

Country Paper

Quality Management: Linking TPOs and NSBs for Export Success

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1. Introduction:

In the recent past external trade has played an important role in the overall economic development of Nepal. Foreign direct investment and the service sectors have added dimension to support speedy growth of Nepalese economy. Trade and Export Promotion Centre (TEPC) as a national trade promotion authority of the Government of Nepal was set up and become operational in November 2006. Former Trade Promotion Centre (TPC) (1971), Export Promotion Council (1996) and Carpet and Wool Development Board (1992) were merged under a single umbrella of TEPC. Currently all the functions of these organizations are being undertaken by the TEPC.

Nepal's foreign trade has remained dynamic since last three decades. The trade diversification policy introduced by Nepal during 1970s led significant change in the trade direction of Nepal's trade direction. Before 1970, 90 % of Nepal's foreign trade was with India. Now Nepal's foreign trade relation has been with more than 160 countries. The Government of Nepal has recently announced the New Commercial Policy 2066 (2009). This policy has emphasized the overall economic development and poverty alleviation through enhanced contribution of domestic and external trades to national economy. The Policy aims at promoting employment opportunities by identifying new exportable products having comparative advantage and integrating export industries with local markets. The policy also aims to reduce Nepal's trade deficits besides making it compatible with international trade regulation. It emphasizes in building public-private partnership and promoting the private sector's business capabilities. It has also highlighted the special role of TEPC.

With accession to the WTO in 2004, Nepal has entered into the international trading system. Nepal is preparing to comply fully with the various WTO provisions and regulatory requirements. Nepal has realized that the international market is becoming highly competitive. The exportable products and services should meet the quality standards and the market needs. As one of the least developed countries Nepal is facing number of constrains and shortcomings in meeting many non-tariff barriers including technical barriers to trade (TBT) of the importing countries. Each and every country has developed national standards according to the needs of the industry and the society and these standards may or may not be in conformity with the international standards. We hope this Consultation Meeting will be successful in effectively working out on efforts of TPOS and National Standard Institutions for providing the information and maintaining and developing the standards and conformity assessment with international standards of export products and strengthen the network with national Standards Organization and TPOS as well as International Organization for Standardization.

2. Role, Structure and Scope of the organization:

Trade & Export Promotion Centre has been providing all the trade related information and support services for overall export promotion of the country. The organization structure of the Centre consists of four major divisions:

- a. Trade Information, Statistics & Research
- b. Product Development
- c. Market Promotion & Trade Fair
- d. Trade Policy, Training & Administration

In order to make the TEPC more market oriented and more effective the Trade and Export Promotion Board is formed with broad consensus between public and private sector as trade associations, producers and exporters.

The major function and services of TEPC include:

1) Export Product and Services Capability Building:

- a) Product survey and identification, adaptation and development of export products,
- b) Develop the export consciousness & entrepreneurship among the business enterprises
- c) Conduct training services and workshop to acknowledge and understand the latest trade related information to facilitate and capacity development of the exporter

2) Reducing Internal Barriers to Trade at the business environment side:

- a) Studying and identifying the problems of foreign trade and advising government in trade policy making
- b) Acting as a mediator for private and government sector
- c) Informing about issues on no child labor, women empowerment, healthy working environment, corporate social environment, quality management procedures
- d) Informing and counseling of standards and certifications, labeling, packages, trademarks, certificate of origin
- e) Assistance in diversifying and indentifying potential market for export

3) Market Promotion and Penetration Supports:

- a) Organize and manage Nepal's participation at International trade fairs and the exhibition and Single Country Exhibition abroad and manage and organize Regional Trade Fairs and Single Country Trade Exhibition at home.
- b) Organize buyers and sellers meeting and trade missions and entertain trade opportunities

4) Trade Information and Publication Services:

- a) Provide trade information and counseling service to government and private sector, research personnel, intellectual etc
- b) Publication and publicity for export trade development
- c) Compile, analyze and disseminate the overseas trade statistics now undertaking the trade data of India also

5) Trade Facilitation Services:

- a) Maintain the network with national and international trade and business related organization and TPOs
- b) Provide trade facilitation services and operating One Window System
- c) Act as Trade Point of Nepal for participation of SMEs in international trade through e-commerce.

Besides, TEPC has been providing free listing opportunity to all the Nepalese exporters in its website.

In context of product development and adaptation of Nepalese exportable products TEPC has been working closely with related institution and commodity association to make it competitive to international market and market requirement. It has been providing necessary information and counseling services as well as support services in context of design, quality, certificate of origin, standard certificate, trade mark, packaging, labeling, eco-labeling etc. We are aware of the role

played by standards in raising levels of quality, safety, reliability, efficiency and interchangeability - as well as in providing such benefits at an economical cost. As Nepal has limited products for export, it has to work hard for upgrading the quality standard of the products as well as increasing the supply base. Handicrafts, woolen hand knotted carpets, Readymade garments, woolen and pashmina products, hides and skins, pulses, lentil, silverware and silvery jewellery, handmade Nepalese paper and paper products, cotton towels, tea , coffee, micro transformer, jute goods and Hessians, vegetable ghee, ginger spices, rosin and turpentine, noodles, etc. are the major products exported from Nepal. Most of the products are agro based and constitute of limited manufactured items.

It is well known that every country develops standards to deal with the need of industries and society at a national level. These standards may or may not be comply with international standards and these standards are voluntary in nature. According to WTO agreement on Technical Barriers to Trade (TBT), they do not form the part of legislature. Standard specify only the product characteristic or technical requirement, with which products or processes have to comply in order to meet the standards. In accordance to TBT Agreement, Technical regulation should be based on international Standards.

Nepal Bureau of Standards & Metrology (NBSM) is the National Standards Body of Nepal. It is one of the departments under Government of Nepal, Ministry of Industry, Commerce and Supplies. In order to fulfill the obligation of WTO as a member and as per the agreements of TBT, NBSM has been designated as a national enquiry point for TBT. The TBT section of NBSM has been notifying and publishing various information regarding the TBT and providing national and international notice of standards, technical regulation and conformity assessment procedures and other concerned information. The TEPC is working closely with concerned Ministries, NBSM and the related Commodity association and Chamber of Commerce and Federation of Nepalese Chamber of Commerce and Industries, and Agencies for the quality standard and technical requirement, SPS, Sanitary and Phytosanitary Certificate of Export products of Nepal. Of list of the exportable only few selected products posses Nepal Standard. However it does not meant that Nepalese products do not possess quality standards. As per the need of the exporters and for access to international market, TEPC has been endeavoring for determining the quality standard for the Nepalese products. (Example: pashmina yarn, fumigation, cooling house, woolen hand knotted carpets etc)

The implementation of Nepal Standards is voluntary in nature. However under the provisions of Quality Certification Mark Act, Nepal Standards could be made mandatory for those subjects, concerned with health and safety of the consumer. As of Dec. 2001, 100 different industries covering more than 30 product groups have been awarded with license to use NS Mark. Nepal Quality Certification Mark or NS Mark is being provided by Nepal Bureau of Standards & Metrology (NBSM) for the quality of that product. Quality Management activities are also conducted with internationally recognized-system certification based on ISO 9000 series of standards. Also, industries can avail support services from NBSM for installation and implementation of quality management system (based on ISO 9000 series of standards) including awareness creation, document development, and pre-audit.

Besides Quality Certification from NBS, Plant Quarantine Certificate and Sanitary and Phytosanitary Certification is provided by Department of Food Technology and Quality Control. In same way Pashmina Association of Nepal, Handicraft Association of Nepal Carpet Association of Nepal,

Himalyan Orthodox Tea Producers Association(HOTPA), Nepal Tea Planters Association (NTPA), Nepal Tea Association (NTA), Himalayan Producers Cooperative (HIMCOOP), Nepal Tea and Coffee Development Board working for quality standard and certification and ISO/HACCP (Hazard Analysis and Critical Control Point) for the respective related products.

As a export promotion organization TEPC has been providing the trade and market information to the exporters and assisting for their capacity building and for being competent and for the overall infrastructural development of the country, some constraint and problems relating to technical, financial, and human resources as well as availability of updated trade information are encountered.

The Government of Nepal is formulating and amending the existing Acts and Regulation and introducing new Laws to comply with TBT Agreement.

As a national trade promotion organization TEPC is working to implement and undertake in accordance to national priority and as envisaged in the national plan and the Commerce Policy and as per need of business community, and the trading environment.

The general business communities are not financially strong to adopt the modern technology and meeting the technical regulations is expensive for them. Besides meeting technical regulation, there has been problem for meeting the packaging, marking and labeling requirements and sanitary and phytosanitary measures.

3. The existing relationship between NBSs and TPOs

As a national trade promotion body, TEPC has been working closely with NBSM. It used to represent specially at formulating draft Standards of Nepalese exportable and export feasible products. In Nepal different trade and commodity association are functioning for the promotion and development of the specific products as and TEPC has been working very closely for the benefit of private sectors with cooperation and coordination with Government of Nepal regarding policy formulation, capacity building, development of physical infrastructure, for the promotion and development of products and services. However, the cooperation and coordination mechanisms were never designed in the past so as to promote quality and standard products of Nepal.

4. The potential Future relationship between NBSs and TPOs:

The existing relation between the NBS and TEPC as well as other trade and commodity association should be strengthening further. In this context the role of TEPC has to play important role in their coordination. The Government should provide more authority to TEPC to carry on this role mere than the subordinate role. Besides, the international organization like International Organization of Standards (ISO) should support and assist TEPC in providing the information on International Quality Standard and the standards requirement of developed countries as well as maintaining the Quality standard and Quality management for the export feasible products of Nepal. In this regards financial, technical as well as the human resources and formulating draft Standards; infrastructural development is sought from the participating national as well as International Standards Organization. Regular exchange forums should be established for exchange for information

concerning demanded international quality standards and informing each other about problems faced by Nepalese enterprises to meet these standards. An institutional unit should be established at TEPC which is providing information to private sectors related to TBT issues.

5. Any additional Issues:

- Nepal is facing difficulties in exporting to USA, European Union Countries, and India, Japan, Korea, etc with regards to SPS and TBT measures, Food quarantine regulation and Certification of the importing countries.
- Lack of information about packaging specification and difficulties to meet the packaging, labeling in national language of the importing countries etc
- Difficulties in making harmonization of Nepal's product standards with similar products of trading partners.
- Cheating of brand and origin of the products by other foreign exporting and manufacturing companies (example: tea, pashmina, thanka, carpets, ghee etc).
- Farmers and manufactures using pesticides and chemical by ignorance and lack of knowledge and information.
- Lack of financial and technical sources to upgrade and strengthen the laboratory and quarantine system in the country.
- Establishment of new quarantine check post and development of pre and post quarantine facilities.
- Non-recognition of Nepalese Quarantine Certificate at quarantine post of importing countries and long and time and cost consuming process at check post.
- Practical difficulties in control, inspection and approval procedure for all SPS measures.
- Taking of time in approval and amendment of Acts for the full implementation of WTO Agreement on SPS and TBT etc.

Conclusion:

The exporters and the manufacturers of developing and least developed countries have been facing the difficulties in entering the international market because of technical barriers especially in meeting the international standard for their export products. We are confident that this consultation meeting will be successful in addressing the issues raised and in overcoming them. Besides we hope this workshop will assist in sharing the relevant information and establish the network with participating country and strengthening our mutual relationship. WE hope the ISO, WTO, ITC and the related international agencies and the organization will fully assist Nepal in upgrading of human resources, in flow of information, development of phytosanitary guidelines, upgrading and establishment of laboratory for quarantine system, testing facilities and introducing and maintaining Quality standards etc. We would like to request and hope for Nepal's participation in international activities regarding ISO, IEC (International Electronic Commission), CODEX Alimentarius, conformity assessment procedure, eco-labeling etc, which will help further for the effective implementation and ensuring technical regulation, standards and procedures for assessment of conformity etc. We wish for the success of the Meeting.