

EXPORT PROMOTION STATUS OF NEPAL: AN EVIDENCE FROM NEITHER CRUSHED NOR GROUND CARDAMOM

Dipak Bahadur Adhikari

*Assistant Professor at the Central Department of Economics, Tribhuvan University, Kirtipur, Nepal,
E-mail: dbadhikari10@gmail.com. ORCID: 0000-0002-6464-2737*

Article History

Received : 12 August 2024
Revised : 11 September 2024
Accepted : 19 September 2024
Published : 30 December 2024

To cite this article

Dipak Bahadur Adhikari (2024).
Export Promotion Status of Nepal:
An Evidence from Neither Crushed
Nor Ground Cardamom. *Indian
Journal of Economics and Financial
Issues*, Vol. 5, No. 2, pp. 159-173.

Abstract: This study investigates the export promotion status of Nepal, with a focus on the crushed and ground cardamom sector. Utilizing analytical tools such as Trade Map, Market Access Map, and Export Potential Map under UN COMTRADE and ITC statistics, the research provides a comprehensive assessment of trade dynamics and market opportunities. The research analyzes production trends, prospect and possibilities to export, and export potential diversification, emphasizing the tariff faced by exporters. Key findings indicate that Growing cardamom is a vital source of revenue in the remote highland regions of Nepal. Government regulations, a dearth of incentives, and drawn-out certification procedures, however, impede certification attempts. Nepal is the fifth-largest exporter of enormous cardamom in the world, but its performance is subpar because of middlemen, a lack of trade promotion, and laws that make it difficult for businesses to operate. Due to its export connections and current trade, India, the second-largest cardamom exporter, offers a sizable potential market for Nepalese cardamom. To evaluate Nepal's place in the value chain and increase brand recognition, more research is required.

Keywords: International Trade, Export Promotion, Tariff, Cardamom, Trade Map,

JEL Classification: B17, F13,

BACKGROUND

Nepal is the one of the top producer of large cardamom. Cardamom is used to treat digestive issues as well as symptoms of a cold. Black (large) cardamom is perennial herb from the family of ginger. The botanical name of large cardamom is *Amomum subulatum*, native to the Himalayan region. The pods size normally vary from 20 mm to 35 mm and contain several black seeds inside with a spicy aroma. It was first introduced in the eastern hill and mountain Nepal (Shrestha *et al.*, 2018). Grown in 37 of the 77 districts in the nation, large cardamom is a high-value cash crop that provides a significant source of revenue for hill farmers (Baniya *et al.*, 2019). The world's top producers and exporters of big cardamom are Nepal and Bhutan (ITC, 2013).

According to literature from throughout the globe, organic farming is the most sophisticated and well-developed kind of farming that is also environmentally benign (Jamir, 2021). Cardamom farming helps to generate income and employment to the rural areas and marginal households and importantly it create clean environment. Cardamom produced in Nepal are entirely organic and provide income to mostly low-income families in rural Nepal (MoICS, 2023).

It is use as spices, believed to have valuable health benefits. Which are as follows: a) large cardamom is a source of mineral potassium, along with trace amounts of some others like magnesium. b) black cardamom to be a good source of complex carbohydrates. c) it can help to improve symptoms of metabolic syndrome and help to improve the functions of both the heart and liver. e) it has been found to have powerful anti-cancer properties. f) the terpenes in black cardamom are believed to have major anti-inflammatory benefits.

The main objective of this study is to analyse export promotion status and explore potential capacity of large cardamom.

The HS (Harmonized System) code is an internationally standardized numerical method of classifying traded product managed by the World Customs Organization (WCO). It is essential to identify the right HS code to conduct any market research. The two digits HS code design for chapter, four digits represents headings and six digits design for subheadings. National tariff line code design for country specific trade data. The HS code 090831 for cardamom neither crushed nor ground has been discussed in this paper. Figure 1 explore the idea about harmonized system.

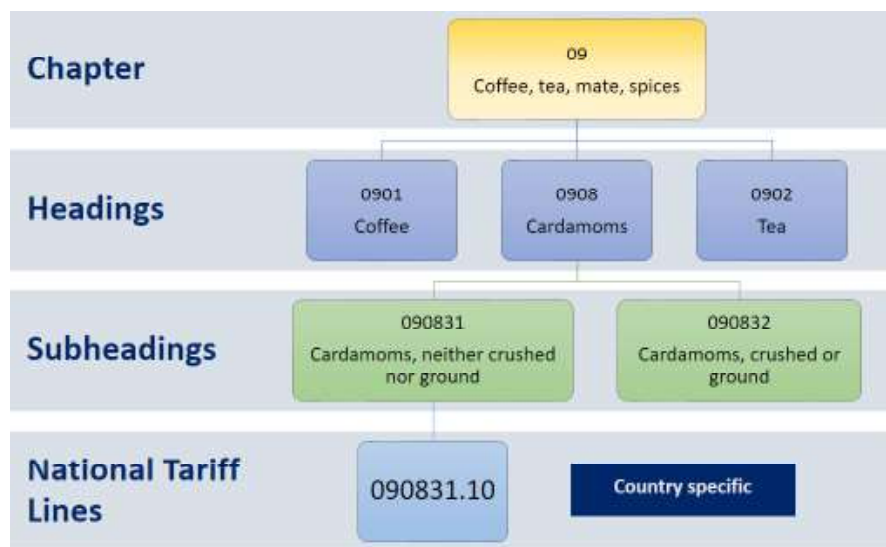


Figure 1: Harmonized System Product Classification

LITERATURE REVIEW

Large cardamom was introduced first time in Ilam district of Nepal in 1865 AD. However, commercial cultivation started in 1975 after establishment of Cardamom Development Centre (Khatiwada *et al.*, 2019). Large cardamom is a high-value cash crop produced mostly in eastern highlands of Nepal, constituting around 5 percent of world exports (Acharya *et al.*, 2021). Commercial cultivation of this spice crop, which may be grown in gullies of higher hills and valleys with more moisture, occurs in 37 districts of Nepal; however, 7 eastern mountainous districts account for about 97% of the country's total production (Bhandari & Bhandari, 2018).

Nepal is the fifth largest exporter in world market for cardamom (ITC Trade Map, 2023). The middlemen involvement is the major challenges in export of Nepalese cardamom. The product is firstly sent to the local traders from the producing units and sent to district level traders than after regional traders. After that the product is sold to the Indian market (Khatiwada *et al.*, 2019). The members of traders company also few, on the basis of Trade Map only 10 companies are involved to exports cardamom in Nepal (ITC, 2023).

The Indian market offers a generally lower unit value for Nepalese cardamom. So, the government of Nepal should extend their market to European countries. European demand depends 100 percent on imports to meet the consumer demand. For developing country cardamom exporters, the most prospective European markets are Germany, the United Kingdom, the Netherlands, Sweden, France, and Finland (CBI, 2022).

Figure 2 supports the above statement the possible exports of Nepalese cardamom in EU and West Europe. It gives a geographical breakdown for Nepalese cardamom's export potential. EU and West Europe is the sub-region which holds the second greatest potential for exports of Nepalese cardamom (USD 9.4 million). Germany is the first potential for exports of Nepalese cardamom in European market (USD 2.9 million). Followed by United Kingdom (USD 2.2 million), France (USD 919 thousand), Sweden (USD 730 thousand) and Finland (USD 680 thousand).

History or Overview of Trade Policy on Cardamom

Nepal's first trade policy was unveiled in 1983 under the motto "Exports for Development." Most trade restrictions were eliminated in 1992 when the Structural Adjustment Program and the wave of economic liberalization brought about liberal trade policy. The following trade policy was unveiled by the Nepali government in 2009. In order to alleviate the trade imbalance and take into account the trade sector's dynamism, the government introduced trade policy in 2015. The Agriculture Development Strategy (ADS) and the Nepal Trade Integration Strategy (NTIS) 2010

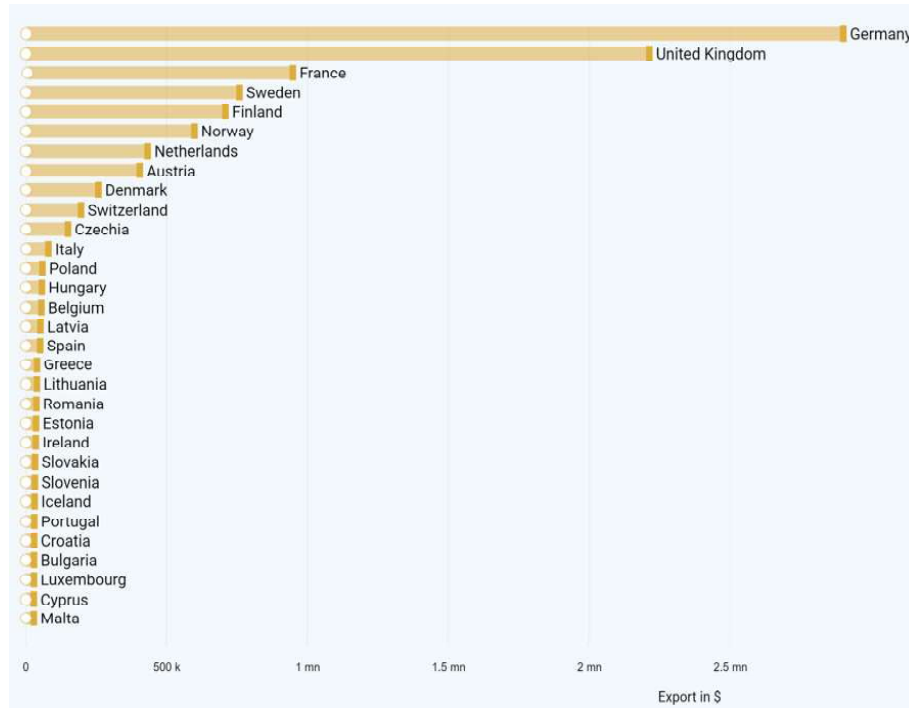


Figure 2: Export potential of Nepal's Cardamom in the EU & West Europe

Sources: ITC calculations based on export potential statistics

(MoAD, 2015). To assist extensive cardamom development, the Nepali government established the National Cardamom Development Center in Ilam (MoAC, 2008).

With a focus on improving supply capacity through increased production and productivity, developing products and value chains, developing trade-related infrastructure to address supply-side constraints, and improving market access in terms of both technical and institutional capacity building, the Nepal Trade Integrated Strategy (NTIS) 2016 identified 190 actions to be implemented by 2020. Building and improving trade-related infrastructure is one of NTIS's four primary goals. The other is to improve the environment that facilitates trade and exports; concentrate on product development and increase the supply-side capacity of priority products; and strengthen institutional capacity, trade negotiation, and interagency coordination.

METHODOLOGY

Research Design

A study looks at export promotion situation of neither crushed nor ground cardamom from Nepal to the rest of the world. According to the study goals, it has wisely examined

how export potential diversification for cardamom. The necessary data for the work has been gathered from secondary sources and employs a qualitative approach to assess the export promotion status of Nepal's neither crushed nor ground cardamom, utilizing data and analytical tools from UN COMTRADE and the International Trade Centre (ITC), including Trade Map, Market Access Map and Export Potential Map.

Data and Tools of Data Analysis

The Trade Map, Market Access Map, and Export Potential Map have been used to gather secondary data from 2017 to 2021 on neither crushed nor ground cardamom production, export volumes, and market trend. These resources have offered thorough data on Nepali cardamom trade flows, tariff rates, and market access circumstances across a number of nations.

Trade Map analysis identifies major export destinations and import requirements for crushed and ground cardamom, using time-series data to assess growth or decline over recent years. The Market Access Map was utilized to assess Nepali cardamom's international market competitiveness, examining tariff barriers, non-tariff measures, and trade facilitation factors that may affect export performance. The Export Potential Map has been used to assess Nepal's potential for expanding crushed and ground cardamom exports, comparing its performance to similar countries and analyzing international market demand. This methodology combines data-driven analysis with qualitative insights to provide a comprehensive overview of Nepal's cardamom industry's export promotion status and identify growth opportunities.

GLOBAL TRADE STATISTICS ON CARDAMOM

Import Statistics of Cardamom

Import Statistics Table designed by International Trade Centre (ITC) through Trade Map (www.trademap.org) is an important way to analyze and research international markets for domestic products. With the help of this, exporters can observe global demand of a given product.

Table 1 displays information about the world top ten importers of cardamoms, neither crushed nor ground. In 2021, total imported value of cardamom (HS 090831) was around USD 1.01 billion. The five years (2017-2021), the annual growth in value and quantity were 25 percent and 5 percent respectively. When the growth rate of value is rising faster than that of the quantity, it could mean several things. For example, it could imply that the unit value of cardamom, neither crushed nor ground is also rising or that the demand for the product is exceeding the supply, causing the price to rise. However, the recent (2020-2021) statistics disclose that the average world demand for

Table 1: List of Top Ten Importers of Cardamoms, neither crushed nor ground for the period (2017-2021)

Importers	Value imported in 2021 (USD thousand)	Trade balance in 2021 (USD thousand)	Annual growth in value between 2017-2021 (%)	Annual growth in quantity between 2017- 2021 (%)	Annual growth in value between 2020-2021 (%)	Share in world imports (%)	Average distance of supplying countries (km)	Concentration of supplying countries
World	1,011,829	37,451	25	5	-7	100	8,423	0.34
Saudi Arabia	210,349	-198,269	24	2	-15	20.8	11,564	0.69
UAE	138,208	-24,383	18	4	-12	13.7	9,210	0.51
China	87,203	-87,140			72	8.6	4,555	0.98
Bangladesh	66,056	-66,004	25	5	-48	6.5	8,711	0.31
India	60,566	132,933	5	10	-2	6	2,021	0.64
Egypt	39,222	-38,979	42	17	1	3.9	11,299	0.7
Jordan	30,000	-24,605	22	-5	-1	3	11,139	0.73
USA	29,747	-28,764	32	14	5	2.9	6,078	0.5
Pakistan	25,491	-25,473	12	-1	88	2.5	12,199	0.61
Kuwait	23,740	-21,825	18	1	-45	2.3	8,180	0.49

Sources: ITC calculations based on UN COMTRADE and ITC statistics.

Table 2: List of Top Ten Exporters of Cardamoms, neither crushed nor ground for the period (2017-2021)

Exporters	Value exported in 2021 (USD thousand)	Trade balance in 2021 (USD thousand)	Annual growth in value between 2017-2021 (%)	Annual growth in quantity between 2017- 2021 (%)	Annual growth in value between 2020-2021 (%)	Share in world exports (%)	Average distance of importing countries (km)	Concentration of importing countries
World	1,049,280	37,451	22	8	-28	100	7,740	0.08
Guatemala	511,010	509,310	16	2	-48	48.7	12,890	0.13
India	193,499	132,933	21	14	69	18.4	3,690	0.18
UAE	113,825	-24,383	57	21	-14	10.8	1,726	0.07
Indonesia	76,776	76,082	69	5	20	7.3	4,504	0.91
Nepal	47,097	44,125	4	12	11	4.5	878	0.98
Singapore	21,180	-903	22	8	-6	2	3,310	0.44
Netherlands	16,922	-1,828	35	9	-5	1.6	793	0.3
Saudi Arabia	12,080	-198,269	73	23	-35	1.2	1,078	0.35
Bhutan	7,625	7,537	37	40	182	0.7	1,302	0.99
UK	7,594	-12,339	27	10	1	0.7	913	0.52

Sources: ITC calculations based on UN COMTRADE and ITC statistics.

cardamom was declining by 7 percent, if growth in value over the last 2 years differs a lot from the 5-year average, this can mean the trend is very volatile or has recently been changing. The world top importer of cardamom is Saudi Arabia accounting for almost one-fifth of world share.

Export Statistics of Cardamom

Export statistics table designed by International Trade Centre (ITC) through Trade Map is an important way to analyze and research the level competition for for a product either at the global level or in a specific market.

Table 2 represents the list of top ten exporters of cardamoms, neither crushed nor ground. In 2021, total exported value of cardamom (HS 090831) was around USD 1.05 billion. The five years (2017-2021), the annual growth in value and quantity were 22 percent and 8 percent respectively. If growth in value grows faster than volume, several things could be happening including, but not limited to, the exports could be shifting towards the more value-added presentations of the same product. However, recent year growth in value is sharply decline (28%); again, such a fluctuation requires further investigation before any final assumption.

The world top exporter is Guatemala who accounts for 48.7 percent world exports with value USD 511 million. Nepal existent their position on fifth covered 4.5 percent world export share with value about USD 47 million.

PERFORMANCE OF LARGE CARDAMOM

About 87 percent of total production of cardamom in Nepal is concentrated in 7 eastern hilly districts. However, the national production decreased by 13 percent when comparing 9,569 metric tons in 2019/2020 to 8,298 metric tons in 2020/21 (MoALD, 2021; MoALD, 2022). The seven major cardamom producer districts are as follows:

Table 3: Major cardamom production by district

<i>Districts</i>	<i>Productive Area (Hectare)</i>	<i>Production (Metric Tons)</i>	<i>Yield (Mt./Ha)</i>
Taplejung	4258	2960	0.70
Panchthar	3232	1196	0.37
Sankhuwasabha	2350	917	0.39
Ilam	1700	850	0.50
Khotang	1064	787	0.74
Terhathum	600	304	0.50
Bhojpur	560	235	0.42
	13764	7249	0.53

Source: MoALD, 2022

With a fertile area of 4,258 hectares and a yielding capacity of 0.70 metric tons per hectare of land, Taplejung is the highest producing district of cardamom in the nation. The highest producer Taplejung is followed by Panchthar, Sankhuwasabha, Ilam with production of 1,196 mt, 917 mt., 850 mt. respectively. But highest yield is in Khotang (0.74).

Nepal's cardamom (neither crushed nor ground) is accounted for about 4.5 percent world exports. In 2021, total exported value of Nepal for cardamom (HS 090831) was around USD 43.31 million. In 2021, 99 percent of Nepalese cardamom was exported to India. Nevertheless, when we look at the 5-year period (2017-2021), we saw 7 countries imported Nepalese cardamom, some sporadically; the exported value to most of these countries is nominal and irregular. The markets for Nepalese cardamom are largely limited to mainly three countries: India, Pakistan and France, in recent years.

Table 4: Export Performance of Nepal's Cardamom for the period 2017-2021

<i>Importers</i>	<i>Exported value in 2017 (USD thousand)</i>	<i>Exported value in 2018 (USD thousand)</i>	<i>Exported value in 2019 (USD thousand)</i>	<i>Exported value in 2020 (USD thousand)</i>	<i>Exported value in 2021 (USD thousand)</i>
World	43,308	35,036	24,213	42,617	47,097
India	43,229	34,968	24,139	42,309	46,501
Pakistan	0	0	0	287	590
France	7	3	0	0	7
China	72	1	3	21	
Germany	0	6	0	0	
Qatar	0	2	0	0	
United Arab Emirates	0	57	72	0	

Sources: ITC calculations based on Trade and Export Promotion Centre statistics since ITC, UN COMTRADE

Prospects and possibilities to export Nepal's cardamom

Export Trend of Cardamom Cardamom is a high value agriculture goods having high demand across the world. It is an exportable commodity and Nepal exported about 90 to 95 percent of the total production (Paudela & Mallab, 2020). However, Nepal's export of cardamom is not diversified and only centered to India. It is due to the marketing system which is not optimized for foreign trade. The marketing system maybe strained by a various external factors like trade policy of a country, marketing strategies, infrastructural development, regulatory framework etc. Likewise internal factors also influence the exports system such as socio-cultural, legal and political factors, economic and technological factors (Joshi *et al.*, 2013).

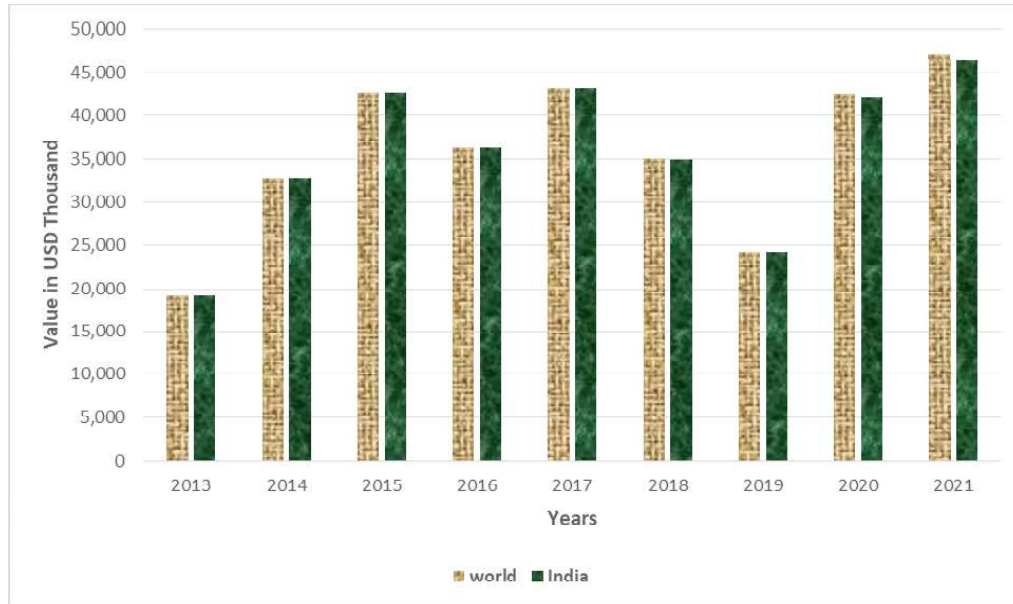


Figure 3: Nepal's export trend of Cardamom for the period 2013-2021

Sources: ITC calculations based on Trade and Export Promotion Centre statistics. ITC calculations based on UN COMTRADE statistics.

Nepal had started commercial farming of large cardamom in 1975, but the exported data is only available from 2013 in ITC Trade Map. Figure 3 refers to trade flows of 9 years (2013-2021). It shows that Nepal exports to the world and India increases until 2015 with a marginal drop in 2016 before rebounding in 2017. Between 2018 to 2021, the export values of cardamom fluctuate, which requires a close inspection of domestic production to fully understand. A close examination of the figure one reveal that there is no export market diversification for Nepalese cardamom and Nepal is almost fully reliant on the Indian market.

Export Potential Diversification for Cardamom

ITC Export Potential Map (<https://exportpotential.intracen.org>) shows that India, Germany and Bangladesh are 3 countries with highest untapped export potential. The thickness of the line in the Figure 4 indicates the highest ease of trade India. Saudi Arabia is the market with the highest projected import value (demand) for Cardamom as seen from the bubble size.

Zooming in on Nepal's cardamom's untapped export potential in the world which stands at USD 70 million by 2027, 74 percent of which lies in the Indian market *alone*. Other markets for Nepalese cardamom with promising unrealized values are Germany

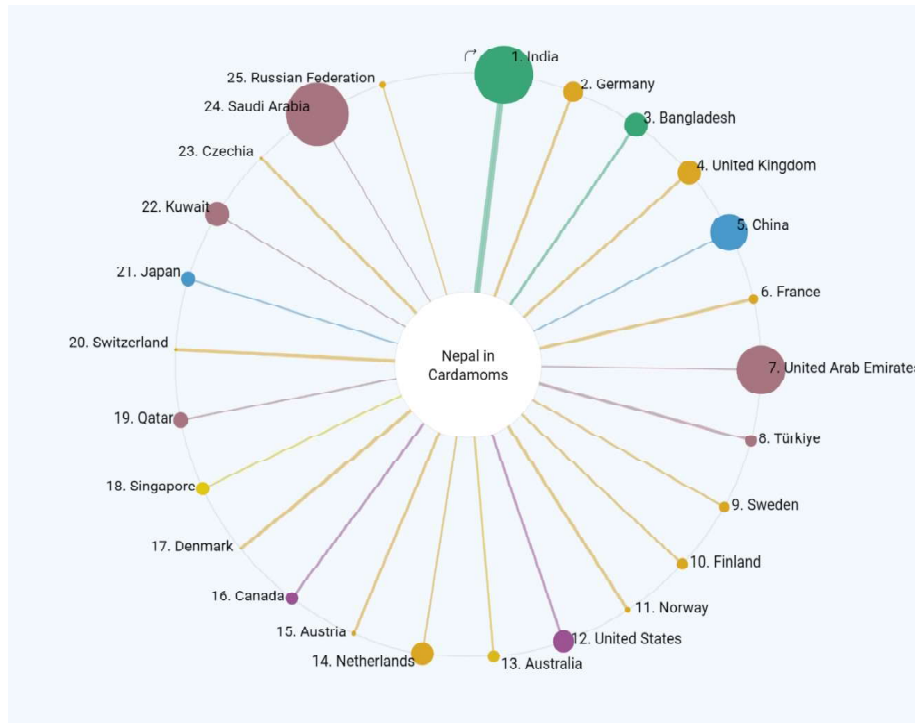


Figure 4: Export potential of Nepal's Cardamom in the World Market

Sources: ITC calculations based on export potential statistics

(USD 2.9 million), Bangladesh (USD 2.5 million), United Kingdom (USD 2.2 million), and China. The actual exports to these markets are currently modest but could be improved through more targeted trade promotion or policy.

Figure 5 presents the possible exports of Nepalese cardamom in various sub-region. It gives a geographical breakdown for Nepalese cardamom's export potential. South Asia is the sub-region which holds the greatest potential for exports of Nepalese cardamom (USD 54 million), followed by EU and West Europe (USD 9.5 million), Middle East (USD 2.3 million), East Asia (USD 1.9 million) and North America (USD 912 thousand).

Four out of five biggest importers of cardamom apply 0 percent tariff to Nepal except Bangladesh, who applies 5 percent despite the preferential treatment under South Asian Free Trade Area (SAFTA). As Most Favored Nations (MFN) tariff is high in India (70 percent), Bangladesh (25 percent) and China (3 percent), it gives Nepal tariff advantage over other exporters who might not have the same arrangement. Nevertheless, it is critical to further investigate the mandatory market requirements (Non-Tariff Measures) in those markets to better assess the export feasibility.

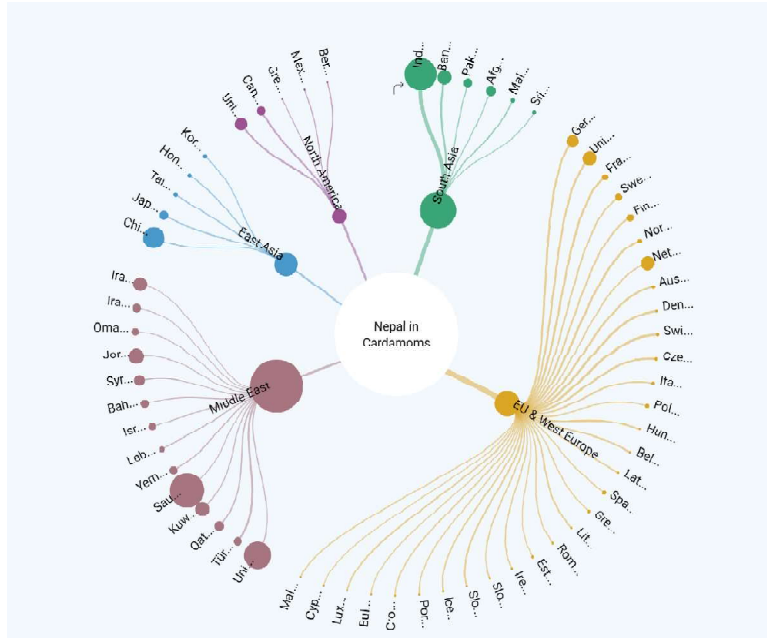


Figure 5: Export potential of Nepal’s Cardamom in Sub-Regions Market

Sources: ITC calculations based on export potential statistics.

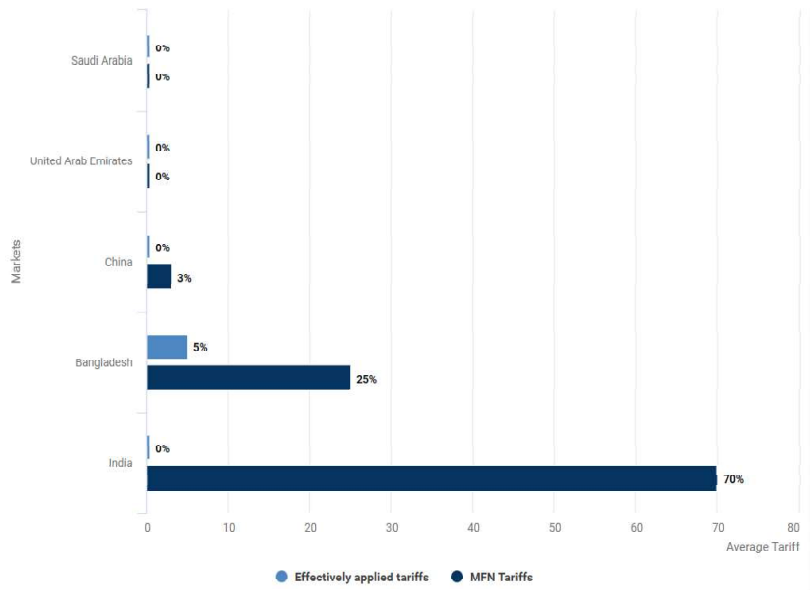


Figure 6: Average tariff applied by top five world importers to Nepalese cardamom

Sources: ITC calculations based on Market Access Map statistics.

Non-tariff measures (NTMs) are policy measures that are distinct from standard customs tariffs and have the potential to impact international commerce in goods by altering pricing, quantities traded, or both. Regulations pertaining to import/export, known as NTMs, cover a broad range of tools, including both technical and non-technical measures.

NTMs are a neutral idea that doesn't necessarily imply a negative impact on trade. Regardless of whether they are implemented with protectionist intent or to achieve justifiable goals, like safeguarding the environment or public health, some NTMs may even have a positive effect on trade, despite the fact that many NTMs are thought to have substantial restrictive and/or distortionary effects on global trade.

Table 5: Non-tariff measures applied by top five world importers to Nepalese cardamom

<i>Trade Partners</i>	<i>Number of applicable Non-tariff measures/ Regulatory Requirements</i>
India	Applied to this product-67 Applied to all goods-1
Bangladesh	Applied to this product-20
China	Applied to this product-112 Applied to all goods-20
United Arab Emirates	Applied to this product-100 Applied to all goods-10
Saudi Arabia	Applied to this product-87 Applied to all goods-17

Sources: ITC calculations based on Market Access Map statistics.

Some of the Non-Tariff Measures for cardamom are Sanitary and phytosanitary (SPS) measures such as tolerance limits concerning poisonous metals, antioxidants, antibiotics, insecticides and pesticides. Others are Technical Barriers to Trade (TBT) agreements such as a Laboratory Analysis Report from a recognized laboratory in the nation of origin or an End Use Declaration.

CONCLUSION

For most people living in Nepal's remote highland districts, cardamom growing is a key source of income. Cardamom produced in Nepal are organic in some specific area, but government does not facilitate certification efforts or provide compelling incentives. Most importantly, certification process can be lengthy and expensive to mostly low-income producers in rural Nepal. Despite being the world's fifth-largest exporter of huge cardamom, Nepal's performance remains unsatisfactory because of the pervasiveness of middlemen, the absence of focused trade promotion for exportable items, and the absence of business-enabling legislation.

In particular, middlemen purchase cardamom at a much lower price than the actual market price, this discourages farmers from increasing production and scaling up to international demands. Similarly, the implementation of the official export policies is weakened due to changes of government in Nepal.

The high potential market for Nepalese cardamom neither crushed nor ground is India thanks to the two countries' export links and existing trade. At the same time, India is also the second largest cardamom exporter with value USD 193 million. It exports cardamom to the world first and second largest importers: United Arab Emirates (USD 73 million) and Saudi Arabia (USD 29 million). It could be asserted that India also re-exports the cardamom it imports from Nepal to these markets. This further reveals the poor foreign trade performance of Nepalese cardamom in the world market. The Government of Nepal with the collaboration of private sector should conduct further study to assess its position in the value chain, diversify export markets and strengthen brand awareness at the international level.

Acknowledgement

The paper is part of the European Union-Nepal Trade and Investment Programme, and is grateful to the International Trade Center for supporting a certified trainer under Sub Activity 1.1.7.

References

- Acharya, S., Sharma, S. R., Upreti, B. R., & Matthys, M. L. (2021). Why Nepal's main agricultural export product, large cardamom, does not reach the world market. *SN Business & Economics*, 1, 1-21.
- Baniya, A. K., Karki, S., Dhungana, S. M., & Rizal, G. (2019). Economic Analysis on the Production of Large Cardamom in Panchathar, Nepal. *Journal of Agriculture and Environment*, 20, 117-128.
- Bhandari, N., & Bhandari, T. (2018). Marketing and socioeconomic aspects of large cardamom production in tehrathum, Nepal. *Journal of Nepal Agricultural Research Council*, 4, 79-85.
- CBI, (2022). The European market potential for cardamom. Centre for the Promotion on Imports from developing countries. The European market potential for cardamom | CBI.
- ITC (2023). Trade Map. International Trade Centre, Geneva Switzerland. Trade Map - Trade statistics for international business development.
- JAMÝR, C. (2021). Organic large Cardamom farming in Longleng District: Promoting growth with poverty reduction. *Black Sea Journal of Agriculture*, 4(1), 8-17.
- Joshi, R., Sharma, P., Sharma, V., Prasad, R., Sud, R. K., & Gulati, A. (2013). Analysis of the essential oil of large cardamom (*Amomum subulatum* Roxb.) growing in different agro climatic zones of Himachal Pradesh, India. *Journal of the Science of Food and Agriculture*, 93(6), 1303-1309.
- Khatiwada, A., Subedi, A., & Dangol, R. (2019). A review on status of production of large cardamom in Nepal and its marketing in national and global scenario. *Malaysian Journal of Halal Research*, 2(1), 16-21.
- MoAC [Ministry of Agriculture and Cooperatives]. 2008. Final Report: Product Chain Study Cardamom. Biratnagar, Nepal: MoAC.

-
- MoAD. 2015. Ministry of Agricultural Development, Government of Nepal. Statistical Year Book 2015. Singhadarbar, Kathmandu
- MoICS, (2017). Ministry of Industry, Commerce and Supplies. Trade and Export Promotion Centre. Major Export Products - NTIP (nepaltradeportal.gov.np)
- Paudela, A., & Mallab, S. (2020). Large Cardamom Production and Marketing in Nepal: A Review. *Food & Agribusiness Management (FABM)*, 1(1), 31-33.
- Shrestha, J., Prasai, H. K., Timsina, K. P., Shrestha, K. P., Pokhrel, D., Poudel, K., & Yadav, M. (2018). Large cardamom in Nepal: Production practice and economics, processing and marketing. Government of Nepal, Nepal Research council.