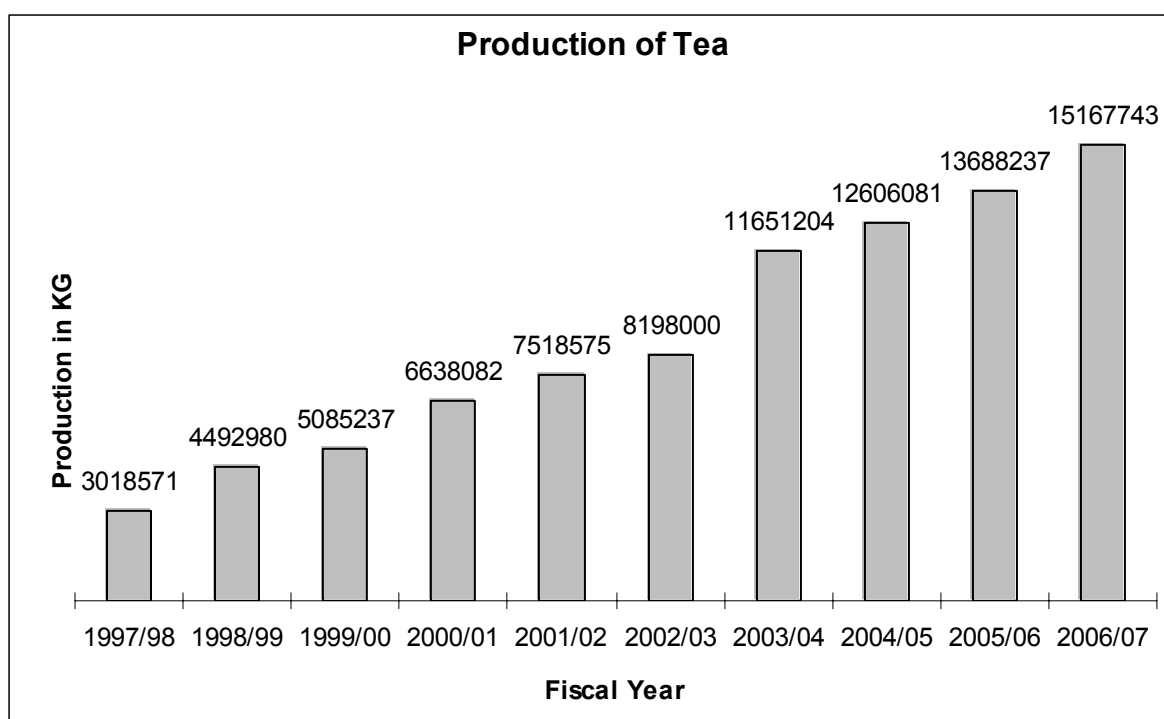
²⁹ This figure does not contain data of exported tea through India; in fact total export of more than NRS. 40,00,00,000 has been reported for the fiscal year 2006/2007 by NTCDB.

1998/99 2055/56	6073.2	937.6	2860	2050.0	9060.8	3777857	796881	418242	4492980
1999/2000 2056/2057	6073.2	937.6	4915	3239.0	10249.6	3577857	496881	1010499	5085237
2000/2001 2057/2058	8179		5310	3818	11997	5189579		1448503	6638082
2001/2002 2058/2059	8179		5575	4186	12346	5864720		1653855	7518575
2002/2003 2059/2060	8321		4314	12647	12643	6478000		1720000	8198000
2003/2004 2060/2061	8869		6252	6143	15012	7714669	-	3956535	11651204
2004/2005 2061/2062	8912		6854	6989	15900	7789893	-	4816188	12606081
2005/2006 2062/2063	8912		7154	7100	16012	8443907	-	5244330	13688237
2006/2007 2063/2064	9011		7593	7409	16420	9340656		5826989	15167743

Source: NTCDB

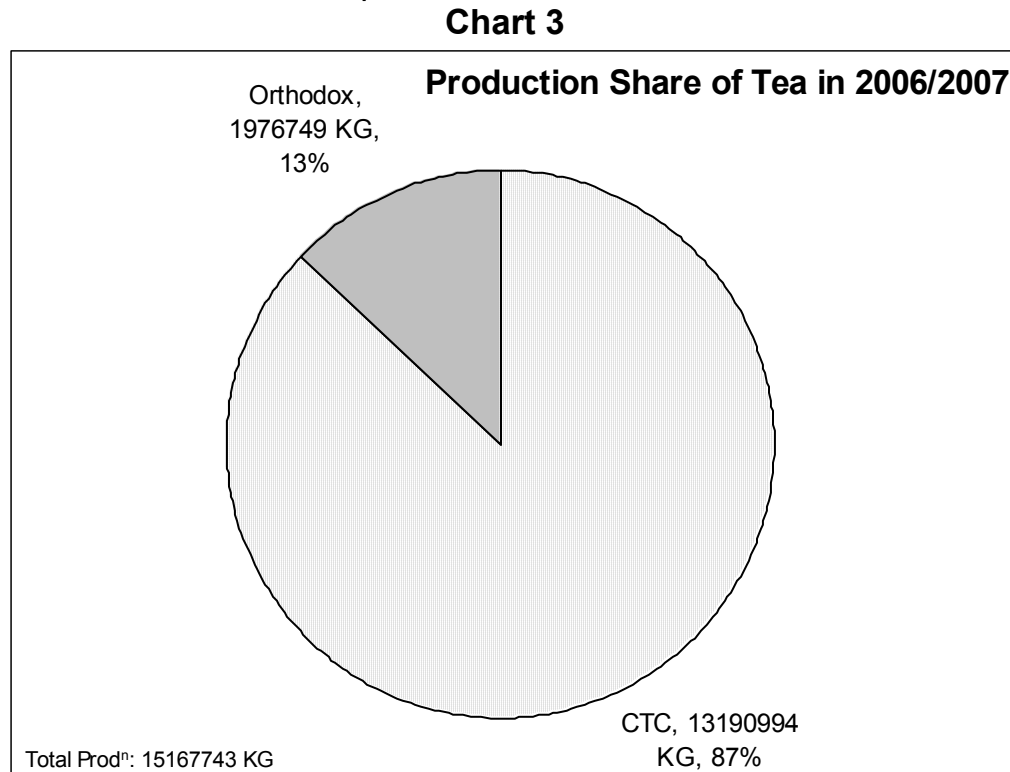
According to the above table, both the plantation and production of the tea from government sector and private sector has been steadily increasing. The total plantation of 3501.80 hectares in 1996/97 has reached to 16420 hectares in 2006/2007 comprising the government and the private sector.

Chart 2



The above diagram shows the increasing trend of tea production in Nepal.

As earlier stated, there are mainly two types of tea are produced. However, plantation and production of green tea has been initiated though in few quantity. The following pie chart shows the production share of the orthodox and CTC tea in Nepal.



Source: NTCDB

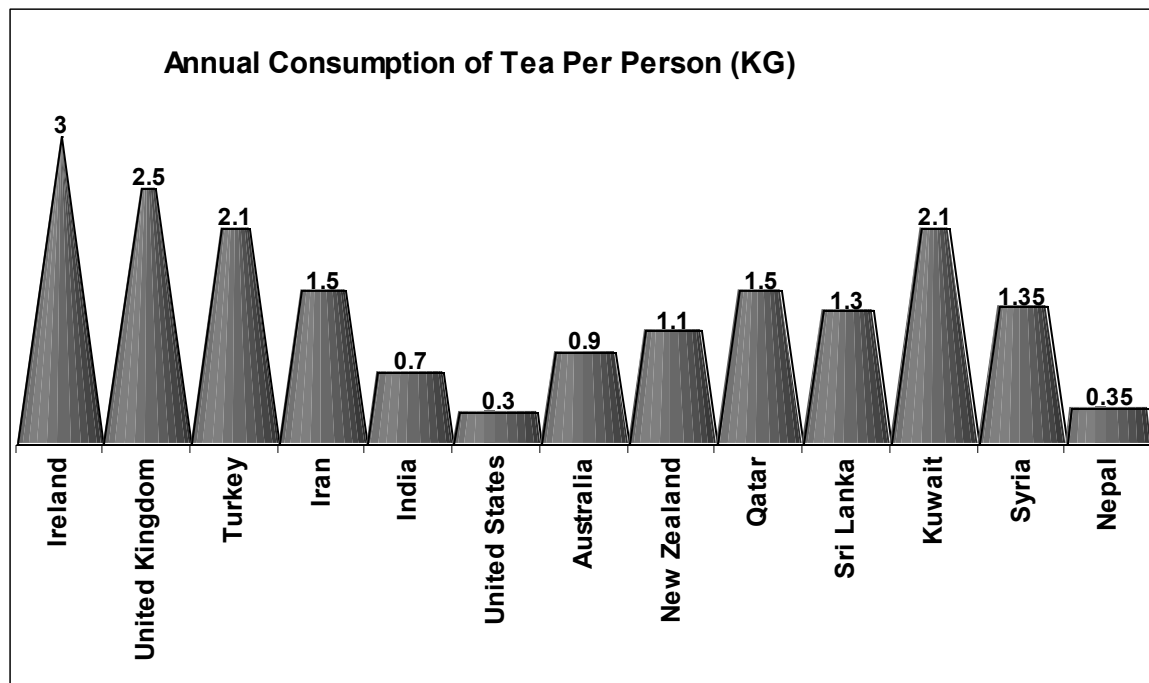
The above chart clearly shows the production share of Orthodox tea is very lower in comparison with CTC tea. Only 13% of total production is the orthodox and remaining 87% is CTC tea.

2.1.6. Consumption of Tea

Tea is one of the most demanding beverages for consumption in the world. The rate of consumption has been increasing due to economic growth and rising drinking habit. In aggregate, India is the world's largest tea-drinking nation; though per person consumption seems lower due to high population and deep poverty line. The domestic tea consumption survey has found the consumption of 2.42 cups in a day per person in Nepal. The

annual per capita consumption is 350 grams of Tea and the consumption based on projected population of 20 Million in the country is 8 Million KG³⁰.

Chart 4



Source: NTCDB³¹

If we observe tea consumption per capita on world's perspective, Ireland is in the highest position.

2.1.7. Import & Export of the Nepalese Tea

Nepalese tea industry has become vital due to its potential market in foreign countries basically European and American. But, currently the bigger portion of market is occupied by India in both terms of import and export. Nepal has imported tea costing NRS. 1,90,00,000 from India in 2006/2007³². It is the total import of tea for the year. There are several international destinations who imports tea from Nepal; and its trend is growing each year. The net export to foreign market other than India for the year 2006/07 has been NRS. 12,27,98,246.

³⁰ www.teacoffee.gov.np

³¹ The diagram is based on the data of tea consumption from the NTCDB website.

³² A Glimpse of Nepal's Foreign Trade. By TEPC. October 2007. Page No. 7

The following table shows the export of tea to various countries (except India) with type, quantity and amount.

Table 3: Export of Tea in International Market

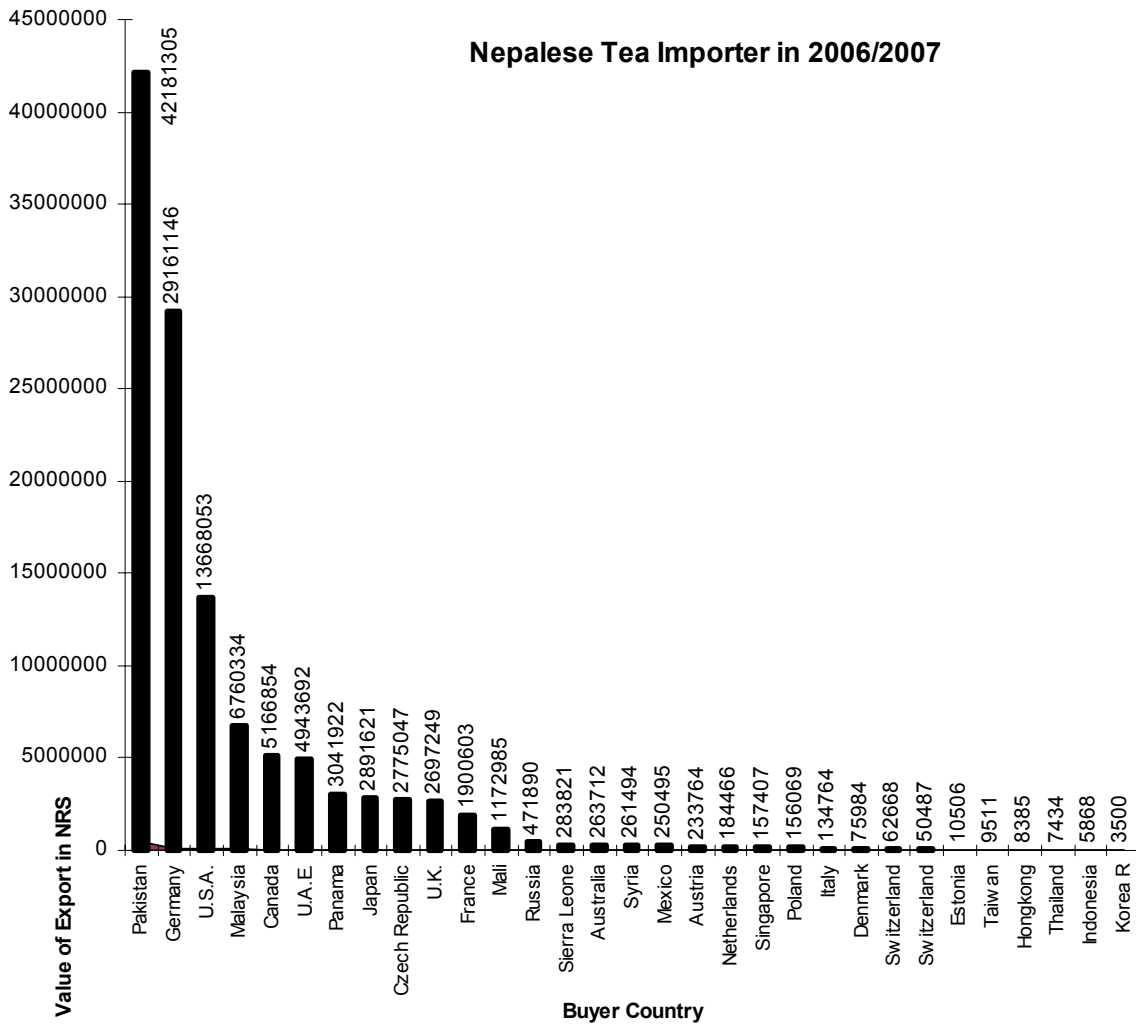
HS Code	Description; Commodities / Countries	Unit	Quantity	Value(NRS.)
9021000	Green Tea Not Fermented in Immediate Packing of a Content Not Exceeding 3 KG.	KG	82,477	9327893
	Japan		300	290790
	Malaysia		50299	6029384
	Singapore		2751	100596
	Thailand		194	7434
	Mali		22000	1172985
	U.S.A.		2	130000
	Italy		42	10914
	U.K.		85	1106060
	Czech Republic		6364	216018
	Australia		440	263712
9022000	Green Tea Not Fermented	KG	10040	4859544
	Japan		347	744177
	Malaysia		5000	730950
	Taiwan		36	9511
	Germany		4152	3237529
	Netherlands		505	137377
9023000	Black Tea (Fermented) and Partly Fermented Tea, in immediate packings of a content not exceeding 3 KG	KG	41177	10947473
	Indonesia		10	5868
	Japan		2181	519503
	Pakistan		12067	1342442
	Singapore		2546	42315
	Syria		536	237474
	Sierra Leone		166	283821

	Canada		720	1581479
	U.S.A.		9875	2344378
	Austria		260	233764
	Denmark		571	75984
	France		153	208533
	Germany		5950	3044455
	Italy		4940	123850
	Netherlands		660	12676
	U.K.		250	745303
	Czech Republic		73	41764
	Russia		180	91683
	Switzerland		39	12181
9024000	Black Tea Fermented	KG	698463	98507549
	China P.R.		57036	4699910
	Hongkong		38	8385
	Japan		3661	1337151
	Korea R		11	3500
	Pakistan		421038	40838863
	Singapore		50	14496
	U.A.E.		41370	4943692
	Syria		111	24020
	Canada		4697	3585375
	Mexico		460	250495
	Panama		27648	3041922
	U.S.A.		79520	11193675
	France		328	1692070
	Germany		54604	22879162
	Netherlands		100	34413
	U.K.		179	845886
	Czech Republic		6650	2517265
	Poland		102	156069

Russia	600	380207
Switzerland	240	50487
Estonia	20	10506

Source: TEPC

Chart 5



The above chart indicates that Pakistan is the bigger importer of Nepalese tea with value of NRS. 4,21,81,305. Similarly Germany, USA, Malaysia, and Canada are in the rank of bigger importer with their import respectively

in NRS. 2,91,61,146, NRS. 1,36,68,053, NRS. 67,60,334, and NRS. 51,66,854. Korea Republic is the smaller buyer purchasing only NRS. 3500 for the year 2006/2007. In the year, total 32 countries including India have imported Nepalese tea. The export of tea from Nepal occupied 0.7% of the total foreign trade in the fiscal year 2006/07³³.

Table 4: Import and Export from 1998/99 to 2006/07

Fiscal Year	Export (RS '000')	Import (RS '000')
1998/99	30081	27831
1999/00	25722	73277
2000/01	23084	98000
2001/02	27787	8838
2002/03	53908	468
2003/04	104822	992
2004/05	438771	419
2005/06	98644*	5005
2006/07	123642*	19000

Source: NTCDB

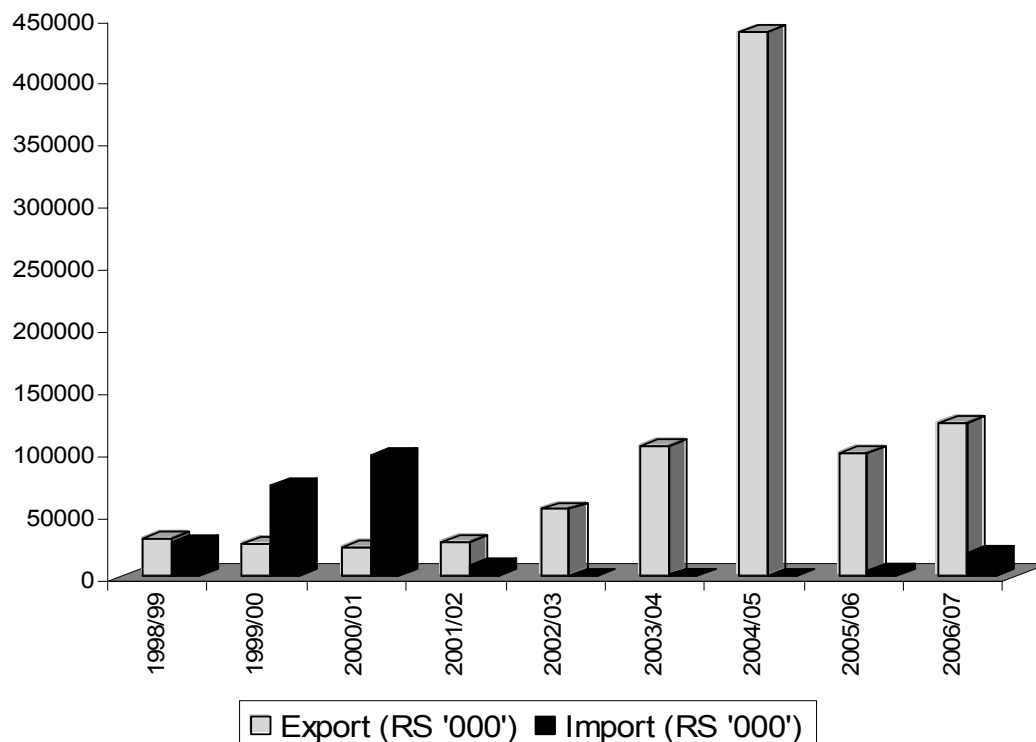
*The data does not contain the export through India. The total export for the year is approximately NRS. 40,00,00,000 as per NTCDB.

The above table shows the import and export of the Nepalese Tea from the fiscal year 1998/99 to 2006/2007. The export in Rs. 3,00,81,000 in the year 1998/99 has increased to Rs. 12,36,42,000 (excluding the export through India). Similarly the import of tea in 1998/99 with Rs. 27,8,31,000 has decreased to Rs. 1,90,00,000 in 2006/2007.

³³ Statistics of TEPC.

Chart 6

Import and Export of Tea in NRS. (1998/99-2006/07)



The above chart shows the increasing trend of export and decreasing trend of import of tea.

2.1.8. Nepal's Accession into the WTO:

To reap the benefits of globalization, Nepal wished to integrate its economy with global trading system and initiated economic reforms. The Ninth Plan sets a long-term goal of integrating the trade sector into the globalization process by making it fully competitive and market oriented, and aims to achieve 1% share in the global trade by 2015³⁴. The Plan identified accession to the WTO and development of requisite infrastructures. Its aim was to take the benefits of WTO membership as one of its major strategies.

³⁴ Ninth Periodic Plan. 1998.

Nepal had formally applied for General Agreement on Tariffs and Trade (GATT) membership on May 1989. But Nepal's accession under the GATT was suspended after the GATT was transformed into the WTO in 1995. Subsequently, its observer status to the GATT was transformed into the WTO in December 1995 and Working Party was also established on the same date. Nepal submitted its Memorandum of Foreign Trade Regime (MFTR) in 1998 describing, among other things, its economy, economic policies, domestic and international trade regulations, and intellectual property policies. The queries and complaints from Working Party members were compiled by the WTO Secretariat and were forwarded to Nepal in January 1999. There were altogether 365 questions, 24 on economy, economic policies and foreign trade, 178 on the framework for making and enforcing policies affecting foreign trade in goods and services, 114 on trade-related intellectual property rights regime and 48 on trade-related service regime.³⁵ Nepal responded to these queries in 1999 and 2000. The first meeting of the Working Party was held on 22 May 2000 at the WTO Secretariat in Geneva. After this meeting, the WTO forwarded additional questions that were raised during the Working Party meeting and submitted in writing by the member countries. In response to the development in the first Working Party meeting, Nepal submitted a schedule of tariff concessions and schedule of initial commitments on services sector in July 2000.

In its accession process, Nepal held five rounds of bilateral negotiations and attended three Working Party meetings. The fifth Ministerial Conference in Cancun approved the terms of accession of Nepal and offered membership. After long negotiations for many years, Nepal became the 147th member of WTO on 23 April 2004. The accession process became lengthy and costly for an LDC like Nepal.

Nepal entered into the WTO with considering that membership in the global trading regime is essential for expanding trade opportunities, facilitating competition and absorbing knowledge, thereby creating opportunities for growth and pursuing overall development goals. The WTO membership helps to expand trade by providing predictability, security transparency of market access, but it does not necessarily guarantee immediate or longer-term economic development. Benefits of the membership are not automatic; various efforts are needed to seek the opportunities created by WTO membership and if the government and

³⁵ LDCs' Accession to the WTO: Learning from the Cases of Nepal, Cambodia and Vanuatu. By Ratnakar Adhikari and Navin Dahal. SAWTEE.

private sector do not work actively and undertake proper and necessary actions timely, Nepal becomes unable to reap potential benefit.

2.1.9. Nepal's Membership into the WTO and Tea Sector:

Nepal faced major problem in the area of tariff binding, in particular of agricultural commodities including tea. At present, Nepal's applied tariffs are very low (0 to 10 percent) on agricultural products, but it has been proven beyond doubt that such a tariff structure has resulted in flooding of imports triggering displacement of farming communities. At the present, the import tariff in Tea is 25% in all types³⁶. Therefore, Nepal wanted to create a policy space for protecting the agricultural sector, should the need arise, by binding tariffs on agricultural products at an average of 60 percent. However, the developed member countries, notably the USA, opposed such a proposal. Nepal was forced to bind its average tariff at 42 on the agricultural sector.

According to the Trade Related Intellectual Property Rights (TRIPS) Agreement, LDCs are provided transition period up to 1 January 2007 for the implementation of the Agreement.³⁷

The WTO Agreements and rules & regulations have impact on major industries and their production and its import-export. The impacting agreement for the tea sector includes the Agreements on: Agriculture (AoA); the Application of Sanitary and Phytosanitary Measures (SPS); Technical Barriers to Trade (TBT); and Trade-Related Intellectual Property Rights (TRIPS). Other important Agreements include those on trade remedy measures.

Nepal's tea products benefit from preferential market access under several regional and bilateral agreements. However, in many important export destinations, such as the EU, the MFN rate offered to third countries is already zero. The preferential market access to the EU that Nepal enjoys through its incentive, offers thus no additional benefits for exporters of Nepalese tea. This is called preference erosion. In case of regional treaties, protective mind-sets of many member countries backed by lobbies of national private sector are still strong. Benefits of regional integration, and preferential market access schemes, tend to diminish due to stringent

³⁶ www.arthaexpress.com.np/customs_tariff2.php

³⁷ WTO and Nepal. Published by Ministry of Industry, Commerce, and Supply. 2063.

systems of Rules of Origin (ROO), subsidies and non-tariff barriers including Sanitary and Phytosanitary and Technical Barriers to Trade.³⁸

Tea has significantly benefited from these agreements with Pakistan who have agreed to allow 6.0m kgs of tea to be imported with zero duty. This increase has been observed in the increased export figures mainly of CTC type but the prices realized are low. It has been observed that Bi-lateral Trade Agreements are not always beneficial for small countries with limited exports. Whatever agreements and tariff benefit are available within these treaties, the market forces come into play as in the case of the Pakistan market, where easier access to the East African markets which offer same type with much better quality being preferred.

2.1.10 Review of Policies and Code of Conduct on the Tea Industry:

In the context of globalization, the tea business activities of every type has to be qualitative and competitively acceptable to global market. To fulfill the basic roadmap for quality production and maintenance, the Government of Nepal has introduced National Tea Policy in 2000. Similarly, Code of Conduct has been already in implementation from the private sectors in cooperation with Tea Development Alliance. These two rules and guidelines drive the Nepalese tea industry to the global market at present. Besides this, all the import, export, industrial and commercial laws and acts are applicable to the tea industry in terms of business. In the current scenario of Nepal's commitment to the WTO after post membership period, all the regulations are necessarily in compatible with global trading agreements under the WTO.

2.1.11 Tea Policy 2000

The Government has approved and implemented National Tea Policy 2057 (2000 AD) as per the intention in National Tea and Coffee Development Board Act, 2049(1992). Its main objectives are the development of Tea, and processing & commercial transaction of tea. The development of tea is realized as a reliable source of income in the enhancement of opportunities of employment and earning of foreign currencies by the increase of private sector in the production. Similarly, processing & commercial transaction of tea is aimed with the sustainable and systematic utilization of available resources and opportunities in the Country.

³⁸ Sector Study on Tea. June-September 2007. International Trade Centre, UNCTAD / WTO.

There are five main sections with various clauses in each section of the tea policy 2000. They are as below³⁹:

1. Production and Processing with 19 clauses.
2. Market and Trade Promotion with 8 clauses.
3. Institutional Arrangement with 17 clauses.
4. Manpower Development with 4 clauses.
5. Development and Promotion of Auxiliary Industries with 3 clauses

2.1.12 Salient Features of National Tea Policy 2000⁴⁰:

National Tea Policy 2000 announced for planned development/promotion of tea sector. The policy aims at:

- Target coverage of plantation area by 40,875 ha. within 5 years.
- Annual target production of tea by ten years: 46.11 million kg. (65% of orthodox tea)
- Additional employment opportunity for 79,310 persons.

The Policy spells out some major incentive packages, commitments for the existing and potential stakeholder in the commercial tea development and restructuring the composition and functioning of the Tea Board with more participation of the private sector stakeholders. Some of the major incentives include:

- Priority lending, principle repayment and interest payment schedule facilitation,
- Rebate on the land registration tax,
- Up to 50 year's lease prospect of Government land,
- Introduction of cess (service fee) to manufacturers and traders (importers /exporters),
- Establishment of Research and Training centres in collaboration with private sector,
- Incentives to ancillary industries
- New Institutional Arrangements of Board with more Pvt. Sector participate
- Provision of Tea Development Fund

³⁹ www.teacoffee.gov.np/teapolicy.html#Tea_Policy

⁴⁰ Nepal Tea. Leaflet Published by Agro Enterprise Centre/FNCCI in March 2007

2.1.13 Code of Conduct (CoC):

The Government of Nepal and Nepali Orthodox tea growers, processors and exporters recognize a need for “branding” of Nepali Tea. They also acknowledge the need to ensure the safety and quality of Nepali orthodox tea. As a result they have established and jointly own the Nepal Tea brand and logo. They further recognize that in the long-term all exported tea must meet the standards set by the international market. As a result the Government and the HOTPA, its farmers, processors and exporters, in cooperation with the Tea Alliance have developed in late 2004 a Code of Conduct for the production of high quality Nepalese orthodox tea. With the support of the government, HOTPA has agreed that only those growers, processors and exporters who meet the criteria set by the Code can utilize the Nepal Tea logo. The Nepal Tea logo will be a guarantee of quality, safety and a promise that all teas produced under its aegis and will have been produced in a socially and environmentally appropriate manner. CoC is only applicable to Orthodox tea.

The Nepal Orthodox Tea’s code of conduct is a private initiative, supported by the government, whose development, implementation and monitoring is to be conducted by HOTPA and its members. The Code is to be voluntarily implemented and self governing and has been developed in order to facilitate the marketing of high quality Nepali Tea.

Basic Elements of the Codes of Conduct⁴¹:

Respect for Nature:

- Preserve Biodiversity.
- Conserve Soil Fertility.
- Practice Environment Friendly Agriculture.
- Follow National and International Environmental Norms.

Respect for People

- No Child Labor.
- No Gender, Social or Racial Discrimination.
- Follow nationally approved pay rates.
- Women Empowerment, Child Education and HRD.
- Healthy working environments.
- Corporate Social Responsibility.

⁴¹ Volume No.: 7/06 Bi-Monthly Tea Development Alliance E-news April/May, 2006

Respect for the Production System:

- Follow Nationally and Internationally approved Operating Processes.
- Maintain transparency in the production process.
- Maintaining Natural processes.
- Monitoring and Record Keeping.

Commitment to Quality:

- Reliably consistent Quality.
- Fair Business Practices.
- Meet Expectations and Deadlines.
- Honor Commitments to All Concerned.

Besides these, the Nepal Tea Logo, Reputation for high Standards, Market differentiation are the main assets of the CoC⁴². It also brings producers of green leaf & made tea, brokers, exporter, and farmers into the same space tying by rules. It helps to control of pesticides use in plantation of tea and promotes quality standards. In conclusion, the CoC has served as important element in the export of orthodox tea from Nepal.

2.3 Review of Articles

2.3.1. Agro expo 2006: Nepali Tea readies for stronger market penetration.⁴³

The growth and expansion of tea industry in Nepal took momentum after the involvement of private sector. Now, the industry has become more competitive, market oriented and progressing. The area under tea cultivation in Nepal in 2004-05 has more than 15,901 hectares of land consisting of more than 85 tea estates, 38 tea processing factories and more than 12.6 million kg of tea production. The tea produced here are mainly of two types namely CTC and Orthodox tea. CTC tea, which is also known as black tea, is consumed within the country whereas Orthodox tea, which is known, as hill tea is export oriented.

⁴² Code of Conduct & Nepal Logo. Paper presented by Mr. Jim Tomecko of GTZ/PSP in Nepal Tea & the World 2004, Kathmandu.

⁴³ The Himalayan Times, October 9, 2006

The National Tea Policy introduced in the year 2000 was expected to boost the growth of tea Industry in Nepal. Likewise the tea logos implemented are expected to be helpful in marking Nepali tea in the international markets. Recently, orthodox tea producers took an initiative to prepare and implement code of conduct in product/processing and marketing of orthodox tea. Furthermore, some tea manufactures are also gearing towards implementation of HACCP as a part of quality assurance of international level. CTC (Cut Tore and Curled) tea is mainly prized for its strong colour, which is a main quality attribute for most of the domestic consumers and as a result, this tea accounts for more than 95 per cent of total domestic consumption. It is produced in the Terai districts, mainly concentrated in Jhapa. As per the statistics of the government in 2006/07, currently, Nepal is producing 10.94 million kg of the CTC tea.

Orthodox tea is exclusively made from processing the leaves of hill grown tea bushes and therefore, it is also known as hill tea. Nepali orthodox tea, which is produced at an altitude between 3,000 ft to 7,000 ft are famous for its aroma, bright liquor and subtle, slight fruity flavour, which are mostly sought attributes by the consumers of overseas countries.

CTC tea is expected to meet the national demand in near future and it will be surplus for export in the coming four to five years. Furthermore, the recently announced tea policy aims at the production of CTC tea up to 36 million kg by the year 2010-11 from which 0.6 to 0.65 million kg will be available as surplus for export. Nepal needs to start market promotion of CTC in the international markets, of which one of the probable countries will be Pakistan. Similarly, the demand for orthodox tea in the overseas markets is increasing due to the increase in the health consciousness and quality demand in consumers. Most orthodox tea exports are destined to directly to Germany, Japan and US and other overseas destinations and also to India for its consumption and re-export. Also, the government has put forward an ambitious plan to increase the production level of orthodox tea by more than 16 million kg within the year 2010-11.

The private sector is continuously promoting Nepal Tea in the international markets particularly in Europe and Japan. In order to expand the market and enter it as a niche product, Nepali orthodox tea manufacturers and processors are in the process of acquiring organic certification. Two tea processors have already been certified as organic, which will enhance the marketability of Nepali orthodox tea in the international markets.

2.3.2 Trial Implementation of Tea Codes of Conduct⁴⁴

Ilam Reporter

Ilam, July 21, 2006. In order to promote Nepali orthodox tea in the international market, Codes of Conduct has been implemented in two factories of Ilam district. Tea Codes of Conduct has been prepared by the alliance of tea related government bodies and INGOs, which has been implemented on trail basis in Small Tea Producers Pvt. Ltd., Fikkal and Himalayan Shangrila Tea Producers Pvt. Ltd., Shokhejung of East Ilam with the initiation of this fiscal year. SNV Nepal-Ilam informed that Codes of Conduct has been implemented with the orientation of procedures of Codes of Conduct and binding tea factories to it. Member of the alliance, SNV Nepal-Ilam informed that initiation on Codes of Conduct has been done through its orientation to factory managers and chief and informing about initial technical responsibilities.

Mr. Khagendra Jabegu, Chief of SNV Nepal-Ilam informed that about 200 small farmers selling green leaves to these factories were oriented and informed all about procedures of initial phase of Codes of Conduct. In the Codes of Conduct, developed by tea alliance, four elements such as respect for nature, respect for people, transparency and commitment to quality will be the major guideline to further allocate standards, informed Mr. Maheshwor Ghimire, Consultant.

Mr. Ghimire informed that there is a good market for organic tea in the international market, and to promote organic tea among tea farmers, tea Codes of Conduct has been implemented. He said that only certified tea through the certification process of Codes of Conduct will be able to compete in the international market.

The European nations are the major market for selling orthodox tea produced from Ilam. In those nations Nepal Tea has to compete with Indian and Sri Lankan Teas. It was informed that after certification, there would be no difficulty in selling green leaves by small farmers and selling processed leaves by factories. Sole right or monopoly of tea factories is also believed to be terminated forever by this implementation.

⁴⁴ Extracted from Volume No.: 8/06 Bi-Monthly Tea Development Alliance E-news June/July, 2006

Tea alliance also informed that there would be increase in per kg of green leaves collected by farmers through the process of Codes of Conduct. In Ilam, there are altogether nine private factories under operation.

Source: Gorkhapatra, July 22, 2006. (Translated from Nepali to English)

2.3.3. Geographical Indication For Khukuris, Apples & Many More⁴⁵

There has been discussions about decentralization in Nepal. Although there are different models for moving power away from the center, we do not see many that integrate businesses with decentralization. But the provision for Geographic Indication (GI) enshrined in one of the WTO agreements seems to provide one such model, if Nepal goes ahead in the right direction.

A prominent international example of gaining business advantage through GI is 'Ceylon Tea'. This GI identifies tea originating in Sri Lanka (which was known as Ceylon till 1972), which possesses a distinctive quality and reputation essentially attributable to its geographical origin. Sri Lanka earns nearly US \$ 700 million per annum by exporting Ceylon Tea. The tea industry also employs over 1 million people in a country with a working population of fewer than 12 million.

Nepali candidates for GI could be Khukuris from Bhojpur, **Tea from Ilam**, Dhaka from Palpa or Apple Brandy from Marpha, to name a few.

GI is a part of Intellectual Property (IP) and of the Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement which 147 countries have signed. The agreement officially defines GIs as indications (words, phrases, symbols, images), which identify a product as originating in the territory of a member country if the given quality, reputation, or other characteristics of the product is essentially attributable to its geographical origin. But unlike other patents, GIs are not newly created but only recognized at a point in time and they are publicly owned by the state with a special communal right granted to a qualifying geographic region.

GI and the Government:

Despite all the benefits that can arise from GI, the irony is that Nepal still hasn't put into practice its globally compatible intellectual property rights (IP) law, which also contains laws governing GI. The comprehensive

⁴⁵ Extracted from: Shah, Manish Bikram, New Business Age. March 2007.

Industrial Property (IP) Act should have been implemented in the WTO member countries by 31st December 2006 . In Nepal , preparations had already been made to implement the law but it has been postponed after the WTO Ministerial Meeting in Hong Kong stretched the time limit for LDCs upto 2016. Because of this, the government seems in no hurry to implement the IP law which was already in the final stages of its preparation. However, this may prove counterproductive.

If the government is proactive about this issue, it might turn out to be a competitive advantage for the nation. Most of the other LDCs might take a longer time to come up with their own globally compatible IP laws. By that time, Nepal 's private sector would have already created brands for their products and some of these would be based on GI. Hence Nepali businesses would be able to grab global opportunities faster than businesses in other countries.

2.3.4 Orthodox Tea – A Desirable Development Approach⁴⁶:

Introduction:

Tea cultivation history in Nepal has been for more than 142 years. It produces orthodox & CTC types of Black tea. Orthodox tea is produced in hills at altitude above 1500 M. In Nepal, districts such as Ilam, Pancharthar and Dhankuta are the main site of production. Other districts cultivating orthodox tea are Tehrathum, Nuwakot, Sindupalchok, Ramechhap, Sankhuwasabha, and Kaski. Efforts are being made to develop tea estates in some other districts as well.

Nepal produces about 1.97 million kg orthodox tea. It is chiefly exported to countries like Japan, Germany, USA, and India.

As per statistics, more than 67 percent of the orthodox producers are small farmers and their contribution in the production is more than 60 percent. Other than small farmers, there are private tea estates with processing facilities, and tea estates without processing facilities. Altogether there are 16 modern tea processing facilities and out of these 11 are in Ilam. There are two in Dhankuta, two in Panchathar and one in Kaski.

Problems:

There are cases of final product rejection faced by Nepalese Tea Exporters. Major problems are faced in meeting the chemical quality (pesticide residues).

⁴⁶ Extracted from: Pant, Kiran Kumar. Tea A Tea Journal 2065. Page 8-11, NTCDB.

Tea exporters blame the processors and green tea leaves producers (the small farmers) for failing to produce quality tea leaves.

Irony is that the some of the tea exporters are also the green tea leaves producers, green tea leaves processors and made tea exporters.

The tea farmers blame the government for allowing lower quality fertilizers and other inputs available in the market.

Desirable Development Approach:

Making a quality finished products starts from garnering a quality raw material. One can not produce a qualitative dairy product unless there is qualitative fresh milk. It is same with tea as well. The activities of production of qualitative made tea starts at tea farmer's tea estates. It involves careful taking care of plants, appropriate manure application, availability of appropriate type of fertilizers (organic or inorganic) and its easy availability. The availability or access to knowledge, training support like TOT and farmer's level training helps the grower to make their product better and better.

The second stage is plucking, packaging and collecting right type of green leaves for processing.

After the qualitative processing, the important stage is appropriate packaging and impressive product presentation.

Each of these steps is complementary to other steps but the most important is to produce a quality product from qualitative raw materials. Rejection of samples on pesticide issues also qualifies the importance of activities at farmer's / garden management level.

There are development activities on building awareness on made tea, quality requirement of various tea importing countries, SPS-TBT measures implemented by the tea importing countries but there are less activities on helping farmers in producing good quality tea leaves.

The need is in helping small farmers and tea estates in producing quality tea leaves and making their tea garden management activity an economically sustainable activity.

There is need to minimize conflict in tea leaves pricing between the processors and small farmers. There is need to make processors having gardens to develop a model of sustainable garden management practice so that the small farmers and small tea gardens can follow the quality tea leaves production process.

The government sector which is helping the private sector in promoting Nepal tea has to use the demonstration farm in developing models for small farmers so that the activities of small farmers can go hand with processors / tea exporters and make appropriate contribution in the orthodox tea development.

The country has become member of the WTO. It provides opportunity to the government to facilitate private sector to become competitive and explore comparative advantage area. Tea is green gold of Nepal. The effort helps in foreign currency earning, expand employment opportunity and develop eco-friendly living environment. The government should help the development projects like commercial agricultural project and donors like GTZ, SNV, Win Rock International in reaching the small farmers and growing tea estates.

Conclusion:

Tea development requires a joint effort of government, exporters, processors and tea cultivars / farmers. A gap in activities in production, processing, export, and communication problem equally damage to all the stakeholders. Therefore, transparency in activities and benefit, involvement of more small farmers and their representation is required to develop a synergetic effect in the chain. In the context of globalization of business and trend of private sector led development, the role of government as facilitator plays important role in place where majorities are small farmers and where development activities has value to build base for commercialization of agriculture.

2.3.5 Other extracts from Journals

Tea & coffee Trade Journal. Vol. 178/No. 4. 2006. Page no. 85: Though Nepal has been suffered by political instability and conflict, tea industry has played significant role. However, in spite of all difficulties, tea is the only area where export is increased by 17% and plantation by 21 % per annum.

Tea & Coffee Asia: Going Green. Journal 1st Quarter 2008. Vol. 10. No. 1. Page no 52: In 2005, India's production of 8,61, 300 tones of tea accounted 28% of the world total, and consumption at 6, 35,400 tons accounted 22.4 % of the world total. Tea penetration is at 93% in India. And Indian tea estates are using Nepalese leafs for the better quality.

2.4 Review of Related Previous Studies:

2.4.1 Thapa, Ajit N.S., March 2005, Concept Paper on Study of Nepalese Tea Industry – Vision 2020:

Strategy for the Promotion of Nepalese Tea:

One of the major challenges is establishing firmly, the image/identity of Nepalese tea by pursuing brand promotion in international market. This entails identifying problems both at home and in the international market and resolving them in a timely and effective manner. It should be admitted that Nepal Tea is a little known commodity in the international export market. So far, Nepal has exported to a few countries and relatively in small quantities. However, there is huge market for our type tea.

Nepal tea has a promising future if promoted in a systematic and sustained manner. Awareness campaigns of Nepal tea across tea importing countries and Brand Promotion activities needs to be made to project and highlight our orthodox and CTC teas. This should be the prime focus of our marketing strategy. Market access initiative can be achieved through a sustained brand building of Nepal tea. For this we should engage in the following activities:-

- Promotional campaign/advertising to create a symbiotic relationship between producers, buyers and consumers.
- Creation & posting of attractive websites.
- Visit of Nepal tea delegation for presentations in select countries such as UK, Germany, USA, Japan, Australia, Middle East etc.
- Promotional kit pack with tea samples for free distribution to tourists visiting Nepal.
- Participation in trade fair/food exhibitions.
- Organize Seminars/Conventions in Kathmandu to generate publicity.
- Interaction with Tea Association and Tea bodies across major importing countries.

Position of Nepal Tea Industry in 2020:

It is envisaged that there could be about 23 districts adopting tea cultivation by 2020 and they could be classified into the following four different groups based upon the present cultivation situation in Nepal:

1. Jhapa and Morang:

Jhapa is already producing CTC teas and the necessary infrastructure is already developed there. The North-east part of Morang district has also initiated tea cultivation at farmers' level adopting cooperative farming method and it can be envisioned that the area, production, and productivity could be increased in terms of quality in these districts.

2. Ilam, Panchthar, Terahthum and Dhankutta:

Tea plantation has been encouraged and promoted in these districts since 1983 and infrastructure for tea cultivation has been developed including nursery establishment, plants distribution and technical extension services.

3. Taplejung, Nuwakot, Sindhupalchwok, Dolakha, Ramechhap, Sankhuwasabha, Bhojapur, Gorkha, Kaski and Solokhumbu:

Some tea cultivation has been started in these districts by private enterprises in a professional manner. But due to the lack of financial adequacy and effective policy implementation for the small producers, tea cultivation has not been very popular at the farmer's level. If there are some tea plants or bushes with the farmers, it is as the result of hobby rather than commercial and professional orientation. Most of the tea in this area is handmade and home consumed except for some exception (Everest Tea Estate, Sindhupalchwok.)

4. Okhaldhunga, Kavrepalanchwok, Sindhuli, Makawanpur, Dhading, Rasuwa and Khotang:

A keen interest is shown by some persons from these districts but nothing substantial has been initiated yet. Some pockets in these districts are seen suitable for professional tea plantation .

It is estimated that approximately 10,000 hectares of land is available for tea cultivation in almost all hill districts. Ilam district will be saturated with

tea cultivation by 2020 provided the National Tea policy 2000 will be implemented effectively. Most of the districts will still continue plantation beyond 2020. There is also an immediate requirement for three additional factories in Ilam district for processing of green leaves, which are now being exported to India across the border. Currently there is lack of sufficient capacity to process the entire production of approximately 40 thousand kg of green leaves per day in the Ilam area. Nepal can easily increase its tea production if the markets were available. With the sincere implementation of Tea Policy 2000 and an active private sector, it is possible to reach the following production targets (see annex 2 for details): Total tea production 2020 could be around 54.7 million kg, of which CTC 22.5 million kg and Orthodox 32.2 million kg. The total area tea cultivation could be 62,800 hectares within the next 12 years.

The figures mentions above are the production front year possibilities; real figures would have to be harmonized with the markets. If we are not able to market product on a sustained basis with improvement in the terms of trade, it would be futile to push for the accelerated growth of tea plantation. The global demand for high quality tea is estimated to be 45 million kg. Of which, India supplies 10 million kg, China 6 million kg and Sri-Lanka 4 million kg. Nepal only meets a negligible fraction of this demand. The existing unmet demand for additional 25 million kg in the international market provides a big scope for tea industry in Nepal. Nepal futuristic vision will be to produce and market organic tea in the world market and become a recognized brand name.

2.4.2. SAWTEE, Draft Report 2006, Tea Industry in Nepal and Its Impact on Poverty.

The report aims to analyze the tea industry with the objectives of measuring its impact on poverty. The conclusion of the study is as below:

Like coffee- tea is a cash crop with steady international demand. With hilly Nepal's climate and terrain suitable for premium niche product in the world market- tea has a potential to benefit large segments of rural population and lift them out of poverty and stagnation.

Growth in the tea sector in Nepal was spurred by the trade liberalization policies adopted in early 1990s. Since the end of state monopoly in 1993- numerous tea estates have been established by industrialists and businessmen. Simultaneously- small farmers have been attracted to growing tea as the demand and prices for orthodox tea bring higher returns

than traditional crops. As an example- the amount of land used for growing tea has increased by five times and production has increased by more than 500% compared to the pre-liberalization figures. More importantly- significant growth in land use and production both are due to increased participation of small farmers in producing tea in numbers- small farmers' share of the total land used for growing tea more than doubled in ten years from (20% in 1994/95 to 41% in 2003/2004). Similarly- small farmers' share in total production also rose from 5% in 1994/95 to 33% in 2003/2004—furthermore- although the numbers vary according to their sources- Nepalese tea sector directly employs around 105000 people. The beneficiaries of these employees are many more and are estimated to be around 420000 persons. These are encouraging figures which suggest an expansive role of this cash crop is playing in providing Nepalese farmers with alternative to traditional- low yield- subsistence farming.

2.4.3 Market Intelligence and International Standards for Tea & Pashmina. A Report by Nepal Chambers of Commerce. February 2008.

The main objective of the study is to collect and disseminate information on market intelligence and international standards of the two identified focal export sectors viz, tea and pashmina with a view to acquaint them with these important issues to enhance the private sector capacity in overcoming the constraints into opportunities in international trade.

The outcomes of the report in the Tea Sector are as below:

Production:

The total production of tea in Nepal has been increasing gradually as well as tea plantation area. In the year 2006, the total production of made tea reached 13.7 million kgs and whereas the area under tea plantation is 16,000 Ha. Presently, there are 12200 small-holders plots, 134 medium sized gardens and 38 large plantations. However, according to NTCDB, small-holders farmers account for 67 and 34 percent of the production of orthodox and CTC tea respectively. But this data does not include the other tea gardens and estates that are not registered with NTCDB. The CTC tea production is taking place in the Terai districts (mostly concentrated within the Jhapa district) whereas the orthodox producing regions are located in the hilly areas of Illam, Panchthar, Terathum and Dhankuta and are styled on the lines of the Indian Darjeeling factories.

Export:

90 percent of Nepalese orthodox tea and more than 60 percent of CTC tea are exported to India. The export quantity of green leaves both from the CTC and orthodox producing areas are significant. Export of Nepalese tea increases both in value-wise and quantity-wise. In the year 2006 the total export of Nepalese tea to overseas country is more than 0.8 million kg worth more than 98 million NRs. The black tea (HS Code 090240 and 090230) has the almost all share (94%) for this export value whereas the share of green tea (HS Code 090210 and 090220) is around 6 percent.

The major export market for Nepalese black tea (HS Code 090240) in the year 2006 are Germany (40%), Pakistan (30%), UAE (24%), Czech Republic (3.5%), France (1.5%) and Japan (1.1%). The export of black tea (HS Code 090230) is 0.2 million Kg worth more than 25 million Nepalese Rs in 2006. The major importing countries for this type of tea are UAE (35%), Pakistan (34%), Germany (8%), France (7%), Taiwan (6%), USA (4%) and Japan (3.5%). Bangladesh, Japan, Korea R., Pakistan, Taiwan, UAE and USA The share of export value in 2006 made by the Nepalese green tea (HS Code 090210) is 5.8% which accounts for more than 88 thousand Kg worth more than 5 million NRs. The major importing countries for this type of tea are Czech Republic (40%), Germany (33%), Japan (8.6%), USA (7.18%), France (6%), Canada (2.4%) and Pakistan (2%). Presently the Germany is the largest market for Nepal tea followed by Pakistan, UAE, Czech Republic, France and Japan.

Consumer Taste and Preferences:

The preference of tea among the consumers thus can be broadly attributed to Tradition of tea drinking according to the type and blending, hanging food habits, New technologies and process development of tea and finally the Health education received by the consumers regarding tea. In the countries like Nepal, India, and other South East Asian countries, the granular CTC tea which in small quantity gives a better color is preferred. The British like the milder, light liquored teas which come from higher elevations. 'Earl Grey Tea' has been popular in the US and in the UK, where the blend originated. The use of convenient tea bags is one of the indicators of changing lifestyle. The new technology and process development have made possible in achieving and addressing these changing consumer needs. For example, the iced tea in cans are already getting popular in USA and European countries where during summer season, the consumer still can enjoy the refreshing tea drink as cold beverage. Similarly, in order to enhance the better consumer attention

different forms of teas such as fruit flavored tea is getting popular in Europe. The 'Foamy' tea is popular in Taiwan and Herbal tea is popular in USA, China, Japan, and Thailand.

Tariff

Nepal's market access conditions to all markets especially in market openness are very favorable but Nepal does not have any tariff advantages in these markets. Nepal enjoys free access in the major markets with the exception of Russia that imposes a very high conditional tariff of 20 percent but not less than 0.8 Euros per kilogramme. In almost all tea exporting countries normally the export duty is not levied in the export of tea. After the introduction of Generalized System of Preferences (GSP) facility to the LDCs by the EU Countries, USA, Japan, the import duty is waived in the import of tea. This type of relaxation by EU is being provided under the Lome Convention since 1995 to Africa, Caribbean and Pacific Countries under the tea import from Renewed Generalized System of Preferences.

Prices

Average CIF import prices of Countries vary significantly from US \$ 3.0 per Kg in Russia (for black tea in packages less than 3 Kg) to US \$ 12 per Kg in Norway and 13 per Kg in Finland, showing that there is a significant scope for value addition. Orthodox teas collect a better price especially when marketed well as has been done by India with its Darjeeling teas however it is difficult to determine exactly where the markets for orthodox tea are and how they are performing. Some of the Nepalese exporters of organic and orthodox teas have published their price list in their website also.

Packing

The commonly used packing materials are the plastic bags made up of polythene (PE) and polypropylene (PP) which are used to pack mainly the lower grades. The better quality and leaf grades in the CTC tea are packed into laminated paperboard bags with inner aluminum lined. For the orthodox teas, the tea chests are used to pack mainly the leaf grades such as SFTGFOP and TGFOP. The medium and smaller leaf grades are packed in paper sacks of the valve mouthed variety. The packagings requested/required by the western buyers are paper sacks even for the leaf teas. The retailing the mainly used packaging materials are printed

paper boxes, printed aluminum foil packages, cloth pouches, woven material, wooden boxes and a wide variety of gift packages. There are also some tea bagging industries which make the tea bags and the bags are further packed in the paper boxes lined with PP.

Market channel

Normally the Tea Board of respective countries lay down the system of internal consumption and to sell in the international market as well. In the initial stages tea used to be sold through the Auction market in almost all the major producer and exporting countries the auction market is in operation. Kolkata in India, Chittagong in Bangladesh, and Limba in Malawi are the famous tea auction markets. In India major percentage of the total tea has to be transacted through the auction market and there is a legal provision for this whereas in Sri Lanka more than 90 percent of the quantity produced in Sri Lanka is marketed through Colombo Auction market. This type of sales is simple, the price is guaranteed and payment is made in due course of time. At the international level, auction centers situated in London is the oldest and the main auction centre for tea. In recent years, without entering the auction markets, direct selling through different processes are also in operative. The produced tea is imported by the blender/packers directly and Ex Garden sales are also being widely practiced for easy market access, easiness to the importers and exporters, producers and the processors and packing companies.

Quality, Grading And Standards Of Tea:

The grades are differentiated based upon the size of the leaves obtained after processing. There are 4 main categories of the teas which are leaf, broken, fannings and dust. And among these 4 categories, the grades are differentiated based upon their size. In Nepal, there are 8 main grades for the CTC tea and 5 main grades for the orthodox teas.

2.4.4 Chettri, Gokul Kumar. 2060. Tea Marketing of Ilam District: A Retrospective View. Unpublished Master's Thesis, Faculty of Management, Shankar Dev Campus.

The broad objective of the study is to know the problems of tea farmers of the Ilam district to sell their tea, with the view of uncovering the keys of problems and to assess its prospects. And the specific objectives are to describe growth of tea plantation in Ilam, to find the role of different agencies to promote Ilam tea. Similarly other objectives of the study are to exam the future market potential of Ilam tea.

The concludes the findings that the farmers are in the tea industry with difficulty in terms of financial conditions. The potential future of Ilam tea is prosperous due to its quality. Under these grounds, the study recommends the followings to Tea Growers:

- Tea Grower must be well organized to increase the production and potential market.
- Market must be searched nationally and internationally.
- The tea growers must be trained to use the chemical fertilizers, compost, organic manure, insecticide etc.
- Genetic engineering is possible to improve the existing variety of tea plants. Proper engineering techniques must be acquired.
- Tea growers can be unified to introduce the brand name of Ilam tea for identification
- Transportation problem can be solved through the tea growers' initiation.
- Tea growers can actively participate in promoting the Ilam tea through the training, seminars, talk programs etc.

Chapter III: Research Methodology:

3.1. Introduction

Research Methodology refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In fact it describes the methods and processes applied in the entire aspect of the study. Research Methodology is a way to systematically solve the research problem. The focus is given to the research design, nature of the data, source of data, tools and techniques used in the presentation of data and its interpretation.

According to Oxford Advance Learner's Dictionary "Research methodology is a careful investigation or inquiry especially through search for new facts in any branch of knowledge."⁴⁷

The objective of the current research is to study the market trend of tea sector on the existing information, analyzing the impacts of WTO-related issues to find out the current opportunities and challenges in this area. To achieve the stipulated objectives, Trend Analysis of Import & Export of Tea is entertained. Since based on conceptual and analytical aspects, SWOT analysis is conducted to interpret better results. Other datum like, consumption of tea, its plantation, production, import & export is gathered from secondary sources.

3.2. Research Design:

A research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose in procedure. Basically research design is the guideline for the researcher to keep track of his actions and to know the right direction to achieve the targeted goal; it is a plan of action for carrying the related object with a research project.

The present study is based in both descriptive and primary survey research designs. For the purpose of trend analysis of production, import

⁴⁷ Oxford Advance Learner's Dictionary. 6th Edition.

and export of Nepalese tea descriptive research design has been opted. And survey research design has been taken to analyze the WTO-related issues, its opportunities and challenges.

3.3. Nature of Data:

There are mainly two kinds of data; primary and secondary. Data collected for the purpose of addressing specific research objectives are the primary in nature. They are collected by sample survey, focused personal interviews, telephone interview, questionnaire etc. Field researches' the most essential feature is of the primary data. And in the same way, data collected for some other purposes are considered as secondary data.

The study uses both primary data and secondary data for its own purposes.

3.4. Sources of Data:

There are various sources of data as per the nature of information needed to achieve the objectives of the research. Basically there are two types of sources of data; they are primary and secondary. However, the study implies both the primary and secondary type of data.

3.4.1. Primary Data:

The necessary primary data are collected through questionnaire survey. The only and ultimate source of the primary data are the respondents and they for the study are planters & processors, importers, and exporters of the tea. The data collection is based on convenience and random sampling. The questionnaires were distributed to the respondents to collect the valuable information needed for the study.

3.4.2. Secondary Data:

The required secondary information is obtained from the following sources:

- Various related books and publications
- Brochures & Information Sheets
- Newspaper and Journal Articles

- Different Research Papers in the subject
- Specialized Statistics by National, Regional, and International Agencies.
- Internet Websites
- Statistical & Other Information Provided by National Tea & Coffee Development Board (NTCDB) etc.

3.5. Sampling Plan

Sampling plan consists of target population, sampling unit, size and sampling method.

3.5.1. Target Population:

The target population of the study consists of planter, processors, importers and exporters of the Nepalese tea. They are the closely interrelated stakeholders inside the Nepalese tea industry.

3.5.2. Sampling Unit:

The target population of the study is relatively large. There are currently 233 of the stakeholders are active in the tea sector⁴⁸. Therefore for the purpose of convenience sample, 30 units of samples are taken. The sample size comes to be the 12.87 % of the population.

3.5.3. Sampling Method:

Random and convenience sampling method has been used for the primary research in the study. All samples were selected by this method. Large size of population and intention to get better and accurate result is the main factor for choosing convenience and random sampling.

⁴⁸ 134 tea producers, 41 processors, 27 packager, importer & exporters, and 31 Tea Cooperative Members. Altogether 233. Tea A Tea. Annual Journal 2065. NTCDB. Page 90-96.

3.6 Data Collection Procedure:

The primary data have been collected through a self-administered questionnaire survey manually at convenient time. The respondents were supported by oral explanation at the point where they got confused or unable to understand the variable and spirit of the questionnaire. Some direct questions have also been asked about the challenges and opportunities they have been facing.

3.7. Data Tabulation:

The collected information from the entire questionnaire distributed, were edited and compiled. And then after they were tabulated and processed according to the need and purpose of the study.

3.8. Analyzing and Interpretation:

A researcher has to organize and present the collected information to meet the research purpose and scope. Information has to be classified and analyzed to draw purpose oriented conclusions. The collected data are systematically checked, compiled and presented in the suitable table to facilitate analysis and explanation. For data analysis and interpretation, tabulation with titles and their respective charts and diagrams are helpful and useful to make them accurate they are reviewed and verified in the study.

3.9. Method of Analysis:

After the organization of data i.e. tabulation of acquired information, the final analysis can be carried out to identify trends and relationships. In this study, the help of statistical tools is desirable because it helps to obtain our objective of measuring the trends of import and export of Tea in Nepal. Therefore Trend Analysis is important to bring the result in conclusion.

To analyze the WTO-related issues and challenges and opportunities, the simple percentage method is used to draw the degree of their opinions from the questionnaire. Also conceptual analysis has been entertained.

Trends Analysis:

Trend is known as the speed and direction of change in a series of data over a period of time. To arrange trend might be useful to study changes and the possible influence of various factors. Least Square Method, which is the most popular and widely used mathematical measure of mathematical trend. This is frequently used for future prediction.

Formula Used:

1.
$$a = \frac{\sum y}{n}$$

2.
$$b = \frac{\sum xy}{x^2}$$

3. $y_c = a + bx$ Equation

Where,

y_c is trend value

a is intercept of trend line

b is slope of trend line

x is deviation taken from the year (time Variable) and

N is the no. of data observation year

Chapter IV: Analysis and Interpretation:

In this chapter, the data collected from both the primary and secondary sources are presented, analyzed and interpreted. The chapter incorporates the trend analysis of Nepalese Tea Industry in terms production, import and export, in the first section. And remaining objectives of analyzing the WTO related issues in the tea sector and its opportunities and challenges in the tea business are studied in the next section.

4.1. Trend Analysis of Nepalese Tea Industry

Tea production in Nepal has been a budding sector with a remarkable growth. It is considered to be among the most attractive cash crops in Nepal with tremendous potentiality of further growth. Nepalese tea has unique taste characteristics especially in orthodox, and need to be promoted through focused market-oriented strategy in order to reap the full benefit for the industry. Though it has been cultivated from one half century, Nepal said to be produced less quantity than desired by the market. Nepalese teas are exported to Pakistan, India, USA, Germany etc. Almost all the exported tea is orthodox and major international destinations are Europe and American nations. In the post WTO scenario, there has been development of competitive business environment with cumbersome rules, regulations, and obligations. There lie both favorable and unfavorable circumstances. In this background, the production, import and export trend analysis may be vital to assess the potentiality and threats underlying in this sector. Basically, production and import-export are closely interrelated.

4.1.1 Production Trend Analysis:

Nepal produced mainly two types of teas. They are Orthodox and CTC. CTC tea are mostly consumed and the rest has been to export purpose. However, a little quantity of Orthodox tea has been consumed in Nepal. Therefore, almost all produced orthodox has been exported to other nations. The environment and biodiversity in Nepal has said to be the suitable for production of tea especially in terrain regions. The area under tea cultivation has been estimated 16420 hectares of land for the year

2006/07.⁴⁹ Since the import and export of tea rely on the production of it, it is essential to know the trend of production to cope with its import and export needs.

Table 5

Production of Tea in Nepal from 1998/99 to 2009/10

Fiscal Year	Production in KG
1998/99	4492980
1999/00	5085237
2000/01	6638082
2001/02	7518575
2002/03	8198000
2003/04	11651204
2004/05	12606081
2005/06	13688237
2006/07	15167743
2007/08	16497626*
2008/09	17907237*
2009/10	19316848*

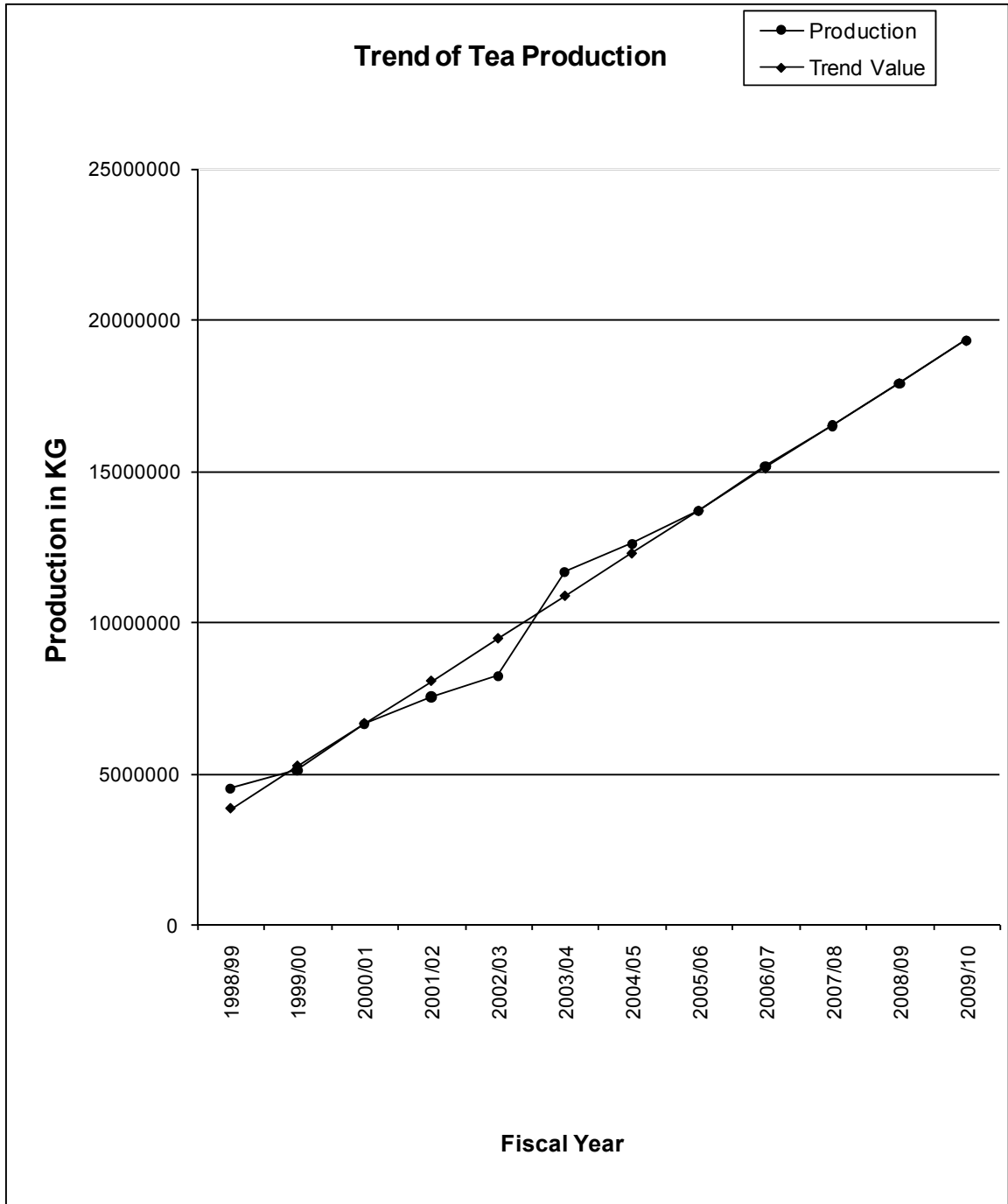
Source: NTCDB

*projected figures; details are included in appendix of trend analysis.

The above tables shows the production of both CTC and Orthodox Tea for the years from 1998/99 to 2009/10. Since the actual data has been available till the year 2006/07, the projection in the trend analysis has been done for the year 2007/08, 2008/09, and 2009/10. The production of the tea for the year 1998/99 has been 4492980 KG, 5085237 KG for 99/00, 6638082 KG for 2000/01, 7518575 KG for 2001/02, 8198000 KG for 2002/03 and 11651204 KG for 2003/04. Similarly 12606081 KG, 13688237 KG, and 15167743 KG of the tea has been produced for the year 2004/05, 2005/06 and 2006/07 respectively. The estimated production of the tea for the year 2007/08, 2008/09, and 2009/10 are 16497626KG, 17907237KG, and 19316848KG respectively.

⁴⁹ Tea A Tea Annual Journal 2065. NTCDB. Page No. 2.

Chart 7



The Above chart shows the trend of production of the tea has been increasing. Since the trend line is upward increasing, it is the positive

trend. Both the production line and trend line are upward increasing. The result clearly shows the affirmative trend of production of tea in Nepal.

It indicates the possibility of increment in tea production in upcoming years, too. Therefore, there is more potential to make export business unless all the consumption of tea increases to the greater extent.

4.1.2. Import Trend Analysis:

Nepal imports tea from international market for the local consumption rather than re-export objective. Since CTC tea is consumed widely, only few quantities of other kind of teas are imported. The import of tea has close relation with production of tea. The major portion of teas has been imported from India. Other nations Nepal imports tea from are Sri Lanka, Pakistan, Bangladesh and China.

Table 6

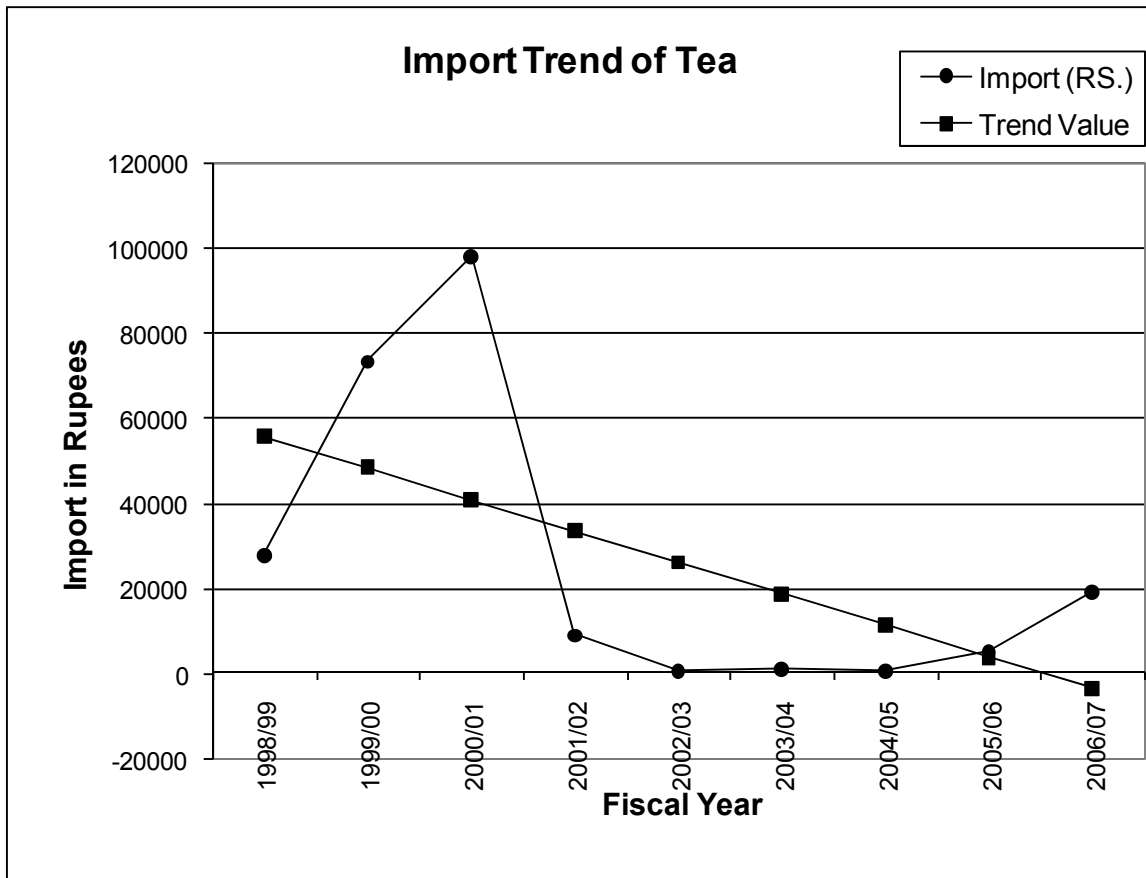
Import of Tea in Nepal from 1998/99 to 2006/07

Fiscal Year	Import (RS.)
1998/99	27831
1999/00	73277
2000/01	98000
2001/02	8838
2002/03	468
2003/04	992
2004/05	419
2005/06	5005
2006/07	19000

Source: NTCDB

The above table shows the imports of tea for nine fiscal years from 1998/99 to 2006/07. The import figures are Rs. 27831000, Rs. 7327000, Rs. 98000000, Rs. 8838000 for the years 1998/99, 1999/00, 2000/01, and 2001/02 respectively. In 2002/03, tea valued Rs. 468000 has been imported. Similarly, for the years 2002/03, 2003/04, 2004/05, 2005/06, the import of the tea has been accounted to Rs. 992000, Rs. 419000, and Rs. 5005000. The tea imported for the year 2006/07 has been of Rs. 19000000. The table also reveals that there has been high volume of team import, amounting to Rs. 98,000,000, in 2000/01.

Chart 8



The above diagram gives a picture of decreasing trend of import. The import line fluctuates and goes downwards. And it further goes negatively afterward 2006/2007. Therefore, there is not necessary for the projection of import in the next years.

The result indicates that Nepal has been self-dependant on tea unless there is a drastic increase in consumption or any other reasons like import for re-export purpose.

4.1.3. Export Trend Analysis

Among the types of tea produced in Nepal, the major export occupies the Orthodox. Though orthodox is produced relatively very less in comparison to CTC, it has been popular in the local market. Nepalese orthodox has been desired for its feature i.e. organic. Therefore, it has been imported by European and American countries including some Asian nations. It is said there has been increased potentiality of Nepalese tea in the foreign

market. To analyze the tendency whether it is true or not, export trend comes to be crucial.

Table 7
Export of Nepalese Tea from 1998/99 to 2009/10

Fiscal Year	Export (MT)
1998/99	83.8
1999/00	81.6
2000/01	69.5
2001/02	79.6
2002/03	193
2003/04	984.22
2004/05	4316
2005/06	834
2006/07	832
2007/08	2051.06*
2008/09	2295.19*
2009/10	2539.32*

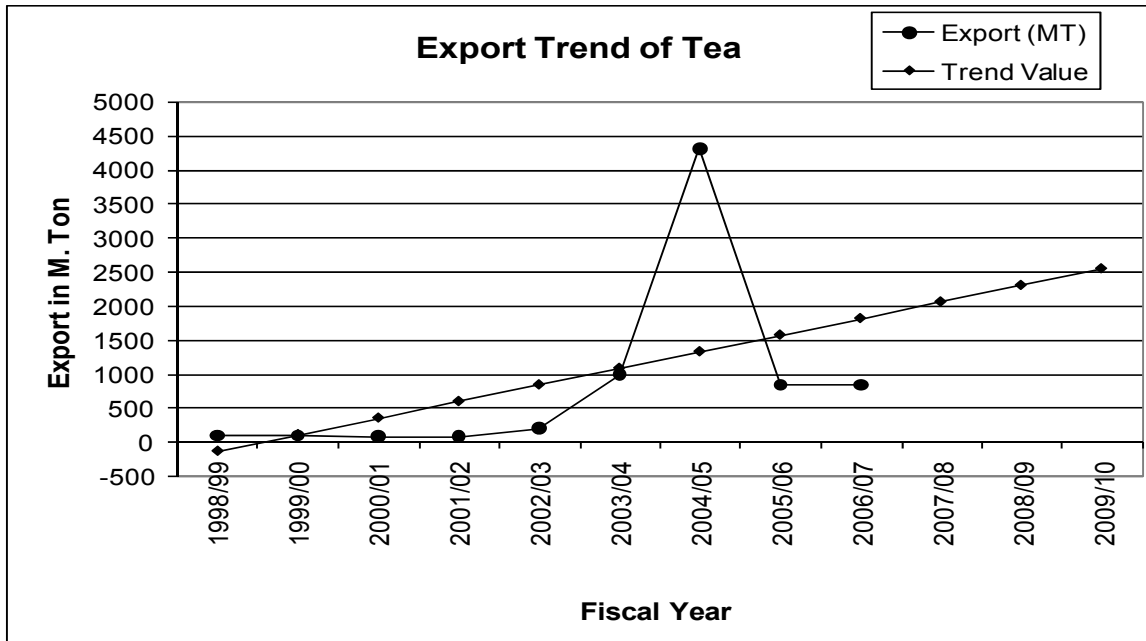
Source: NTCDB

*projected figures; details are included in appendix of trend analysis.

The above table includes the export for 12 years from 1998/99 to 2009/10. The export of 83.8 MT for the year 1998/99 has increased to 832 MT for the year 2006/07. The export for the years 1999/00, 2000/01, 2001/02, 2002/03, 2003/04, 2004/05, and 2005/06 are 81.6 MT, 69.6 MT, 79.6 MT, 193 MT, 984.22 MT, 4316 MT, and 834 MT respectively. The projected export for the year 2007/08, 2008/09, and 2009/10 comes to be 2051.06 MT, 2295.19 MT, and 2539.32 MT respectively. The table shows that there has been high export of 2539.32 metric tons in 2009/10.

Note: According to NTCDB the available data for the year 2005/06, and 2006/07 does not contain the figures exported through India. Total exports for each year were of approximately Rs. 40,00,00,000.

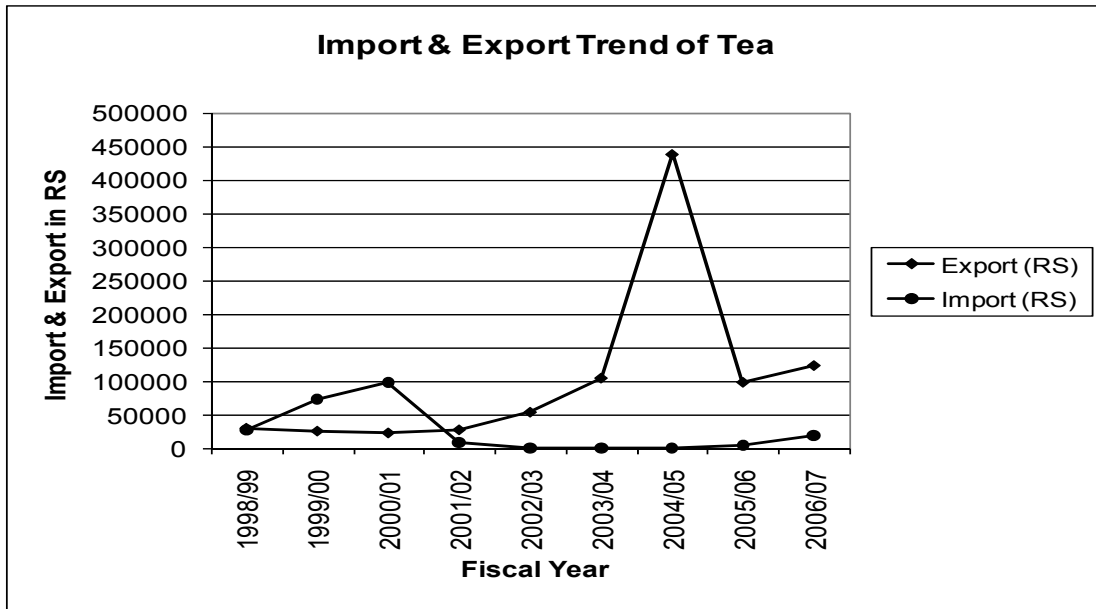
Chart 9



The above diagram visualizes the positive trend of export of Nepalese Tea. Though the export line fluctuates in different points of time, it is in the positive direction. However, there is extreme increase in between 2003/04 and 2004/05. The trend line is smoothly and progressively upward.

The result indicates the positive and increasing trend of Nepalese tea export in the international market. It increased the potentiality of the tea market and demand.

Chart 10



Source: Based in Collected Data from NTCDB

The above figure compares the actual trends of import and export of the tea. Export line is more progressive in comparison to import line.

The result indicates export is higher than import, which is positive and beneficial for not only the tea industry but also to the national economy.

4.2. Analysis of WTO-related Issues Affecting Nepalese Tea Industry

In course of analysis of various rules and factors under the WTO impacting Nepalese tea industry, a primary survey is conducted. Concerned issues and factors are interrogated with importers, exporters, and planters of Nepalese tea industry. Relevant information in this regards has been acquired by questionnaire. The major aspects of the study are analyzed and summarized in the following sections.

4.2.1. Major Export Destinations

One of the major destinations of Nepalese tea is India. Though there is lack of exact figure how many of the exporters export tea to India, there has been big amount of tea business with India as per information provided by NTCDB. There is not also data available for what quantity of unprocessed leaf tea exported to India directly and indirectly.

Table 8: Major Export Destinations

Country	Percentage (%)
Germany	18.89
USA	16.67
Pakistan	11.11
Canada	7.78
Russia	5.56
Malaysia	4.44
France	3.33
Japan	3.33
UK	3.33
Australia	2.22
Denmark	2.22
Europe	2.22
Italy	2.22
Mexico	2.22
Netherlands	2.22
Thailand	2.22

UAE	2.22
Austria	1.11
Czech Republic	1.11
Hong Kong	1.11
Indonesia	1.11
Panama	1.11
Poland	1.11
Syria	1.11

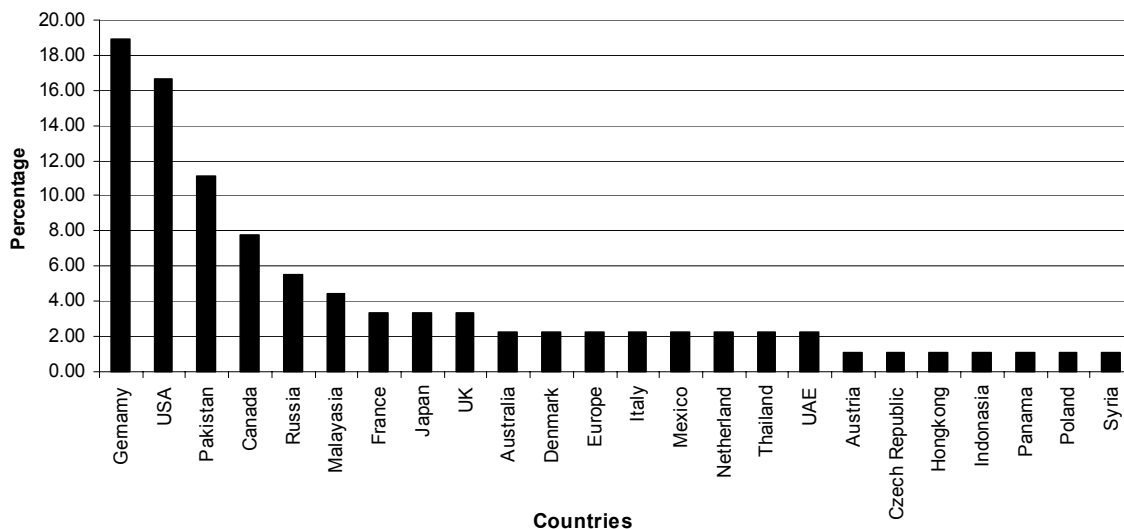
Source: Based in Primary Survey by Questionnaire.

The above table shows the destination of respondents exporting tea. 18.89% of respondents export to Germany, 16.87% to USA, 11.11% to Pakistan, 7.78% to Canada etc.

It is important to examine the export pattern of Nepalese tea in the international market in order to study the impact of related issues with WTO. Therefore, the export destinations of Nepalese tea have been obtained from the respondents. The following bar chart shows the major destinations except India.

Chart 11

Major Export Destination (Except India)



The above chart indicates that the major export destinations of Nepalese tea are Germany, USA, Canada, Pakistan, Russia, Malaysia, France, Japan etc. The international markets of Nepalese tea are mainly based in Europe and America with exception of India. Since the major destinations are developed and members of WTO, it is essential to cope with WTO rules and commitments while dealing with these nations.

4.2.2. Import Destination of Tea

Considering the consumption pattern of tea in Nepal, mostly CTC tea is consumed and very few portion of Orthodox has said to be consumed i.e. 5% of Orthodox. The major country to import the CTC and other kind of Green tea and Herbal tea is India. Besides these, Pakistan, Sri Lanka, and Bangladesh, and China are other countries we import from.

Table 9: Import Destinations

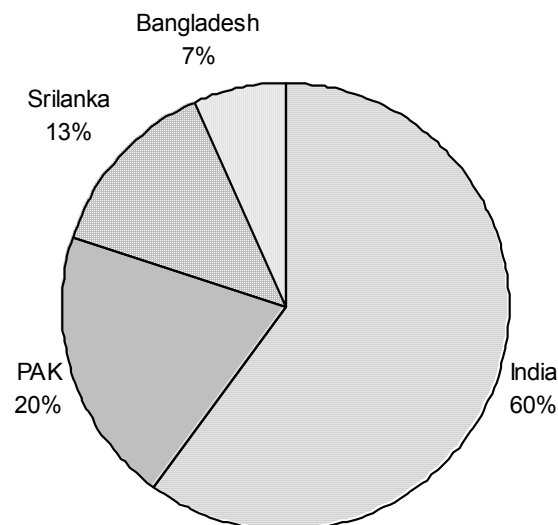
Country	Percent (%)
India	60.00
PAK	20.00
Srilanka	13.33
Bangladesh	6.67
Total	100

Source: Based in Primary Survey by Questionnaire.

The above table indicates that 60% of the respondents import tea from India. Similarly 20% of them imports from Pakistan, 13.33% imports from Sri Lanka and 6.67% from Bangladesh.

Chart 12

Import of Tea



The above pie chart shows the bigger portion of respondents imports from the India and smaller number of respondents from Bangladesh.

4.2.3. Close International Competitors:

There are some close international competitors to Nepal who involves in export of tea. The close international competitors for tea exports are as follows:

Table 10: Close International Competitors for the Tea Exporters

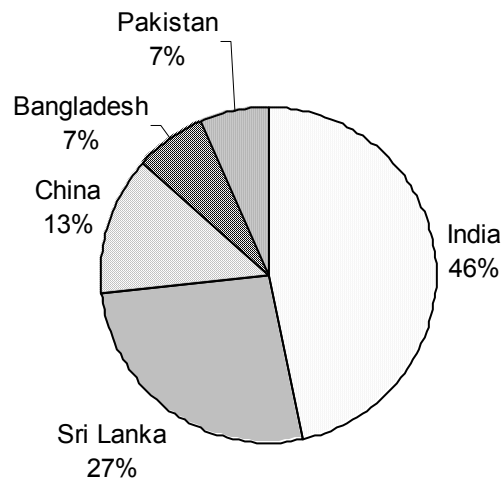
Country	Percentage (%)
India	46.67
Sri Lanka	26.67
China	13.33
Bangladesh	6.67
Pakistan	6.67
Total	100

Source: Based in Primary Survey by Questionnaire.

The above tables indicate percentage values of respondents who consider their close rival in the correspondent countries.

Chart 13

Major International Close Competitor



The above chart shows that some 46% of respondents consider their close rival in exporting tea is India. Similarly 27% of respondents think Sri Lanka, 13% to China and 7% to Bangladesh and Pakistan as their close competitor.

4.2.4. Types of Tea Exported from Nepal

There are mainly four categories of tea exported to international markets which are shown in the following table:

Table 11

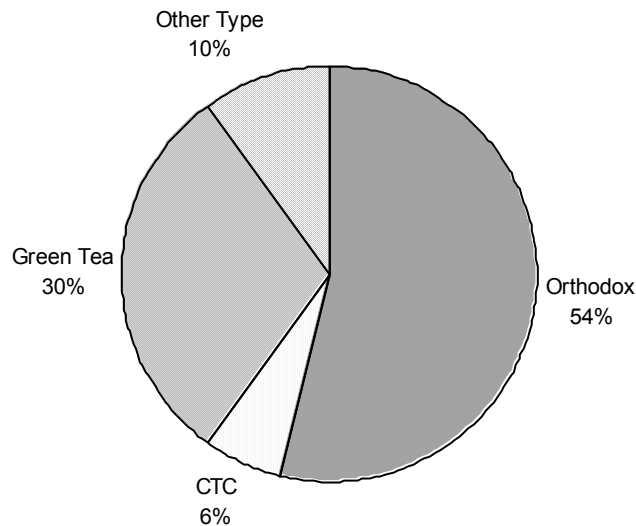
Tea Type	Percentage (%)
Orthodox	54
CTC	6
Green Tea	30
Other Type	10
Total	100

Source: Based in Primary Survey by Questionnaire.

The above table shows that 54% of the respondents export Orthodox, 6 % CTC, 30% Green Tea, and 10% of other types including herbal tea.

Chart 14

Exported Tea Types



The above pie chart indicates that orthodox tea is the more exported tea from Nepal. Similarly green, other (herbal), and CTC comes respectively.

4.2.5. State of International Market after Nepal's Membership into the WTO

It is felt necessary to examine the state of foreign market for Nepalese tea after entering the WTO. With objective to know the opinion on market effect in the post-WTO scenario, respondents are requested to provide their views.

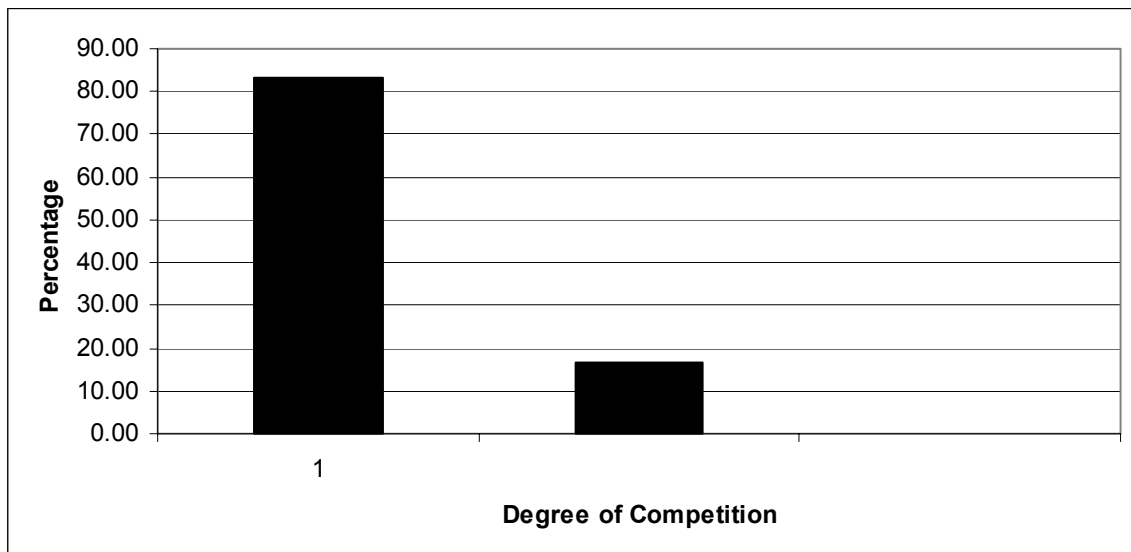
Table 12

Opinion	Percentage (%)
very competitive	83.33
moderate competitive	16.67
less competitive	0.00
Total	100

Source: Based in Primary Survey by Questionnaire.

The above table shows the opinions expressed by the respondents. 83.33% expressed their opinion that foreign market has been very competitive in the post-WTO context. Similarly 16.67 % regarded that moderate competitive and nil to mention less competitive.

Chart 15



The above diagram gives a look that international market has become very competitive after Nepal's membership into the WTO.

4.2.6. Tariff

In normal conditions, an imported product is expected to have free entry into the country of importation. However, a member is authorized to impose a tariff, i.e. customs duty, on an imported product at the time of import. So, tariff's purposes are:

1. Government revenue through tariffs.
2. To protect local industries.
3. Help to control the import of specific goods to maintain the balance of foreign exchange / trade.

Tariffs affect the competitive position of imported products adversely. Besides, frequent changes in tariffs will cause uncertainty in trade and industry. Reduction on such tariffs to liberalize international trade is also the main effort of WTO.

High tariffs rates are barrier to market access. Developing countries have imposed higher degree of tariffs in comparison to the developed countries. Though there is more relaxation provision for LDCs and other developing countries, there is commitment to remove / reduce such tariffs with specific time and bound rate.

The General Agreement on Tariffs and Trade (GATT) established the precedent for prohibiting quantitative restrictions and limiting the rights of member states to impose tariffs. This principle was extended to Most Favored Nation treatment for trade in goods under the WTO. Nepal's tariff binding commitments under the WTO are designed to stabilize and provide security for the country's import and export regime. By securing market access, the commitments are designed to encourage Nepalese export industries to invest in domestic markets under greater conditions of certainty, allowing for expansion and diversification of their production base with a greater export orientation. In addition, the WTO rules on binding tariffs should give security to importers and domestic industries, by ensuring stable prices of imported raw materials. This should to help facilitate price determination for Nepalese industries. The WTO provisions requiring reductions to tariff barriers should also guarantee that importers and domestic industries will able to import materials without delay and at the most competitive prices. In terms of trade in agricultural goods, entry

into the WTO provides increased opportunities for market access of farm products. However, the benefits of WTO tariff reductions on Nepalese agricultural exports have been marginal given that Nepal has been an inefficient producer and has become a net food importing country in recent years.⁵⁰

Under its terms of accession, Nepal was granted a period of extension for the full implementation of tariffs cuts until December 2006. Nepal committed to codify the substance of the WTO Agreement on Import Licensing Procedures and to bring its licensing provisions for valuable metals and precious stones into conformity with WTO by applying automatic licensing to these products. It also committed to eliminating and not introducing, reintroducing or applying quantitative restrictions on imports or other non-tariff measures that are not justifiable under the WTO Agreement. Nepal obtained a 10 year transition period for full implementation of the provisions to bind at zero all other duties and charges on agricultural and industrial goods.

Table 13
Nepal's Tariff Schedule under the WTO framework:

Measure	Initial Offer	Final Offer	Time Frame
Agricultural Tariff	Avg. 51%	Avg. 42 %	31/12/2006
Industrial Tariff	Avg. 39 %	Avg. 24%	31/12/2013

Source: Department of Custom.

The above table shows the tariff rates applied in import of agricultural and industrial products in Nepal. As per the commitment made in the WTO, Nepal promised to bound its tariff to 42% from 52% in agricultural products and to 24% from 39% in industrial products⁵¹, during the transitional period. Since the time frame for final bound tariff has already finished in 31/12/2006 for agricultural products, Nepal has entered into the full implementation of agricultural tariff since January 1, 2007.

Table 14
Tariff Binding Coverage after Full Implementation:

Tariff binding coverage (%)		99.4
MFN tariffs	Final bound	Applied before '07
Simple average of import duties	(%)	(%)
All goods	26.0	12.6
Agricultural goods (AOA)	41.4	14.0
Non-agricultural goods	23.7	12.4
Non ad-valorem duties (% total tariff lines)	0.0	0.4

Source: Trade Profiles 2007. Page 120.

⁵⁰ UNESCAP Case study: Nepal The Doha Development Agenda: Perspectives from the ESCAP Region Document ST/ESCAP/2278, http://www.unescap.org/tid/publication/t&ipub2278_nep.pdf

⁵¹ the figures are approximately or average value

The above table shows the final tariff binding rates effective from January 1, 2007. As the existing tariff applied before are relatively lower than binding rates, it is favorable in all aspects. The agricultural goods are bounded at 41.4 % from the 14%. And others are similarly 12.6% to 26% and 12.4% to 23.7% on all goods and non-agro products respectively. However, ad-valorem duties are declared nil from January 1, 2007.

This implicates that Nepal has committed to liberalize the international trade. It has welcomed international producers and traders to enter their products into Nepal, with minimum tariffs. It also invites the competition in business and industrial sector.

The effect of this tariff reduction also increases the competition to Nepalese Tea Sector. Since, Nepali tea has to compete with international teas in terms of price, quality, and taste preference, tea industry has to consider the competitive factors to keep the pace of progress and protect the industry itself from foreign marketers.

To cope with lower tariff rate under the multilateral agreement into the WTO, there is need of increase competitiveness to reap the profit.

In order to know the impact by tariff rules under the WTO to Nepalese tea exporter, a primary survey is conducted through the questionnaire. As a outcome the effect of tariffs-cut/adjustment imposed by the importing nation, the following results are achieved:

Table15
Effect of Tariffs Cuts Imposed by Importing Country on Nepalese Tea Exported:

	Frequency	Percentage (%)
Affected	2	6.67
Not Affected	28	93.33
Total		100

Source: Based in Primary Survey by Questionnaire.

The above table shows that 2 respondents that would be 6.67 % out of 30 has stated that their export business of tea are affected by the tariff cuts and 93.33 % of tea exporters do not feel its effect yet.

4.2.7. Most-Favored Nations (MFN) Treatment:

Most-favored Nations essentially means non-discriminatory treatment among the member countries. Quite contrary to its name, this provision does not mean any special favor to any nation; in fact it prohibits special favors even to the friendliest country. Any benefit in connection with exporting or importing given to a product of MFN (whether a member or not) has to be given to the like products of all member without discriminations. It is basic principle run through the entire structure of the multilateral WTO agreement related to goods.

Of course, a member is not bound to give MFN treatment to a country which is not a member of the WTO. The treatment given to non-member countries depends on the member's bilateral agreement with each of them. However, if a member gives a certain trade benefits to a non-member that benefit has to be extended to all members in accordance with the principle of MFN treatment.

Since this basic principle is considered in the trade with any foreign country, the tea marketer also need to consider it. It plays significance role in import-export trade for non-discriminatory treatment among the member countries.

4.2.8. National Treatment:

It is also an important basic principle in the WTO Agreement on goods. National treatment means non-discriminations as between domestic products and imported products. Basically, the principle of national treatment prescribes the obligation that imported products, after entering the country of import, should be treated as national products.

The main objective of this principle is to ensure that the effects of tariff concessions are not frustrated by providing indirect protection to domestic products. Its aim is to establish competitive environment for imported products in relation to domestic products and at providing equal opportunities to imported products and domestic products in the domestic market.

In the context of membership of the WTO, there is obligation of implementing the national treatment measure. The provision does not let to discriminate between home production of tea and other imported brands of teas. It means the treatment and preference given to the Nepalese tea, are

equally provided to imported teas without any difference. It helps the imported teas to fairly compete with Nepalese tea. It increases competition in terms of quality, standard maintaining, and pricing of Nepali tea. Since this measure is applied among all the member countries, this leads to competitiveness in the international market as well.

National treatment measure also grants the Tea Industry an opportunity to be treated equally in the international market. It explores the right of non-discrimination among the other tea brands in foreign market.

4.2.9. Safeguards:

Normally, a member is not permitted to restrict imports into its territory or export from its territory. However, there contains exceptional disciplines of prohibits of quantitative restraints on import & export.⁵²

Safeguard measures are emergency trade measure taken temporarily by a member to provide relief to its domestic industry in situation of hurt from increase in imports. So, it is also called “escape clause”.

Taking safeguard measure means:

1. Withdrawal of concessions by raising the tariff on a product above the bound level; or
2. Modification of the concessions by raising the tariff level for import beyond a particular value or volume.

The main preconditions of taking safeguard measures are:

1. Import of the product should have increased.
2. The impact should be in such a condition or quantities as to cause or threaten to cause serious injury to domestic producers of like or directly competitive products.

Nepal has adopted progressive elimination of tariffs peak and full implementation in agricultural tariffs has already been implemented since January 1, 2007. Therefore it is also possible of excessive importation due to inefficient domestic production and high international competition. These conditions also apply for the Tea Industry. Since Nepalese tea sector has

⁵² Article XI of GATT 1994 contains disciplines in this regard & prohibits quantitative restraints on import and export

to competitive with highly equipped international exporters with advanced technology, there is potential of danger to the industry by competitive products. In such conditions, government can take safeguard measure to protect the Nepalese tea industry.

4.2.10. Technical Barrier to Trade (TBT)

Sometimes governments lay down mandatory technical regulation on production for reasons of security, health or the environment. Widely accepted standards make it possible to have uniform design, machinery tools and other inputs, resulting in the economy at production and an assurance of quality. However, these regulations and standards may sometime operates as barrier to imports and thereby distort international trade. This phenomenon is called TBT.

To bring about uniformity in respect of product regulations and standards, and to reduce the possibilities of their being used for trade restrictive purpose, governments are encouraged to adopt international standards. They are also encouraged to participate fully in the formulation of international standards.

The formulations of international standard is essentially is technical exercise, but is has important implications for the market access of countries' products. International standards have a certain primacy in the formulation of technical regulations in a country. If these standards are set on the basis of practices prevalent in highly developed countries, the market access of goods of countries with much less rigid practices adversely affects. International Standards are in different levels of development and standards to participate fully in formulation process, so that the standards set will be reasonable and balanced.

The Nepal Standards (Certification Mark) Act and Standard Weights and Measures Act establish standards, regulations, certifications and licenses for all kinds of goods, processing and services in Nepal. Nepal Bureau of Standards and Metrology is empowered to prepare all standards and technical regulations, with the exception of health and food products and it oversees all mandatory certification activities, following international standards. These are submitted to the Nepal Council of Standards (NCS) for approval. Technical regulations are published in the Nepal Gazette and Standards are published in booklet form. The Department of Food Technology and Quality Control under the Ministry of Agriculture and the

Department of Drug Administration, under the Ministry of Health are responsible for formulating standards and technical regulations based on international standards, to ensure the protection of health and food products. Given the provisions for transparency, laboratory testing and judicial review, this legislation has been considered compliant with Nepal's most favored nation and national treatment obligations to the WTO. Nepal agreed to implement the Agreement on Technical Barriers to Trade, as well as the Code of Good Practice by January 1, 2007. Legislative amendments have been done by Nepal Standards Act and Regulations to comply fully with WTO. The Nepal Bureau of Standards and Metrology (NBSM) were established as the TBT enquiry point in June 2003.⁵³

The Department of Food Technology and Quality Control is the main authority in setting up the quality levels, standards and requirements for the tea in Nepal. The Department is also responsible for monitoring, evaluation and controlling the food law in Nepal. The Nepal Government tea standard complies with ISO 3720 and there have been ongoing programs in making the food law in compliance with the codex standard.⁵⁴ Due to the expansion in the international marketing of tea from Nepal, there is a need to meet the standards and quality criteria of the importing countries and these requirements and standards are more and more strict and complicated in context of Nepalese tea farmers and producers. The Maximum Residue Limit (MRL) set for the pesticides is an example of such complicated requirement for which there are no available laboratory facilities to monitor and measure. In order to be in line with the international standards and requirements some initiatives have been taken by the HOTPA/HIMCOOP which is the associations of all the tea producers. They have introduced the CoC to comply with the internal quality system which helps them to achieve the standards set down by the international requirements.

To examine the perception of Nepalese Tea importer/exporter/manufacturer on Standards and Technical Regulations, they were requested to express their views in the questionnaire. Regarding this, the following results are summarized:

⁵³ www.moisc.gov.np

⁵⁴ Market intelligence and International Standards for Tea and Pashmina. Nepal Chambers of Commers. 2008. P 42

Table 16
Perception on Standards and Technical Regulations:

	Frequency	Percentage (%)
Trade Barrier	13	43.33
Increases Efficiency	17	56.67
Total		100

Source: Based in Primary Survey by Questionnaire.

The above result indicated that 43.33 % of the respondents take the Standards and Technical Regulations as Trade Barrier in their business. However, the bigger portion of respondents i.e. 56.67 % of the respondents takes it as increment in the efficiency of their production and business.

The perception is, of course, an important aspect; however, it is vital to know its application on their action. To find out how many of them have applied *Standards and Technical Regulations* on the tea, another question was raised and the following information has been collected:

Table 17
Maintenance of Standard and Technical Regulation on Export of Tea:

	Frequency	Percentage (%)
Maintained	28	93.33
Not Maintained	2	6.67
Total		100

Source: Based in Primary Survey by Questionnaire.

The above figures shows the 93.33 % of the respondents maintain the standards and technical regulations in their export. And 6.67% of respondents do not maintain those standards. This is a positive indicator that shows probability of better competition in export market in terms of standards and technical regulations.

4.2.11. Domestic Support:

Domestic support is the support provided through subsidies paid by government to producers or through administered prices, is classified under the WTO agreement on Agriculture as falling in the three “boxes”. *Amber Box* policies are those deemed to be the most trade-distorting and hence are subject to disciplines. The extent of subsidies is gauged by the “aggregate measurement of support” (AMS) that they provide. Exempted from discipline is so called *de minimis* support defined as subsidies up to a fixed proportion⁵⁵ of the current valued of production in each category of

⁵⁵ Currently 5% prevails.

product-specific and non-product specific support. *Blue Box* policies are potentially trade distorting, but because they include supply restrictions they are currently exempted from reduction. *Green Box* payments are not related to current output and therefore are considered minimally trade distorting. Like Blue Box Policies, they are exempted from reductions.

The agreements on agriculture called on developed countries to reduce Amber Box Support (or total AMS) by 20 % by 2000. Developing countries were to reduce AMS by 13 % by 2004. For developing countries, a wider list of policies was exempt from reductions. The LDCs were wholly exempt from subsidy-reductions commitments.⁵⁶

4.2.12. TRIPS Agreement:

The TRIPS agreement prescribes minimum standards for the protection of IPRs and covers seven areas – patents, copyrights, trademark, geographical indications, industrial, industrial designs, integrated circuit layout designs, and undisclosed information for protection. The area of interest with regard to the tea sector is geographical indications and trademark is major. Nepal has been member of the World Intellectual Property Organization (WIPO) since March 1984. It is a specialized UN agency to deal with the protection of intellectual property.⁵⁷

4.2.13. Geographical Indication (GI):

Geographical indications refer to indications, which identify a good as originating in the territory of a Member, or a region or locally in that territory, where a given quality, reputation or other characteristics of the good is essentially attributed to its geographical origin. Place names are sometimes used to identify a product like ‘Bhaktapure Curd’, ‘Darjiling Tea’ etc. The TRIPS agreement allows for higher levels of protection for such GI registered products.

In the tea sector, the use of term “Darjiling’ for instance would be a paralled example. By taking recourse to GI under TRIPS, ‘Darjiling Tea’ would establish first, specific geographical origin and second specific characteristics. This would then accord protection and prevents others form using the name and marketing ‘non-Darjiling tea’ as Darjiling tea.

⁵⁶ Trade, Doha, and Development: A Window into the Issues. By Richard Newfarmer. World Bank. USA. 2006

⁵⁷ The WIPO established in 1967 has 128 members. It is responsible for promoting protection of intellectual property throughout the world through cooperation among member countries.

Similarly, special characteristics for instance, could be of captures of Ilam Tea, Assam Tea, Nilgiris Tea, Himalayan Tea etc.

It is crucial to know the real implication of GI rule on the tea business. To make it more crystal clear its effect on export business of tea, is asked in the questionnaire and following results have been achieved:

Table 18
Effect of Geographical Indication (GI) under the WTO, on Nepalese Tea Exported:

	Frequency	Percentile
Impacted	27	90.00
Not Impacted	3	10.00
Total		100

Source: Based in Primary Survey by Questionnaire.

The above figures indicate that the Nepalese tea export business are facing critical situation in terms of GI. 90 % of the exporters are impacted and rests 10% are out of this situation. This mean there is a 'must' need of geographical indication registered and its application. It enhances their business. There should be exercise to make a common national brand name of tea exported in the other countries.

4.2.14. The Agreement on Sanitary and Phytosanitary (SPS) Measure

Sanitary regulations are used to cover types of regulations whose basic objectives are to ensure food safety, or to prevent animal-borne diseases and harmful to health and environment from entering a country. Where the objectives of regulations are to ensure that imported plant varieties do not bring into the country - plant born diseases, unprotect of indigenous rights, are refers to as 'Phytosanitary Regulations'. Therefore, in case of tea, SPS agreement is highly relevant issue.

SPS agreement gives countries the unrestrained right to introduce sanitary and phytosanitary measures that result in a higher level of protection that would be achieved by measures based on relevant International Standards, Guidelines or recommendations provided there is a sound scientific basis for doing so.

Since SPS agreement has often used to erect non-tariff barriers to trade, it is important for the tea industry to take careful considerations in these issues. Some of the issues may be raised are⁵⁸:

- Is the tea grown in a pest or disease-free area?
- What pesticides are being used, and what is the level of contamination?
- What labeling procedures are being followed (What does the label say)?
- Is the environment-friendly packaging materials being used?
- Are the tea leaf- pickers wearing gloves?
- How is the health of tea farmers engaged in planting and processing?

Therefore, government and industry need to consciously and urgently address the issue of standards as it is likely to emerge as a dominant barrier to tea trade. Nepal has been following some International standards in the tea sector in this regard. They are: July 25, 2003 EU Pesticides Directives, December 12, 2003 Bio Terrorism Act of USA, Quarantine Regulations on Processed Tea by India etc.⁵⁹

To analyze the implementation of SPS measure applied in tea sector after entering the WTO, relevant information is collected through questionnaire. The results in this regard are obtained as following:

Table 19
SPS Measure Applied on Nepalese Exported Tea:

	Frequency	Percentile
Applied	16	53.33
Not Applied	0	-
Do not Know	14	46.67
Total		100

Source: Based in Primary Survey by Questionnaire.

From the above results, 53.33 % of tea exporters are aware of this SPS measure and they have applied. However, the rest 46.67% have no knowledge on SPS measure. So, there is need of this rule in the context of Nepal's membership into the WTO.

⁵⁸ Tea Industry is the perspective of the WTO and the TRIPS Agreement by Mr. Amit Dasgupta, Agrobusiness Interface 2001: Tea Event.

⁵⁹ Nepalese Orthodox Tea and Commitment to Quality: A paper presented by Mr. Suraj Vaidhya in Nepal Tea & The World 2004, Kathmandu.

4.3. Analysis of Opportunities and Challenges of Tea Industry in the Context of Nepal's Membership in to the WTO

From the aforementioned analysis, it can be said that tea has become attractive cash crop with steady international demand. With hilly Nepal's climate and terrain suitable for premium product in the world market, tea has a potential to benefit large segments of rural population and supportive to national revenue. In the context of Nepal's membership into the WTO, there has been many rules, regulations, and obligations that must be imposed by the nation. There have been direct and indirect impacts of them on Nepalese tea industry as well. The study focuses the challenges and opportunities in the background of impacts of WTO-related issues and trends of production, import and export, on the tea industry.

The trend of production, import, and export of tea indicates the possibility of entrance of foreign market and further extension of it with quality products and competitive business strategies. However, there lie many obstacles as well. In order to assess the challenges and opportunities created in the post-WTO period, the respondents were asked to express their problems and benefits. In this manner, their opinions are reflected in the analysis of this topic.

Some of the problems and opportunities opinioned by the respondents in the questionnaire have also played a vital role in this analysis. The challenges and opportunities are as following:

Problems / Challenges:

- Bias in Quality control
- Hard to compete due to Nepal s common brand name in the foreign market
- India markets Nepalese tea in their own brand names
- Lack of Advanced Technology to Compete with Highly Maintained Quality
- Lack of Government Support to locate International market
- Lack of Laboratory for Testing
- Leaf Tea exported to India rather than processing in Nepal
- Low consumption of orthodox tea in the local market
- Marketing Channel Problem
- No joint effort to promote the national brand
- Problems in entering the international market

- Production & quality is lesser than demand
- Production method & quality maintain does not meet international need
- Rumors of pesticide used in the Nepalese tea has troubled our tea market
- Strike of Labor Union led to Less Production
- Tough competitions between various CTC brands in the local market
- There is no strong commitment from the government for the promotion of tea business
- There should be scientific planting methods for better production and big market

Opportunities:

- Increasing trend in the establishment of green leaf production
- Sufficient availability of land in identified areas for expansion and new plantations
- New export markets can be developed due to market liberalization.
- Developing a research and training centre that can produce new clones and seed stock suitable for the Nepal environment.
- Banks are interested to facilitate easier agriculture and export financing and develop export insurance cover and factoring facilities.
- Improving/expanding bilateral and regional trade and transport agreements to improve exports and cargo facilities with India and Bangladesh
- Existence of new organically certified growing areas in virgin land for bio-organic tea now having increasing global demand.
- Unique environment and natural weather patterns to develop better quality.
- Emerging private sector to be speciality advisory agents/suppliers of inputs for the industry
- Supports available for obtaining internationally accepted certifications for new and existing factories.
- Good brand image including GI could be established as Nepal has premium quality of organic orthodox.
- Farmer cooperatives willing to work together
- Rural and women employment/empowerment
- Contribution to poverty alleviation

- Steady growth in export volume and earnings

Looking at the above mentioned points on challenges and opportunities in the Nepal tea industry, it may be concluded that the tea sector is now at a crucial stage to take off to be an important industry for employment generation as well as a key export income earner. With the demand globally increasing, better quality and well presented commodity items, it is imperative that Nepal focus their attention to meet the setbacks, shortages and problems facing it. In conclusion, there are both opportunities and challenges in the Nepalese tea industry.

Chapter V: Summary, Conclusions and Recommendations

5.1. Summary

The development of tea industry in Nepal took momentum after the private sector involved in tea market. Nepal is rich in the ecosystem and biodiversity with tremendous agricultural opportunities wherein tea is grown as among the major cash crops. Two types of tea produced in Nepal are Orthodox and CTC. Most of CTC production fulfills the need of domestic consumption and the orthodox has become the exportable premium quality tea from Nepal. Tea business has been emerging as a potential export trade of Nepal. Now the growth and expansion of this sector has been steadily progressive with increased competitiveness and market orientation.

The positive trend of production and export has indicated the potentiality of further extension of tea business in the global scale. The import of tea has been decreased which can be regarded as signal of self-dependence in tea for domestic consumption. Tea production has been significantly increased with aim of export earning along with fulfillment of domestic needs. Therefore, the tea industry has entered into the global market inviting cumbersome challenges and greater potentialities. In the context of Nepal's membership into the WTO, there has been increased competition and possibilities in the tea sector. The provisions of various WTO-related rules, regulations and obligations, there has been need of reform regarding the productions and marketing tradition and mechanism in the industry. The maintenance of standards and quality under the law of WTO has been compulsory for the export import trade of the tea. On the one hand, there have to cope with SPS, TR, Standards and Safeguards, Tariffs etc. provisions and on the other hand, have to make ready for the competition with effective market strategies in the market. In the analysis of preceding sections of the study, there have been both opportunities and challenges identified in Nepal tea industry.

The absence of advance and appropriate technology, technical human resource, lab facilities has become the major challenges Nepal tea industry facing. Due to these obstacles, high quality leaf tea has been cheaply

exported to India and opportunity of direct export of finely processed tea to International market has been lost. In this way, Nepalese premium quality tea has been exported to other countries through India.

There has been National Tea Policy in order to develop the tea industry through the increased involvement of private sector. The Tea policy aims to bring Nepal tea industry in the world trade scenario. Nepal being located between the two bigger producers and marketer of the tea, India and China, it has a small space in the global context. However, there is a great possibility of expansion of the export market by increased production in the desirable quality.

Competitive market need of growth in production of quality tea and provisions agreed on WTO have become the major challenges to the Nepalese tea stakeholders. At the same time, the future of the tea industry in Nepal seems to be brighter by overcoming the challenges and obstacles with joint effort of all concerned stakeholders to reap the full benefit.

5.2. Conclusions and major Findings

The major findings of the study are concluded as following:

1. The production trend of the tea has been positive and thus possibility of export business has been increased.
2. The import trend of tea in Nepal has been decreasing which is the signal of almost self-dependence in the tea sector for domestic consumption.
3. The export trend of the tea has been raised smoothly. It indicates the development of tea export in the international market.
4. The major exports destinations of the tea have been identified from the respondents were Germany, USA, Canada, Pakistan, Russia, Japan etc.
5. The major exportable tea is Orthodox.
6. International market for Nepalese tea has been very competitive in the post-WTO scenario.

7. There has been a mixed opinion in planters, processors, importers and exporters of the tea regarding the impact of WTO on Nepalese tea industry.
8. The major portion of the exported tea from Nepal imply with SPS, TR, Standards and Safeguards etc. provisions under the WTO Agreement.
9. There has been immediate necessity of Geographical Indication (GI) registration for the Nepalese tea. Due to the lack of common national brand of Nepali tea, GI has not been taken yet.
10. The tariff policy of importing nations has not affected the Nepal tea industry.
11. The major challenges of the tea industries has been identified as following:
 - Lack of Advanced Technology to Compete with Highly Maintained Quality
 - Lack of Government Support to locate International market
 - Lack of Laboratory for Testing and technical human resources.
 - Leaf Tea exported to India rather than processing in Nepal
 - Production method & quality maintain does not meet international need
 - Rumors of pesticide used in the Nepalese tea has troubled our tea market
 - Tough competitions between various CTC brands in the local market
 - Competition from other producer countries, which are rapidly developing to meet global requirements.
 - There should be scientific planting methods for better production and big market

- Very little direct access to international market.
- Quality Problem in CTC tea.
- Few processing factories.
- Expansion of tea plantation area is not promoted
- There has not been stable policy and lack of government support in nursery development, training and effective policy formulation and implementation. Etc.

12. The major opportunities of the tea industries has been identified as following:

- Nepal has good climate and geographical conditions
- Increasing trend in the establishment of green leaf production
- Sufficient availability of land in identified areas for expansion and new plantations
- New export markets can be developed due to market liberalization.
- Developing a research and training centre that can produce new clones and seed stock suitable for the Nepal environment.
- Banks are interested to facilitate easier agriculture and export financing and develop export insurance cover and factoring facilities.
- Improving/expanding bilateral and regional trade and transport agreements to improve exports and cargo facilities with India and Bangladesh.
- Existence of new organically certified growing areas in virgin land for bio-organic tea now having increasing global demand.
- Unique environment and natural weather patterns to develop better quality.

- Supports available for obtaining internationally accepted certifications for new and existing factories.
- Rural and women employment/empowerment
- Low labor costs benefits the producers of tea in Nepal.

5.3. Recommendations

On the basis of conclusions and major findings of the study, the following recommendations have been made.

01. Plantation of the tea should be extended in further areas as per suitability of required ecosystem. The expansion of tea plantation will ultimately increase the production and build export capacity. This also helps to overcome the growing unemployment problem to some extent.
02. Scientific plantation methods should be introduced and focus has to be made on the organic tea cultivation because the international standards restrict the Poor quality chemicals/insecticides and pesticides use in tea production.
03. Quality of the tea should be improved and maintained in order to fulfill the expectation of customers as well as buyers.
04. Standards and technical requirements should be assured in the scenario of Nepal as WTO member. This is equally necessary to cope with emerging stringent rules and regulations of standards either they are WTO-related or laws & acts of other regional organizations like EU, and America. The maintenance of the standards helps to build and sustain relationships in the global market.
05. Improvement has to be made in processing of tea by developing skilled human resources in the tea industry and establishing the appropriate technology in the production system.
06. Relying on Indian processing and marketing expertise thereby losing country image has been a burning problem. On the one

hand, export of unprocessed leaf tea in cheaper price has accounted loss for the small holder farmers engaged in the tea sector and on the other hand, prestige of national brand as well as attractive export earning has been lost. To overcome this problem, import of the advance processing technologies and increase the number of processing factories are highly recommended. Besides this, development of export marketing expertise should be done with high priority.

07. The government and concerned stakeholder/s should keep account of how and what quantity of unprocessed tea has been exported to India directly or indirectly. On this basis necessary actions should be taken to increase the productivity of tea and export from its own.
08. In the scenario of Nepal has agreed multilateral trade agreements under the WTO, there are so many effects and side effects of rules, regulations, and obligations in the tea industry. The awareness of these issues especially WTO-related issues affecting the tea industry should be expanded among the stakeholder of Nepal tea industry in the initiation of government of Nepal.
09. To protect and promote the tea sector, the government should take actions like provision of subsidy, tax exemption, export promotion schemes etc. Competitions from two big neighbor producer countries have been rapidly developing to meet global requirements. Nepal should take advantage with them instead of cheaper export of unprocessed tea to them.
10. Though Nepal has tremendous international market provided of we can assure of the quality and continuity, there has been a need of geographical indication (GI). To register the GI, the common national brand of tea (for both private and public sectors) should be created and promoted. This deed should be immediately initiated in order to reap the full benefit of the export business of the tea.

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Options	Q1			Q2			Q3			Q4				Q5			Int.I Compititor	Q7				
	A	B	C	A	B	C	A	B	C	A	B	C	D	A	B	C		A	B	C	D	E
RPD 1		1					canada	Panama	France	1		1		1			Sri Lanka					1
RPD 2			1	India	PAK		Malays.	PAK	India		1				1		India			1		
RPD 3			1	Srilanka	Bangl.		Germany	Denmark	USA	1		1		1			Sri Lanka	1				
RPD 4			1	India			USA	Malay	India	1		1		1			India				1	
RPD 5		1					Rusia	Germany	Denmark	1		1		1			Bangladesh					1
RPD 6		1					Germany	USA	Pak	1		1		1			India			1		
RPD 7		1					UAE	Germany	Italy	1		1		1			Pakistan					1
RPD 8			1	India			USA	Europe	Canada	1				1			India			1		
RPD 9		1					USA	Rusia	IndonA.	1				1			China			1		
RPD 10		1					UK	Germany	Thail	1			1	1			Sri Lanka			1		
RPD 11		1					Europe	USA	Japan	1			1		1		India		1			
RPD 12		1					NetherL	USA	Germany	1		1		1			Sri Lanka					1
RPD 13			1	Srilanka	India		Japan	Austra.	Netherl	1		1		1			Sri Lanka			1		
RPD 14		1					Rusia	USA	Poland	1		1		1			Bangladesh					1
RPD 15		1					UK	Germany	USA	1		1		1			Pakistan					1
RPD 16		1					Canada	Germany	Mexico	1				1			China			1		
RPD 17			1	Pak			Pak	USA	Germany		1				1		India	1				
RPD 18			1	India			France	Malay	Germany	1		1		1			India				1	
RPD 19		1					HK	Thailand	Pak	1		1		1			India			1		
RPD 20			1	India			Austria	Italy	Rusia	1				1			India			1		
RPD 21		1					Canada	Germany	USA	1			1	1			Sri Lanka	1				
RPD 22		1					USA	Germany	Malays	1				1			China			1		
RPD 23		1					Germany	UK	Japan	1			1	1			Sri Lanka			1		
RPD 24		1					UAE	Pak	canada	1			1		1		India		1			
RPD 25		1					Czech R	Australia	France	1		1		1			Sri Lanka					1
RPD 26			1	India	PAK		Pak	Germany	India		1				1		India			1		
RPD 27			1	India			Syria	Mexico	Pak	1		1		1			India				1	
RPD 28		1					Germany	USA	Canada	1		1		1			India	1				
RPD 29			1	India			USA	Germany	Canada	1				1			India			1		
RPD 30		1					Rusia	Germany	USA	1				1			China			1		
TOTAL	0	19	11							27	3	15	5	25	5	0		4	2	14	3	7

continued ...

Responses Collected from the Questionnaires:

Options	Q8			Q9					Q10					Q11		Q12		Q13		Q14		Q15
	A	B	C	A	B	C	D	E	A	B	C	D	E	A	B	A	B	TB	PI	A	B	Problem/Opportunity
RPD 1			1					1		1					1	1			1			-
RPD 2			1					1			1				1	1			1			-
RPD 3	1					1				1		1			1	1			1			-
RPD 4			1					1				1			1		1		1			-
RPD 5	1				1					1		1		1		1		1		1		-
RPD 6			1					1		1					1	1		1		1		-
RPD 7			1			1						1			1	1		1			1	-
RPD 8	1							1		1					1	1		1		1		-
RPD 9	1							1					1		1	1			1		1	-
RPD 10	1							1		1					1	1		1		1		-
RPD 11	1							1		1	1				1	1			1		1	-
RPD 12			1					1		1					1	1			1		1	-
RPD 13	1					1				1		1			1	1			1		1	-
RPD 14	1				1					1		1		1		1		1		1		-
RPD 15			1			1						1			1	1		1			1	-
RPD 16	1						1						1		1	1			1		1	-
RPD 17			1					1			1				1	1			1		1	-
RPD 18			1					1				1			1		1		1		1	-
RPD 19			1					1		1					1	1		1		1		-
RPD 20	1							1		1					1	1		1		1		-
RPD 21	1							1		1					1	1		1		1		-
RPD 22	1						1						1		1	1			1		1	-
RPD 23	1							1		1					1	1		1		1		-
RPD 24	1							1		1	1				1	1			1		1	-
RPD 25			1					1		1					1	1			1		1	-
RPD 26			1					1			1				1	1			1		1	-
RPD 27			1					1				1			1		1		1		1	-
RPD 28			1					1		1					1	1		1		1		-
RPD 29	1							1		1					1	1		1		1		-
RPD 30	1						1						1		1	1			1		1	-
TOTAL	16	0	14	0	2	4	4	20	0	18	5	9	4	2	28	27	3	13	17	28	2	-

Appendix – 2
QUESTIONNAIRE

Dear Respondent,

I am a student of Master of Business Studies at Public Youth Campus, Tribhuvan University. I am going to conduct a study of **Tea Sector in the context of Nepal's membership into the WTO**. All information collected in the enclosed questionnaire, will be treated for only academic purpose. Therefore, you are kindly requested to fill the following questionnaire. Please tick (✓) the statements to show your degree of agreement or disagreement and provide the information where necessary.

I really appreciate your kind cooperation by providing the valuable information out of your busy schedule.

Please feel free to contact me at 9841762122 for any necessity in this regard.

Sincerely,

Shankar Pd. Rimal
Public Youth Campus
Kathmandu

Please fill the below box:

Your Name:

Organization:

QUESTIONNAIRE

01. Your organization/firm is involved in:
- ❖ import of tea []
 - ❖ export of tea []
 - ❖ import and export both. []
02. If you are Importer, where do you import from?
- ❖ A. _____
 - ❖ B. _____
 - ❖ C. _____
03. If you export your produce yourself, what are the major destinations of your exports except India?
- ❖ A. _____
 - ❖ B. _____
 - ❖ C. _____
04. Would you please tick the types of tea you Export? (If Applicable)
- ❖ Orthodox []
 - ❖ CTC []
 - ❖ Green tee []
 - ❖ Others type []
05. How would you assess international market for Tea after Nepal's entry into the WTO?
- ❖ Very Competitive []
 - ❖ Moderate Competitive []
 - ❖ Less Competitive []

06. Which country is currently the close competitor in the foreign market?
-
07. How would you judge the impact of Nepal's Membership in to the WTO?
- ❖ Positive []
 - ❖ Negative []
 - ❖ Both []
 - ❖ No effect []
 - ❖ Don't Know []
08. Is the tea imported/exported from your organization, is within SPS measure under WTO agreement? SPS measure means beyond the harmful to Health and Environment.
- ❖ Yes []
 - ❖ No []
 - ❖ Don't Know []
09. What is the direct impact of WTO on your business?
- ❖ Tariff Reduction Helps to Increase Business []
 - ❖ Expansion of market. []
 - ❖ Increase of Competition and favorable. []
 - ❖ Increase of competition and unfavorable. []
 - ❖ All of the above. []
10. How does the government help your business?
- ❖ Providing subsidy to Tea Sector. []
 - ❖ Involving in Export Promotion of Tea. []
 - ❖ Capacity Building and Encouragement. []
 - ❖ Maintaining Quality and Standards. []
 - ❖ All of these. []

11. Does import tariff in the country of Import have affected your business?
 ❖ Yes []
 ❖ No []
12. Is there impact of Geographical Indications on Nepalese tea export business?
 ❖ Yes []
 ❖ No []
13. Do you consider the standards as a trade barrier []
 Or, on the contrary, when your business complies with them, does it increase your production? []
14. Did you have to adapt your products and/or manufacturing practices to meet the technical regulation and standard requirements, such as: Design, Certification, Testing, Labelling & packaging etc.
 ❖ Yes []
 ❖ No []
15. What are the problems and opportunities in your Plantation / Processing / Import / export activities? Please provide details as far as possible.
Problems:

Opportunities:

Thank You!

Appendix 3

April 2008

Nepal

BASIC INDICATORS

Population (thousands, 2006)	27 658	Rank in world trade, 2006	<u>Exports</u>	<u>Imports</u>
GDP (million current US\$, 2006)	8 052	Merchandise	144	131
GDP (million current PPP US\$, 2006)	44 130	excluding intra-EU trade	118	105
Current account balance (million US\$, 2006)	150	Commercial services	145	138
Trade per capita (US\$, 2004-2006)	139	excluding intra-EU trade	119	112
Trade to GDP ratio (2004-2006)	51.0			

	<i>Annual percentage change</i>			
	2006	2000-2006	2005	2006
Real GDP (2000=100)	118	3	3	2
Exports of goods and services (volume, 2000=100)	...	...	...	...
Imports of goods and services (volume, 2000=100)	...	...	...	...

TRADE POLICY

WTO accession date	23 April 2004	Contribution to WTO budget (% , 2008)	0.016
Trade Policy Review date	...	Import duties collected (% , 2004-2006)	
Tariffs and duty free imports		in total tax revenue	27.8
Tariff binding coverage (%)	99.4	to total imports	7.7
MFN tariffs	<u>Final bound</u> <u>Applied 2007</u>	Number of notifications to WTO and measures in force	
Simple average of import duties		Outstanding notifications in WTO Central Registry	27
All goods	26.0 12.6	Goods RTAs - services EIAs notified to WTO	1 - 0
Agricultural goods (AOA)	41.4 14.0	Anti-dumping (30 June 2007)	...
Non-agricultural goods	23.7 12.4	Countervailing duties (30 June 2007)	...
Non <i>ad-valorem</i> duties (% total tariff lines)	0.0 0.4	Safeguards (24 October 2007)	0
MFN duty free imports		Number of disputes (complainant - defendant)	
in agricultural goods (AOA)	...	Requests for consultation	0 - 0
in non-agricultural goods	...	Original panel / Appellate Body (AB) reports	0 - 0
Services sectors with GATS commitments	77	Compliance panel / AB reports (Article 21.5 DSU)	0 - 0
		Arbitration awards (Article 22.6 DSU)	0 - 0

MERCHANDISE TRADE

	<i>Value</i>		<i>Annual percentage change</i>	
	2006	2000-2006	2005	2006
Merchandise exports, f.o.b. (million US\$)	838	1	12	-3
Merchandise imports, c.i.f. (million US\$)	2 492	8	18	9
	<u>2006 a</u>			<u>2006 a</u>
Share in world total exports	0.01	Share in world total imports		0.02
Breakdown in economy's total exports		Breakdown in economy's total imports		
By main commodity group (ITS)		By main commodity group (ITS)		
Agricultural products	21.4	Agricultural products		22.5
Fuels and mining products	4.2	Fuels and mining products		20.0
Manufactures	73.0	Manufactures		57.5
By main destination		By main origin		
1. India	52.4	1. India		53.0
2. United States	29.1	2. China		8.4
3. European Union (27)	9.6	3. European Union (27)		6.4
4. China	3.4	4. Singapore		6.3
5. Bangladesh	0.9	5. Malaysia		3.3

COMMERCIAL SERVICES TRADE

	<i>Value</i>		<i>Annual percentage change</i>	
	2006	2000-2006	2005	2006
Commercial services exports (million US\$)	252	-8	-24	-7
Commercial services imports (million US\$)	488	17	13	15
	<u>2006</u>			<u>2006</u>
Share in world total exports	0.01	Share in world total imports		0.02
Breakdown in economy's total exports		Breakdown in economy's total imports		
By principal services item		By principal services item		
Transportation	14.0	Transportation		38.2
Travel	50.8	Travel		37.9
Other commercial services	35.3	Other commercial services		23.9

INDUSTRIAL PROPERTY

	<u>Total</u>	<u>Residents</u>	<u>Non-residents</u>	<u>PCT residents</u>	<u>PCT non-residents</u>
Patents granted, national office, 1995	1	1	...	...	...
Patents granted, regional office	-	-	-	-	-
	<u>Total</u>	<u>Residents</u>	<u>Non-residents</u>	<u>Non-residents direct</u>	<u>Non-residents Madrid</u>
Trademarks registered, 1995	997	381	616	616	...

a Breakdowns by commodity group and by destination/origin refer to 2003

BASIC INDICATORS

Trade per capita is estimated as an economy's total trade of goods and commercial services (exports + imports, balance of payments basis) divided by the population. It is calculated on the basis of data for the three latest years available.

Trade to GDP ratio is estimated as an economy's total trade of goods and commercial services (exports + imports, balance of payments basis) divided by GDP, on the basis of data for the three latest years available. GDP is measured in nominal terms and with market exchange rates.

Real GDP, exports and imports of goods and services (national accounts based), refer to data at constant prices or volume figures based on 2000.

Ranks in world trade of merchandise and commercial services are defined first referring to European Union (EU (27)) members as individual traders and second referring to the EU (27) as one trader (i.e. excluding individual EU (27) members).

TRADE POLICY

The Trade Policy Review date indicates the date of the latest policy review for the economy considered.

The tariff binding coverage corresponds to the number of the Harmonized System (HS) subheadings containing at least one bound tariff line divided by the respective total number of HS subheadings of the corresponding version of the HS nomenclature.

For MFN bound tariffs, the simple average of *ad-valorem* (AV) duties refers to the simple average of AV and calculable *ad-valorem equivalent* (AVE) of final bound HS 6-digit duties. For MFN applied tariffs it refers to the simple average of AV and calculable AVE of MFN applied HS 6-digit duties.

The non-AV duties as a percentage of total tariff lines refer to the share of HS six-digit subheadings subject to nonAV duties. When only part of the HS six-digit subheading is subject to non-av duties the percentage share of these tariff lines is used.

Agricultural goods according to the AOA (WTO Agreement on Agriculture) definition refer to HS chapters 1 to 24 (excluding fish and fish products) and a number of manufactured agricultural products (for further information see "The Legal Texts, The Results of the Uruguay Round of Multilateral Negotiations", WTO). This definition does not correspond to the definition of agricultural products presented in the breakdown of merchandise trade by main commodity group (see below).

Import duties collected in total tax revenue and import duties collected to total imports (goods and commercial services) are estimated in general on the basis of data for the three latest years available.

The number of GATS services sectors with commitments has been established by the WTO Secretariat on the basis of available information and in the light of the Services Sectoral Classification List (MTN.GNS/W/120). The total number of sub-sectors is in the order of 160. In the absence of a GATS schedule for the EU (27), the total number of services sub-sectors listed in the statistical profiles of the individual EC-12 members and of the EU (27) is that of the existing European Communities (EC) schedule.

For the number of disputes, a dispute is understood to be a proceeding initiated under the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) and identified by a reference number (WT/DS...). Reports refer to those adopted by the WTO Dispute Settlement Body (DSB). For EU (27) individual members the numbers refer to the EC figures including those for individual members prior to their accession to the EC. For more information refer to www.wto.org/english/tratop_e/dispu_e/dispu_e.htm.

For EU (27) members the number of notifications outstanding (NO) refers to the sum of NO of the EC and of the individual economy.

The number of contingency measures in force is based on information made available to relevant committees (annual reports G/L/830, G/L/832 and G/L/840). Please note that there is no obligation on WTO Members to notify the expiry or termination of safeguard measures.

MERCHANDISE TRADE (customs-based statistics)

The share in world total exports and imports of merchandise for individual economies is calculated using world trade including intra-EU (27) trade. For the EU (27) as one trading reporter the share is calculated on the basis of world trade excluding intra-EU (27) trade.

Breakdown by main commodity group according to the ITS (WTO International Trade Statistics) definitions: *Agricultural products* refer to food (SITC Rev. 3 sections 0, 1, 4 and division 22) and raw materials (SITC Rev. 3 divisions 21, 23, 24, 25 and 26). It differs from the Agricultural goods AOA definition (see above). *Fuels and mining products* include ores and other minerals; fuels and non-ferrous metals. *Manufactures* refer to iron and steel, chemicals, other semi-manufactures, machinery and transport equipment, textiles, clothing and other consumer goods. Please note that due to the products not classified in the three main product groups, the sum of shares may not add up to a 100.

Breakdown by main destination and origin: EU (27) members are grouped as one trading partner. Shares for unspecified destinations/origins are presented when at least one of the shares is greater than the share of the fifth main destination/origin. Re-imports are also included.

COMMERCIAL SERVICES (balance of payments based statistics)

The share in world total exports and imports of commercial services for individual economies is calculated using world trade including intra-EU (27) trade. For the EU (27) as one trading reporter the share is calculated on the basis of world trade excluding intra-EU (27) trade.

Breakdown by principal services items: Other commercial services refer to communication, construction, insurance, financial, computer, information, other business, and cultural and recreational services, and royalties and license fees.

INDUSTRIAL PROPERTY

Data refer to the annual number of patents granted to (including those based on PCT international applications) and trademark registrations effected (including designations under the Madrid Agreement or Protocol) in the name of residents and non-residents of the considered economy.

Annual average percentage changes are calculated using a geometric average. EU (27) refers to the EU members as of January 2007, including EC-12 members (Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and United Kingdom) and Austria, Bulgaria, Cyprus, Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, Slovenia and Sweden. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is referred to as Taipei, Chinese in the tables. Tables include in general information for the period 2000 - latest available year.

Symbols and abbreviations:

...	Not available or not reported	GATS	General Agreement on Trade in Services
-	Not applicable	GDP	Gross Domestic Product
AOA	WTO Agreement on Agriculture	ITS	WTO International Trade Statistics
CRN	Central Registry of Notifications	MFN	Most Favoured Nation
EIA	Economic Integration Agreement	PCT	Patent Cooperation Treaty
EU	European Union	PPP	Purchasing Power Parity
		RTA	Regional Trade Agreement

Sources: Eurostat, *New Cronos* and *Comext* databases; IMF, *Balance of Payments Statistics* and *Government Finance Statistics*; UNCTAD, *TRAINS* database; UNSD, *Comtrade* database (for OECD members, UNSD-OECD Joint Trade Data Collection and Processing System); World Bank, *World Development Indicators*; WIPO, *Industrial Property Statistics*; WTO and national statistics.

Appendix 4

Trend Analysis of Tea Import

Fiscal Year	X	Import in (RS. '000')	x= X-5	x ²	xy
1998/99	1	27831	-4	16	-111324
1999/00	2	73277	-3	9	-219831
2000/01	3	98000	-2	4	-196000
2001/02	4	8838	-1	1	-8838
2002/03	5	468	0	0	0
2003/04	6	992	1	1	992
2004/05	7	419	2	4	838
2005/06	8	5005	3	9	15015
2006/07	9	19000	4	16	76000
		$\sum y = 233830$	$\sum x = 0$	$\sum x^2 = 60$	$\sum xy = -443148$

Let 'X' be the no. of year & 'y' be the import in Rupees, and the trend line equation be:

$$y_c = a + bx \dots\dots\dots\text{Eq (1)}$$

Where, y_c is trend value
 a is intercept of trend line
 b is slope of trend line
 x is deviation taken from the year (time Variable) and
 N is the no. of data observation year

Since the value of $\sum x$ is 0,

$$a = \frac{\sum y}{N} = \frac{233830}{9}$$

$$\therefore a = 25981.11$$

Again,

$$b = \frac{\sum xy}{\sum x^2} = \frac{-443148}{60}$$

$$\therefore b = -7385.8$$

Since the value of 'b' comes to be negative, the trend of tea import is in decreasing rate.

Putting the value of 'a' and 'b' on equation (1):

$$y_c = 25981.11 + (-7385.8) X x \dots\dots\dots\text{Eq. (2)}$$

Calculation of the Trend Value from Equation (2)

Year	Value of x	$y_c = 25981.11 + (-7385.8) X x$
1998/99	-4	55524.31
1999/00	-3	48138.51
2000/01	-2	40752.71
2001/02	-1	33366.91
2002/03	0	25981.11
2003/04	1	18595.31
2004/05	2	11209.51
2005/06	3	3823.71
2006/07	4	-3562.09

Continue...

Since the import trend of the tea comes to be negative (-) in 2006/2007, forecast for further years is not calculated

Final Import Table

Fiscal Year	Import (RS.)	Trend Value
1998/99	27831	55524.31
1999/00	73277	48138.51
2000/01	98000	40752.71
2001/02	8838	33366.91
2002/03	468	25981.11
2003/04	992	18595.31
2004/05	419	11209.51
2005/06	5005	3823.71
2006/07	19000	-3562.09

Appendix 5

Trend Analysis of Tea Export

Fiscal Year	X	Total Export (M. Ton)	x= X-5	x ²	xy
1998/99	1	83.8	-4	16	-335.2
1999/00	2	81.6	-3	9	-244.8
2000/01	3	69.5	-2	4	-139
2001/02	4	79.6	-1	1	-79.6
2002/03	5	193	0	0	0
2003/04	6	984.22	1	1	984.22
2004/05	7	4316	2	4	8632
2005/06	8	834	3	9	2502
2006/07	9	832	4	16	3328
		$\sum y = 7473.72$	$\sum x = 0$	$\sum x^2 = 60$	$\sum xy = 14647.62$

Let 'X' be the no. of year & 'y' be the export in Metric Ton, and the trend line equation be:

$$y_c = a + bx \dots\dots\dots\text{Eq (1)}$$

- Where,
- y_c is trend value
 - a is intercept of trend line
 - b is slope of trend line
 - x is deviation taken from the year (time Variable) and
 - N is the no. of data observation year

Since the value of $\sum x$ is 0,

$$a = \frac{\sum y}{N} = \frac{7473.72}{9}$$

$$\therefore a = 830.4133333$$

Again,

$$b = \frac{\sum xy}{\sum x^2} = \frac{14647.62}{60}$$

$$\therefore b = 244.127$$

Putting the value of 'a' and 'b' on equation (1):

$$y_c = 830.41 + 244.13 X x \dots\dots\dots\text{Eq. (2)}$$

Calculation of the Trend Value from Equation (2)

Year	Value of x	$y_c = 830.41 + 244.13 X x$
1998/99	-4	-146.11
1999/00	-3	98.02
2000/01	-2	342.15
2001/02	-1	586.28
2002/03	0	830.41
2003/04	1	1074.54
2004/05	2	1318.67
2005/06	3	1562.8
2006/07	4	1806.93

Continue ...

Forecast of Tea Export up to Fiscal Year 2009/10

Year	Value of x	$y_c = 830.41 + 244.13 X x$
2007/08	5	2051.06
2008/09	6	2295.19
2009/10	7	2539.32

Final Export Table

Fiscal Year	Export (MT)	Trend Value
1998/99	83.8	-146.11
1999/00	81.6	98.02
2000/01	69.5	342.15
2001/02	79.6	586.28
2002/03	193	830.41
2003/04	984.22	1074.54
2004/05	4316	1318.67
2005/06	834	1562.8
2006/07	832	1806.93
2007/08		2051.06
2008/09		2295.19
2009/10		2539.32

Appendix 6

Production Trend Analysis of Tea

Fiscal Year	X	Total Prod ⁿ in KG(y)	x= X-5	x ²	xy
1998/99	1	4492980	-4	16	-17971920
1999/00	2	5085237	-3	9	-15255711
2000/01	3	6638082	-2	4	-13276164
2001/02	4	7518575	-1	1	-7518575
2002/03	5	8198000	0	0	0
2003/04	6	11651204	1	1	11651204
2004/05	7	12606081	2	4	25212162
2005/06	8	13688237	3	9	41064711
2006/07	9	15167743	4	16	60670972
		$\sum y = 85046139$	$\sum x = 0$	$\sum x^2 = 60$	$\sum xy = 84576679$

Let 'X' be the no. of year & 'y' be the production in KG, and the trend line equation be:

$$y_c = a + bx \dots\dots\dots\text{Eq (1)}$$

Where, y_c is trend value
 a is intercept of trend line
 b is slope of trend line
 x is deviation taken from the year (time Variable) and
 N is the no. of data observation year

Since the value of $\sum x$ is 0,

$$a = \frac{\sum y}{n} = \frac{85046139}{9}$$

$$\therefore a = 9449571$$

Again,

$$b = \frac{\sum xy}{\sum x^2} = \frac{84576679}{60}$$

$$\therefore b = 1409611$$

Putting the value of 'a' and 'b' on equation (1):

$$y_c = 9449571 + 1409611 X x \dots\dots\dots\text{Eq. (2)}$$

Calculation of the Trend Value from Equation (2)

Year	Value of x	$y_c = 9449571 + 1409611 X x$
1998/99	-4	3811127
1999/00	-3	5220738
2000/01	-2	6630349
2001/02	-1	8039960
2002/03	0	9449571
2003/04	1	10859182
2004/05	2	12268793
2005/06	3	13678404
2006/07	4	15088015

continue ...

Forecast of Tea Production up to Fiscal Year 2009/10

Year	Value of x	$y_c = 9449571 + 1409611 X x$
2007/08	5	16497626
2008/09	6	17907237
2009/10	7	19316848

Final Production Table

Fiscal Year	Production	Trend Value
1998/99	4492980	3811127
1999/00	5085237	5220738
2000/01	6638082	6630349
2001/02	7518575	8039960
2002/03	8198000	9449571
2003/04	11651204	10859182
2004/05	12606081	12268793
2005/06	13688237	13678404
2006/07	15167743	15088015
2007/08		16497626
2008/09		17907237
2009/10		19316848

Appendix – 8

CURRICULUM VITAE

PERSONAL INFORMATION:

Name	:	SHANKAR PD. RIMAL
Gender	:	Male
Date of Birth	:	May 30, 1981
Nationality	:	Nepalese
Language	:	Nepali, Hindi, English
Mother's Name	:	Bhagirathi Rimal
Father's Name	:	Narayan Prasad Rimal
Marital Status	:	Bachelor
Permanent Address	:	Khadgabhanjyang V.D.C., Ward No. 2, Nuwakot
Contact Address	:	GPO Box 5443 Manamaiju 1-'Ka', Kathmandu, Nepal Tel : 977-1-4027611 (Resident) Mobile : 9841762122 E-mail : spdrimal@yahoo.com

OBJECTIVES

To collaborate with team, interface with clients, and use marketing skills to achieve the target successfully.

PROFESSIONAL PROFILE

Highly dedicated, self-motivated, strategy-oriented, social, and committed to success and adept at handling multiple task as per environment.

ACADEMIC INFORMATION:

Master in Business Studies (MBS), Tribhuban University, Nepal.
Major: International Marketing, Marketing Research, Entrepreneurship Development
2006. Thesis Submitted in February 2009.

Bachelor in Business Studies (BBS), Tribhuban University, Nepal.
Major: Marketing Communications, Fundamentals of Selling, Financial Management.
2004.

Proficiency Certificate Level (PCL), Tribhuban University, Nepal.
Major: Marketing, Finance, Business Mathematics.
2000.

School Leaving Certificate (SLC), Geetamata High School, Kathmandu, Nepal
Major: Optional Mathematics and Statistics, Optional Health Education, English
1998.

PROFESSIONAL EXPERIENCE

1998-2000: Marketing Executive

2000-2002: Asst. Account

2002-2003: Office Manager

2003-2006: Sales Manager

in **Everest Media Int'l Services P. Ltd., Kathmandu, Nepal**

Continued...

TRAININGS AND MEMBER:

- Computer Training: Windows & Office Package (MS DOS, MS Word, MS Excel, MS PowerPoint, MS Access, Adobe PageMaker, Internet, and E-mail)
- Training on Adobe Illustrator (Graphics) from New Horizons Computer, Lalitpur
- English Language Class, in Universal Language & Computer Institute, Kathmandu
- Training on MC (Master of Ceremony), Reiyukai Nepal, Bagbazar Branch,
- Participation on 3-day-program “Local Awareness Training for Good Governance” by Pro-Public, in Nuwakot
- Participation on Seminar cum Workshop on “Production Management Systems of Manufacturing Industries in Nepal”
- Participation on 3-day-Workshop on “Report Writing and Presentation”
- Member of Reiyukai Nepal
- Founder Member of Association of Management Students (AMS).

CERTIFICATION:

I, the undersigned, certify that, to the best of my knowledge and belief, the curriculum vitae correctly describes my qualification, my experience and my self. I understand that any willful misstatement described herein may lead to my disqualification or dismissal, for what purpose it was presented.

Signature

Date