Vol 3, Issue 5 Weekly January 31, 2013

NICCI e~Newsflash

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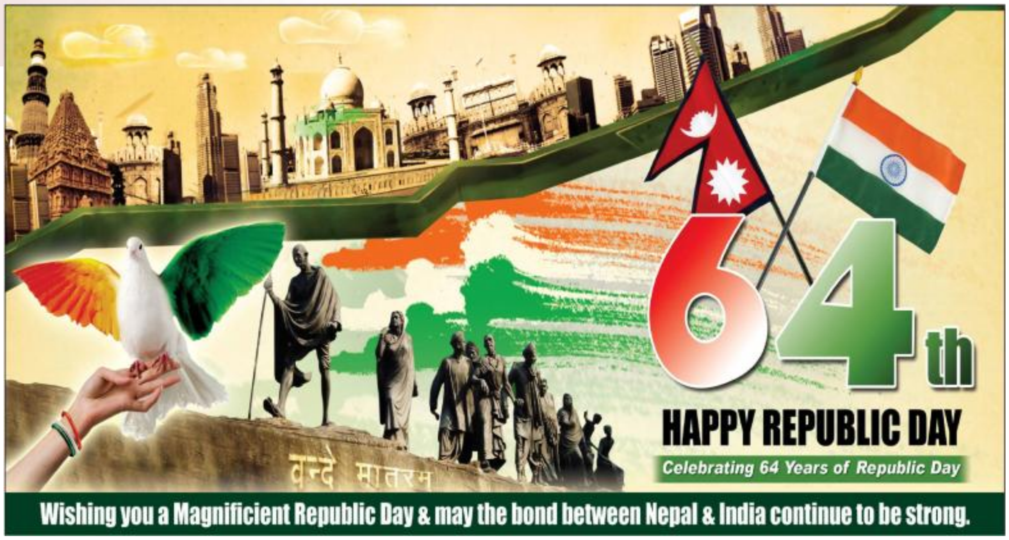

JEC meeting held in New Delhi

With the government making preparations for power development agreement (PDA) negotiations with foreign power developers, Indian power developers have said the PDA template forwarded to them does not reflect the ground realities.

Such concerns were voiced during a crucial meeting of the Joint Economic Council (JEC) of the apex business bodies of the two countries—FNCCI and CII—held in New Delhi on Wednesday. "Indian investors were concerned if the PDA reflects the ground realities and does suit the political situations in Nepal and India," said Suraj Vaidya, president of FNCCI.

In reply, the Nepali side expressed their readiness to address the problems faced by the Indian investors. "What are the specific problems you are facing in the PDA, we are ready to do a follow up on that," asked Chief Secretary Lilamani Poudel to the Indian investors during the meeting. Poudel is also the chairman of the Nepal Electricity Authority.

The Nepali side, however, told the Indian investors that they were ready to bring changes which could be a win-win situation for both the parties, sources said. "At least we can start the projects now and bring changes gradually, sorting out the weaknesses. This could also start attracting more investment into Nepal," Vaidya argued.

Four large hydro projects—Tamakoshi 3 (880 MW), Upper Karnali (900 MW), Upper Marsyangdi (600 MW) and Arun 3 (600 MW)—are awaiting PDA with the IB. Except for Tamakoshi 3, all three projects are being developed by Indian power developers—GMR Energy (Upper Karnali and Upper Marshyangdi) and Sutluj Jal Vidyut Nigam (Arun 3). PDA is an important contract between the government and investors. In the agreement, the government assures the investors that it would avert any possible social, economic or policy-level uncertainties during the construction phase. Generally, issues related to taxes, licence period, free energy, royalty, repatriation rights and parties' obligations are included in the PDA.

The issues related to the investment in educational sector, intellectual property and easy availability of land to start an investment, among others, also featured during the meeting. "The Indian side was of the view that intellectual property trademark registration and production mechanism, including copyright, should be prudent," Poudel said.

The Indian side, represented by eminent industrialists and investors along with top government officials, also queried about the investment climate in Nepal. "All system may not have worked as we are in a transition, but it does not mean that Nepal has not an investment-friendly environment," Poudel told the meeting.

Poudel also informed the Indian investors about a separate entity under the Armed Police Force for the purpose of industrial security. Apart from Poudel and Vaidya, the Nepali included Investment Board Chief Executive Officer Radhesh Pant and JEC Co-Chairman Padma Jyoti, among others.♦

NICCI Eastern Region Chapter meets Indian Ambassador

H.E. Ambassador of India granted audience to the office bearers' team led by Lalit Lohia, President of Eastern Region Chapter of Nepal-India Chamber of Commerce & Industry (NICCI) at Biratnagar on 23rd of January 2013. During the courtesy meeting, the border area trade, transit and customs related issues as well as development of religious sites of this area and social sector agenda were also discussed.

According to the press release of the eastern chapter of NICCI, they are taking initiative to hold a workshop cum interaction programs in near future to discuss issues on border area trade and transit, customs, railway, security, tourism and find amicable solutions for which the Chapter received positive response with assurance for needful support.

The delegation also briefed on the problems that they are facing while travelling the adjoining towns in India in private vehicles with Nepali number plates for which a bank guarantee has to be produced as per existing provisions. The meeting with H.E. Ambassador was positive to mitigate such complications and assured to have a discussion with his concerned government agency. He also assured for his initiative to resolve the problems of parking space at Panitanki area for consignment trucks and other vehicles, establishment of a bank branch, and problems in clearing consignments from this customs point as the office of the Assistant Commissioner's office is located at Siliguri.

The meeting also discussed on development and promotion of Barah area as one of the most important pilgrimage, he expressed enthusiasm to visit this area in his next trip. He also assured the delegation to inform as soon as possible about the development on the issues raised by the business community of this sector during the workshop held on 30th August 2012 at Biratnagar in his presence. ♦

Better connectivity a must to S Asia trade boost, says FNCCI President at CII Summit

FNCCI President Suraj Vaidya on Monday stressed on enhancing transport and power connectivity within the South Asian region in order to realise true potential of the region. "For any business to materialise, connectivity through land, water and air is a must," said Vaidya, addressing a session on 'South Asia Economic Integration: On a New Path of Progress and Hope' at the ongoing partnership summit organised by Agra-based Confederation of Indian Industries (CII).

Vaidya also stressed the need for developing renewable energy plants and constructing regional transmission line to allow free trade in power across national borders. Pointing to the low intra-regional trade despite establishment of the South Asia Association for Regional Cooperation (SAARC) in 1985, he said "It shows that the trade in the region over the last 15-20 years is almost stagnant," adding that though South Asian Association for Regional Cooperation (SAARC) though came into existence in 1985, trade and economy were not in the forefront during the initial years pushing the intra-regional trade backwards.

A recent data shows intra-regional trade in SAARC stands at just 6 percent, far below that of Association of South East Asian Nations (ASEAN) at 28 percent, European Union (58 percent) and North American Free Trade Agreement (62 percent).

He urged governments and political leaderships of the South Asia region to implement past decisions to tap the region´s immense trade potentials and appealed governments of the region to be honest in implementation of decisions taken in the past. Vaidya said the region was failing to tap its trade potentials due to failure of political leadership and bureaucratic machinery to implement the past decisions.

Vaidya said that the region's efforts should focus on restructure, revitalise and re-energise SAARC that could function as a common stage of hopes and aspirations of the people of South Asia as a symbol of an emerging, economically vibrant, politically important and strategically crucial region. "It requires extraordinary leadership and political courage to change the face of this region," reads the speech that Vaidya delivered at the summit on Monday. "Our bureaucratic machinery should acknowledge the urgency of implementing past decisions and agreements in a steadfast manner without misconception and delay." He added.

Highlighting Nepal´s potential in hydropower sector, despite the region having huge potential of energy, it is still power-starved, Vaidya said, urging the South Asian regional leaders to join hands in harnessing sources of energy like hydropower and gas. "The region cannot progress without harnessing hydropower in the region that is estimated to have a shortfall of 50,000 Mega Watt (MW)," FNCCI president said, urging the SAARC states to join hands in exploiting power, connecting regional transmission grids and devising mechanisms that allow trade in power freely across the borders.

Inviting the potential investors to invest in Nepal Vaidya appealed investors and policymakers from the region to come in Nepal with investment. He argued Nepal is still a good place to make investment despite problems, citing examples of success of multinational companies. He said that Surya Nepal, the subsidiary of the ITC, has continuously been one of the biggest corporate tax payers and has taken massive expansion process. "Unilever pays dividends in excess of 500 percent of its paid up capital, a Norwegian company that invested first in hydropower from the private sector has taken back many times of its original investment, and Ncell, the subsidiary of Telesonera, invested $500 million over the past four years," he said. The Daburs, Asian Paints, Berger Paints and Dansburgs all are doing exceptionally well in Nepal." He added. ♦

Nepal is world's third largest ginger producer

Nepal has become the world's third largest producer of ginger after India and China, according to the statistics of the Food and Agriculture Organization (FAO) of the United Nations. The country produced 216,289 tonnes of ginger in 2011 compared to the global output of 2.02 million tones (10.7 percent of global output).

Earlier, Nepal was the world's fourth largest producer of ginger after India, China and Indonesia with production of 190,544 tons in 2009-10.

Ginger production has jumped 146 percent in the last decade. In 2002, ginger production was recorded at 87,909 tonnes. Officials at the Ministry of Agriculture Development said that the export value of ginger had encouraged farmers to go for commercial farming. "Demand for ginger has been increasing due to its growing export value," said Prabhakar Pathak, spokesperson at the ministry.

Increased use of ginger by the Ayurveda pharmaceutical industry in India and Nepal and high potential for product diversification to make jam, jelly, candy and sauce has made ginger one of the export potential products. As Nepali ginger has not been able to get better prices due to soil content and unfinished look, Pathak said that the FAO had planned to help farmers by installing a ginger processing plant in Kakkarbhitta on the eastern border.

According to government officials, India buys 98 percent of Nepal's total ginger exports. Nepal enjoys free access to the Indian market. The US, Saudi Arabia, the UK, Japan and Spain are among the largest consumers of ginger. "If the processing plant is set up, it will add value to farmers' products."

Meanwhile, the land under ginger farming has increased to 19,081 hectares in 2011 from 18,041 hectares in 2010. In 2002, ginger was grown on 9,189 hectares. However, productivity has declined marginally in 2011. Agriculture Ministry officials said that the reason behind Nepal's low productivity was lack of hybrid seeds, technology and fertilizers.

Ilam is the top producer among two dozen ginger producing districts. According to the ministry's statistics, Ilam grew 44,310 tonnes of ginger in fiscal 2010-11, followed by Salyan with 23,500 tonnes, Nawalparasi 12,255 tonnes and Palpa 12,226 tonnes. The Eastern Region was the largest producer of ginger among the five development regions with 79,361 tonnes.

Ginger is one of the farm products identified by Nepal Trade Integration Strategy (NTIS) 2010 as having export potential. According to a study, the per kg cost of ginger production is Rs 18. It is also highly labour incentive compared to other sectors. The price of ginger varies with the seasons. ♦

NRB sets criteria for banks to open liaison office abroad

The Nepal Rastra Bank (NRB) has fixed certain criteria for commercial banks to open liaison or representative offices abroad, making it clear that only the financially sound banks can open such offices. A liaison or representative office facilitates banks to engage in more letter of credit business and international trade.

Issuing a circular on Wednesday, the central bank said a bank willing to open a contact or representative office abroad should have adequate paid-up capital as fixed by the central bank and should have maintained an additional one percent buffer capital in the required capital adequacy ratio. Also, the bank should have maintained non-performing loan (NPL) below 5 percent in the last three years. "If a bank has faced penalty from the central bank, the date of penalty imposed should have crossed six months," states the directive.

No commercial bank has so far opened liaison or representative offices abroad, according to the central bank. However, banks dealing with remittance have their offices abroad. "A liaison or representative office, however, covers a wider area of business," said Gnawali. He also clarified that it is not the permission to open branch abroad.

A bank willing to open such an office abroad should first apply to the central bank for approval in principle with required documents who meet the criteria for this purpose. The bank concerned then should conclude the opening of such an office within six months after final approval from the central bank's foreign currency management department.

Nepalis can now get foreign loans of up to $200,000

Nepalis can now legally acquire zero-interest loans of up to US$ 200,000 (about Rs 17.29 million) from individuals, relatives, organizations and institutions based abroad. Nepal Rastra Bank (NRB), the central monetary authority, on Wednesday introduced the provision in line with commitment made through the Monetary Policy introduced in mid-July 2012, ending the ban put on Nepali individuals from acquiring credit from foreign land.

"The provision was introduced to facilitate individuals who want to start or expand business with money borrowed from those based in foreign countries thereby getting due approval from NRB with repayment plans and guarantee of no interest," NRB Executive Director Lila Prakash Sitaula said. ♦

Mechi-Mahakali Electric Railway updates

The selection process for consultants for the detailed survey and design of two sections—Simara-Tamsaria and Tamsaria-Butwal-Bhairahawa (Lumbini)—of the Mechi-Mahakali Electric Railway has reached its final stage. The Department of Railways has said that it will select two consultants for each section soon after completing the evaluation of the proposals.

Five international firms—SOOSUNG Engineering of South Korea, Systra SA of France, firm INECO Ingenieriay Economia del Transporte SA of Spain and URS Scott Wilson India and RITES of India—have submitted the request for proposal (RFP) for the 114km Simara-Tamsaria section. For the 109km Tamsaria-Butwal- Bhairahawa section, DOHWA Engineering of South Korea, Systra SA, URS Scott Wilson India, RITES, and INECO Ingenieria y Economia del Transporte SA have submitted the RFP.

According to the railway department, the selected firms will have to complete the detail design, cost estimation and bid documents for the project construction within a year. "It will take a maximum of three weeks for us to complete the evaluation and signing of a contract," said Rajeshwor Man Singh, superintendent engineer at the department. He added the detailed survey and design of other sections in the Western side of Butwal will be carried out gradually.

The government prioritised the Simara-Tamsaria and Tamsaria-Butwal-Bhairahawa sections as they are linked with Lumbini, the birth place of Budhha, and Bardibas, until where the Janakpur-Jayanagar railway, is being extended with a broad gauge railway track.

A joint consortium of South Korean, Nepali and Indian firms are also in their final stages to complete the detailed study of the Baridibas-Simara (102km) section and Simara-Birgunj link (34 km). Department officials said they expect a final report within a month and the report could be a major tool to seek soft loans or donor support for going into the construction phase. The draft final detailed study report has estimated that construction of the Baridibas-Simara section and Simara-Birgunj would cost Rs 99 billion.

The RITES report had concluded that the 1,317.47-km cross-country Mechi-Mahakali Electric Railway project would cost an estimated Rs 800 billion. ♦

Consul General Office suggests higher level talks with India

The Consul General of Nepal in Kolkata has suggested the government to hold higher level talks with India to address problems in customs clearance of Nepal-bound third country cargoes at Kolkata Port. "As the efforts to end the dispute is not paying dividend, our consul general in Kolkata has suggested us to hold high level talks with India to resolve the problem at the earliest," a highly placed source at the Ministry of Foreign Affairs (MoFA) said Tuesday.

Chandra Ghimire, Nepalese Consul General to Kolkata, on Tuesday met B D Das, Chief Commissioner of Kolkata Customs, seeking the cooperation of the customs office to end the dispute. "I drew attention of the chief commissioner toward problems in customs clearance despite the Indian assurance to clear the dispute a week ago," said Ghimire. He said that he has also requested Nepalese Embassy in New Delhi to hold talks with senior Indian officials to resolve the issue. "Besides, we have also requested concerned shipping companies to extend grace period for detention charge to 20 days from 10 days," he added.

Kolkata Port Authority (KPA) has already agreed to extend the grace period for demurrage charge for containers stuck in the port. If KPA and shipping companies slap detention charge on more than 1,300 containers for the past two weeks , Nepalese traders will have to pay at least Rs 5 million per day as detention charge.

Ghimire said customs clearance process at the port is moving ahead at a slow pace. He, however, said Indian officials have assured him that they would resolve the problem at the earliest. "Indian customs officials have assured us that all pending works at the customs will be completed within a week," said Ghimire. According to him, more than 1,300 containers are still stuck at the port.

Rajan Sharma, president of Nepal Freight Forwarders´ Association (NFFA), said containers stuck at the port are carrying products like wool, drugs, solar panels, batteries, tires and electronic goods, among others. "Many entrepreneurs have told us that their industrial operation would be badly affected if problem at Kolkata port is not resolved at the earliest," said Sharma. ♦

Gold import duty hiked to Rs 3,000 per 10gm to check illegal export

The government has hiked customs duty on the import of gold to control possible smuggling of the yellow metal to India. A Cabinet meeting on Thursday decided to increase the duty by Rs 700 per 10 grams to Rs 3,000, pushing the precious metal's price up amid the wedding season. "The new duty on gold import will come into effect immediately," said Shanta Raj Subedi, secretary at the Finance Ministry. The new hike makes the gold import duty in Nepal higher than that in India. The southern neighbour on Monday had increased the tax to IRs 1800 (Rs 2880) per 10 gram of refined gold. After India hiked the duty, local gold dealers had demanded a rise in the tax in Nepal to discourage illegal export to India. ♦

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Govt forms new panel for Nepal-India Petroleum Pipeline Project

The government has formed yet another committee to speed up construction of much-delayed 41km Nepal-India cross border petroleum pipeline project. At present, a committee led by the National Planning Commission (NPC) Vice Chairman Dipendra Bahadur Kshetry is studying the project. The new committee has been formed under the chairmanship of Lalmani Joshi, secretary of the Ministry of Commerce and Supplies (MoCS).

The new committee has been entrusted to recommend necessary ideas to the NPC on construction and operation modality, technical, resources among other issues to help the proposed project ahead without any obstruction, Kshetry said. "If the ideas submitted by the new committee are reasonable, we will approve the project." He informed that the NPC had also sought suggestion from the committee on whether the project could be developed with international resources. "The Indian Oil Corporation (IOC) has expressed its interest to invest in the project," he said, adding that the project, which has been in limbo since a long time, needs a fast-track decision and that the ministry's suggestion in that regard would be very helpful.

The project has been estimated to cost Rs 1.6 billion besides costs for the land acquisition. A pre-feasibility study in 2004 and a technical study in 2006 had declared the project economically viable, provided the pipeline is operated unhindered for 20 years. The project is envisaged to reduce leakage and ensure supply cleaner and cheaper fuel and also bring relief from frequent shortages caused by strikes.

A joint-venture model with equity participation of the NOC and the IOC was planned when the government had approved the project in February 2010. But in March 2011, Nepal and India dropped the JV model and agreed a new modality, whereby the two countries would construct the pipeline separately on their respective territories, and it would then be linked after signing a bilateral pipeline treaty. ♦

Teva Pharma, P&G sets up world's largest OTC plant in Gujarat

Israel-based Teva Pharmaceuticals, an $18 billion generic drug maker will set up world's largest OTC medicine facility in Gujarat in collaboration with Procter & Gamble. On Tuesday, the company had ground-breaking ceremony for its multi-product facility at Sanand, near Ahmedabad. Teva Global Operations, Executive Vice President, Strategy and Operation, Eran Katz, said "The multipurpose plant in India will support the growing demand for our non-prescription health care products across Asia. The Sanand facility will be a critical component of PGT Healthcare, Teva's international partnership and joint venture with Procter & Gamble." Teva Pharm India Pvt. Ltd expects completion of construction of the plant in two years.

The facility would be focused on Over-the-counter (OTC) product manufacturing and will initially cater domestic and Asia Pacific markets, according to the company. This will include liquid, oral solid dosage and inhaler production including P&G's current Vicks range of cough & cold medicines and throat drops in India, along with potentially other over-the-counter products for India and other markets. The new plant will complement the existing network of Vicks contract manufacturers in India as the company plans to continue working with their current contract manufacturers even after this plant is operational, said the company.

The modular design of the plant will enable Teva to further expand the plant as demand for consumer health care products continues to grow across the region and the globe. In November 2011, P&G and Teva Pharma entered into a joint venture in consumer healthcare by setting up PGT Healthcare headquartered in Geneva, Switzerland. This business model brings together each company's complementary capabilities and existing OTC portfolios. While Teva Pharma is world's largest generic drug maker, P&G is one of the largest players in FMCG globally. ♦ ET BUREAU-AHMEDABAD

We solicit suggestions/feedback from all members and readers for NICCI e -Newsflash at secrtariat@nicci.org