JULY 12, 2012 | WEEKLY | VOL 2, ISSUE 18

NICCI E-NEWSFLASH

INSIDE THIS ISSUE:

South Asia to discuss trade, economy

High-level government officials of the South Asian region will meet in the Maldives in mid-July to oversee the implementation of specific measures, policies and programmes to strengthen and enhance intra-regional trade and economic relations.

"Meeting of the Committee on Economic Cooperation will be held in the Maldives — South Asian Association for Regional Cooperation (SAARC) chair country — on July 15-16," said commerce and supplies secretary Lal Mani Joshi, who will lead the Nepali team at the meeting. "The meeting will review the implementation status of past agreements and will chart out the future common agendas," he said, adding that the meet will discuss common agendas like customs, tariffs and negative lists.

The committee is also entitled to recommend policies and measures for promoting intra-regional trade, joint ventures, industrial complementation, investments, marketing cooperation and transferring technologies, he added. They will assess the potential for intra-regional cooperation in trade and economic ties. The meeting will also analyze inter-regional and global developments which have implications for intra-regional cooperation.

Though regarded as crucial body, the CEC is meeting after a gap of three years, according to the terms of reference, the secretaries are to sit once a year, preferably before the inter-summit session of the Council of Ministers. During the meeting, the commerce secretaries are scheduled to discuss a range of issues including regional agreement on investment protection, avoidance of double taxation and SAARC trade fairs, among others.

The last meeting of the Committee on Economic Cooperation took place in 2009. However, non-tariff barriers are still the main reason behind lower volumes of trade among the South Asian countries that have less than five per cent trade among themselves.

The top commerce officials of SAARC, including Nepal, India, Bangladesh, Bhutan, Pakistan, Sri Lanka, Maldives and Afghanistan will also discuss the drafts of different agreements being worked out to promote investment and trade in the region.

The reduction of tariff and non-tariff barriers may help boost trade among the SAARC member countries .

Among others, the agendas of the meeting is shortening the ´sensitive list´, which include items on which the SAARC member countries have refused to trade at zero tariffs under South Asia Free Trade Agreement (SAFTA) pact. The working group of SAFTA that met in Kathmandu last month to shorten the list could not make any headway after the countries remained divided over the modalities of reducing the items from the list. "The upcoming meeting of the CEC will also touch on that matter since it aims to further liberalize trade on services and goods," Joshi said.

Intra-regional trade is likely to increase in the future as India has offered duty-free access to all but 25 goods to the Least Developed Countries (LDCs) in the region under South Asian Free Trade Area (SAFTA). According to data, intra-regional trade under the SAFTA accord was worth $ 1.1 billion.

According to the latest statistics, Afghanistan's sensitive list comprises of 858 products for both LDCs and non-LDCs, Bhutan has 150 items in the list, Maldives has 152, Pakistan has 936, Nepal has 998 for LDCs and 1,036 for non-LDCs, and Sri Lanka has 845 for LDCs and 906 for non-LDCs. Bangladesh has 987 products on the sensitive list for LDCs and 993 for non-LDCs meaning that entry of these products is subject to tariff payment.

SAARC CCI trade meet tomorrow

The SAARC Chamber of Commerce and Industry (SAARC CCI) in collaboration with the Federation of Chambers of Commerce and Industry of Sri Lanka and in partnership with Friedrich Naumann Stiftung New Delhi will organise a seminar on 'Trade Facilitation in South Asia: Addressing barriers to foster Trade Chain' on Friday in Colombo, Sri Lanka.

Minister for external affairs of Sri Lanka Prof GL Peiris will inaugurate the seminar along with the former finance minister of Nepal Prof Madhukar SJB Rana. President of the SAARC Chamber of Commerce and Industry Vikramjit Singh Sahney will deliver the keynote speech while immediate past president Annisul Huq, and founder member and former president of the SAARC CCI Tariq Sayeed will chair the technical sessions.

'Nepal possesses immense investment potential' Indian investors interested in hydro, solar, cement

Indian investors have expressed interest in investing in Nepal´s hydropower, cement and solar energy sectors.

The Indian investors had shown their interest to make their concern in Nepalese industries and trade at a seminar on "Doing Business with Nepal" organised jointly by the Embassy of Nepal, New Delhi, Consulate General of Nepal in Kolkata and the Confederation of Indian Industry (CII) in Kolkata, West Bengal, on Thursday, 5th July.

The program was an attempt to encourage Indian investment in Nepal, which is observing 2012/13 as Investment Year.

Speaking on the occasion, West Bengal, IAS Principal Secretary with Addl. Charge-Department of Commerce and Industry Alapan Bandopadhyay, focused on Nepal's high potential as a tourist destination. He considered Nepal as a beautiful and elegantly sublime country with rich cultural heritage which is yet to turn into a much sought-after holiday destination. He said that the tourism industry is a great job creator and its significance in bilateral trade relations can hardly be exaggerated. "I firmly believe that if the South Asian countries can unite and join hands forgetting all differences, it can emerge as a strong cultural and economic entity and act as a united force."

Currently, Nepal enjoys the largest number of tourists from India.

Presenting a complete socio-economic overview of the country, Acting Ambassador of Nepal to India K.N. Adhikari said "The total trade between India and Nepal accounted to Rs 309 billion in 2011. India includes 67.3 per cent of Nepal's exports and 63.3 per cent of its imports and 44 per cent of approved FDI in Nepal". He said that there were immense potential which remains unexplored and India can largely benefit from bilateral trade with Nepal.

Consulate General of Nepal in Kolkata Chandra Kumar Ghimire said that there was favourable trading situation. "Nepal and India enjoy special socio-cultural and socio economic relations. The no language barrier and facility of free movement of goods, services and people within the country and its close geographical proximity, availability of cheap and quality labour, surplus of goods and services can be pivotal for trade facilitation between the two countries," he said. He further said that the signing of Double Taxation Avoidance (DTTA) between India and Nepal could be the most vital factor for strengthening of bilateral trade.

Rajiv Kaul, former president of the Confederation of Indian Industries (CII), and RK Agrawal, eastern sector president of CII, had shed light on investment opportunities in Nepal during the one-day conference.

Sajeev Puri, divisional chief executive of Indian Tobacco Company (ITC) - the parent company of Surya Nepal - also hailed Nepal as one of the most attractive investment destinations.

According to Chandra Ghimire, Nepali consul general to Kolkata, said leading businessmen in India have shown interest in increasing investment in Nepal, especially in the areas of hydropower, solar energy and cement production. Speaking on the occasion, Ghimire highlighted the prospects of investment and the government´s efforts toward luring more Foreign Direct Investment (FDI) in Nepal from India.

Mukunda Paudel, joint secretary at the Investment Board, had made a presentation on efforts taken by the government to make Nepal more investment-friendly.

India, which is the largest investor with more than 45 percent of total FDI in Nepal, has joint-venture investments mainly in the banking, manufacturing, tourism, hydropower and agriculture, among other sectors.

Representatives from Federation of Nepalese Chambers of Commerce and Industry FNCCI was also present in the gathering.

Nepal attracts more foreign investment- UNCTAD's World Investment Report

Nepal

Nepal succeeded in attracting foreign direct investment inflow worth $95.49 million in 2011, which is $8.75 million more than the $86.74 million it was able to attract a year ago, according to a global report.

With more foreign direct investment inflow, the country has also improved its ranking in UNCTAD's World Investment Report 2012 — published on Friday, 6th July — as the report has ranked Nepal at 175th in foreign direct investment (FDI) Attraction Index 2011 from the 178th ranking a year back among 182 economies. However, the total inflow of FDI in 2011 contributed only 2.5 percent to gross fixed capital formation (GFCF), which is far below the South Asian average of 6.4 percent.

The inward FDI Attraction Index ranking is based on the average of a country's percentile rankings in FDI inflows and in FDI inflows as a share of gross domestic product.

Similarly, the country ranked 150th in FDI Potential Index out of the 182 economies. The Inward FDI Potential Index ranking is based on the simple average of a country's percentile rank in each of the economic determinants areas. A country's ranking within each group of determinants is based on the simple average of the country's percentile rank of each variable included in the group.

Nepal had managed to receive a decent amount of foreign investment after economic reforms were initiated in 1991-92, but it became erratic during a decade of armed conflict that ended in 2006.

Since 2006-07, the FDI figures have exhibited robust growth barring 2008-09, during which it was affected by the global financial crisis.

India

According to the report, subtitled 'Towards a New Generation of Investment Policies', India has witnessed the highest inflow of FDI that stood at $31.6 billion in 2011, whereas it had witnessed FDI inflow of $24.2 billion in 2010. The recovery in South Asia took place mainly as a result of the good performance of India that is the largest FDI recipient in South Asia and it accounts for more than four-fifths of total FDI inflow to the region. The FDI outflow from India stood at $14.8 billion in 2011, whereas a year back, the outflow stood at $13.2 billion.

Regional

Foreign direct investment inflows to South Asia rose by 23 per cent to $39 billion in 2011, following declines in 2009 and 2010, the report revealed.

Similarly, FDI outflows from South Asia rose by 12 per cent to $15.2 billion, it said, adding that outflows from India, the region's dominant source of FDI, is the highest.

FDI inflows to Pakistan, the second largest FDI recipient country, amounted to $1.3 billion. Bangladesh has also emerged as a major recipient, with FDI inflows increasing to a record high of $1.1 billion.

In Afghanistan, significant FDI has been flowing into extractive industries, despite the country's continuing internal conflict.

Countries in the region face different challenges like political risks and obstacles to FDI, which need to be tackled to build an attractive investment climate, the report suggested.

Nevertheless, recent developments have highlighted new opportunities. Due to the improving political relationship between India and Pakistan, the two major economies in the subcontinent have been moving towards greater engagement.

In 2011, about 145 cross-border mergers and acquisitions (M&As) and 1,045 greenfield FDI projects — that is, ground-up investments in new ventures — by foreign firms were recorded in South Asia.

Cross-border M&As rose by 131 per cent in value, and the total reached $13 billion in 2011, surpassing the previous record set in 2008.

Govt takes up herbs export issue with India

The government has taken diplomatic initiative to resolve the problems in exporting medicinal herbs to India following the introduction of new rules in contravention to the spirit of bilateral trade treaty by India´s Uttar Pradesh (UP) state-government.

The Ministry of Commerce and Supplies (MoCS) approached Indian embassy officials in Kathmandu in a bid to resolve the problem that has left Nepali medicinal herbs worth Rs 250 million stuck at Nepal Customs office for the last couple of months.

"We spoke to the officials at the Indian Embassy in Kathmandu in an effort to settle the problem that has affected the exports of medicinal herb from our country to India. The embassy officials have assured that they would communicate the matter to the Ministry of Finance of India as soon as possible," Lal Mani Joshi, secretary at the MoCS, told Republica on Sunday, July 9.

The exports of medicinal herbs from mid-western and far-western regions have come to a grinding halt after the UP state-government of India made it mandatory for even the Nepali exporters to acquire a license from its Department of Forest to continue the exports. "As per the existing bilateral treaty, this problem shouldn´t have occurred. However, the state governments are not acting as per the treaty´s spirit," said Joshi.

Locals for speedy development of Budi Gandaki project

Environment for hydropower projects from local people are improving in recent days. Locals from Gorkha and Dhading have urged the government to speed up the implementation of the 600MW Budi Gandaki project and promptly commence processes for carrying out the feasibility study of the reservoir-based hydroelectricity project. “We expressed our concerns with the prime minister and urged him to take immediate action to speed up the work of the project,” said Ram Chandra Poudel, a local who was also present at the meeting with PM.

The locals pushed for the early implementation of the project during their meeting with Prime Minister Baburam Bhattarai on Saturday. On the occasion, they expressed concerns over government´s reluctance in calling bid for the feasibility study.

Responding to the locals, PM Bhattarai said the project was very important for the socio-economic development of the country and the government was committed to executing the project. “We have already included it among the national-pride projects. We will soon take necessary steps to develop it,” Poudel quoted PM as saying at the meeting.

Budi Gandaki is one of the mega hydropower projects of the country which was identified almost 30 years ago in 1983. But the government had not taken any initiatives for developing the project as construction as well as resettlement and rehabilitation of people living in 23 VDCs in Gorkha and Dhading required a huge fund.

Nonetheless, Budi Gandaki had received applications from 24 firms for conducting feasibility study of the project. "Of them, we have shortlisted six companies, including firms from the US, Germany, Italy, France and Australia for carrying out the task," said Lila Nath Bhattarai, director of the project. The project office has already forwarded the list of short-listed firms to the government, requesting it to select one of them for the task.“"We hope the government will soon take a decision,” he added.

KTM-TARAI FAST TRACK: Global firms with local partners to get priority

The government has finally decided to call the expression of interest (EoI) for the construction of the Kathmandu-Tarai Fast Track. The Ministry of Physical Planning, Works and Transport Management is inviting new EoI on Wednesday, 11th July to this effect. The fresh EoI marks the beginning of selecting investors for the construction of the much-talked-about 76-km express highway joining the Capital with the Tarai.

What makes the new EoI different from the past is the fact that now, any international investor that teams up with a Nepali investor, roping in up to a 10 percent stake from the latter, will now find itself being favored in the selection process for the Kathmandu-Tarai Fast Track Project, according to the latest decision of the government.

"We have approved new selection criteria for the project. Now if a global firm has up to a 10 percent joint stake from Nepali firms, it will get up to additional 10 points in the evaluation process," said Tulasi Prasad Sitaula, secretary at the Ministry of Physical Planning, Works and Transport Management (MoPPWTM).

The ministry took such a decision solely to ensure greater participation of Nepalis in large development projects, Sitaula told Republica. The ministry expects the new provision to facilitate Nepali investor participation in project implementation.

The ministry endorsed the new criteria mainly after the Nepali private sector sought a role in large development projects. Parliament´s Public Accounts Committee (PAC) also had adjudged their demand as rational and instructed the government to ensure an at least 10 percent stake for local investors.

The Private Financing in Building and Operation of Infrastructure Act requires aspirant investors to have prior experience of executing projects under the Build Own Operate and Transfer (BOOT) system, but no Nepali firm has such experience. Since the PAC´s instruction had contravened existing law, it needs to be amended to ensure participation from Nepalese firms.

As this complicated and prolonged the bidding process for almost a year, MoPPWTM recently decided to work out new selection criteria to accomodate the PAC instructions.

"Now that the new provision has been endorsed, we will call for fresh bidding within a couple of days based on the new EoI (expression of interest) criteria," said Sitaula.

“We have given 125 days’ time for the EoI submission,” said Dinesh Prakash Basnet, project manager of the Fast Track. “The applicants will have to visit the site and come up with their estimated cost for the entire project.”

According to Dinesh Prakash Basnet, chief of the project, the new criteria says that any firm which has successfully completed the construction of highways and bridges costing over US$ 500 million under BOOT or infrastructure projects costing over US$ 1.5 billion over the span of the last 10 years, is eligible to submit EOI for the fast track project.

All firms submitting EOI will be given five months to submit field visit reports, including designing and alignment, to MoPPWTM. "We will then shortlist six companies based on the reports they submit," said Basnet.

The proposed four-lane highway is expected to bring about greater mobility of goods and people between the capital and the southern belt of the country and save transport fuel costs by up to 46 percent.

IFC and ADB propose Nepali rupee bonds

International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, and Asian Development Bank have proposed to issue Nepali rupee bonds to raise funds and finance major infrastructure projects here.

Nepal Rastra Bank (NRB) Governor Yubaraj Khatiwada said the two lenders have proposed issuing Rs 20-billion Nepali rupee bonds—Rs 10 billion each.

Given the country in urgent need for resources to fund long-term infrastructure projects, Khatiwada said the issuance of bonds would help generate the required funds. Funds raised from the bond issuance will be used in Nepal only, according to Nepali officials. Nepali banks have long been resisting the temptation of investing in long-term infrastructure projects as the maturity period of their funds does not match with the time infrastructure projects take for generating revenues to repay loans.

Khatiwada said the central bank has 'cleared the way' for the bond issuance. He, however, said the Finance Ministry should settle the issue of taxation and issue manager of the bonds.

Both ADB and IFC have also talked to the ministry about the matter, submitting separate proposals. Although ADB made such a proposal a year ago, IFC made its proposal last week, according to the ministry. "We are holding discussions and they have so far been positive," said Baikuntha Aryal, joint secretary at the ministry, adding he was yet to go through the details of the proposals.

In its proposal, ADB has asked the government to allow it to exchange the proceeds of the Nepali currency bonds for the currency of any another member of ADB without restriction and buy and sell the bonds in Nepal. ADB has also sought exemption of taxes, including value added tax, transaction tax and stamp duties, among others.

Other conditions put forth by ADB are a confirmation that the tax exemption would apply to any amount payable by ADB or paid to ADB from transactions that may be undertaken in connection with the Nepali currency bonds; such bonds would not be subject to withholding, specifically allowing ADB and its agents to make interest payment to bondholders on gross basis without deduction for any withholding tax; ADB would not be required to disclose its financial transactions to any regulatory authority; and ADB would not require registering the bonds under any security laws and regulation of Nepal.

IFC has also talked with Nepali banks on the scope and the market for Nepali rupee bonds. NIC Bank chief executive Sashin Joshi said the international lender had consulted with them on interest rate and whether such bonds would be accepted here. He said the move taken by IFC and ADB is positive for the banking industry as local banks could invest their surplus funds in the bonds.

Govt mulls new measures to safeguard local factories

The government is mulling over imposing quota restriction or additional customs duty on imported goods in case it found overseas exporters of supplying those goods at unjustifiably low prices, thereby hurting the Nepali industries unfairly. The government has even incorporated such provision in a draft of new law - Safeguards, Anti Dumping and Countervailing (SADC) Act - which the Ministry of Commerce and Supplies (MoCS) finalized recently.

"The draft of the SADC Act has been finalized and we have forwarded it to Ministry of Law and Justice (MoLJ), among others, for approval," said the source. Once MoLJ approves it, the MoCS plans to forward it to the cabinet for its enactment.

MoCS has been drafting the SADC Act since a couple of years in a bid to safeguard the domestic industries from possible loss that they might incur in sales as well as market share due to inflow of excessively cheaper foreign goods. The draft Act also incorporates a provision whereby any industry facing losses due to ´dumping´ by overseas exporters can formally file a case against it, seeking compensation for the loss.

"However, the industry filing the case should have production amounting equal to or more than 25 percent of the total import of that particular product," said the source.

Apart from responding to the case filed by any industry, the government too can impose additional customs duty on the imported goods in case it found them of being harmful to the domestic industries. "However, the government has to produce sufficient proofs before imposing additional customs duty," the draft reads.

Under the safeguard measure, the government can also impose higher customs duty or quota restriction on the import of any good if it finds such import of affecting the balance of payment of the country and foreign exchange reserve.

The draft Act envisages two types of safeguard measures - interim and permanent. The interim safeguards can be lifted after certain span, while permanent will last for longer period.

Moreover, SADC Act puts the responsibility of showing proof on the shoulder of the overseas exporter. This means any overseas firms facing a case will need to prove that it is not dumping the product in Nepal.

"The government will remove the additional customs duty and safeguards measures if the firm provides sufficient documents which demonstrate that the prices of goods were fair - not subsidized or kept lower than what it is priced in the exporting country," said the source.

WB, ADB commit Rs 11b to construct strategic roads, bridges

The World Bank (WB) and the Asian Development Bank (ADB) are supporting a total of US$ 125 million (about Rs 11.12 billion) to construct and maintain strategic roads and bridges under two major programs to be implemented from the coming fiscal year.

The WB Board has already approved loan assistance worth $60 million (about Rs 5.34 billion) under the Bridge Improvement and Maintenance Program. The amount will be used for maintenance, renovation and construction of bridges along the strategic roads.

The finance ministry will sign final agreement with WB officials once the cabinet approves the proposed agreement.

"We are hopeful that the final agreement will be signed by the end of August," Ramesh Raj Bista, joint-secretary of the Ministry of Physical Planning, Works and Transport Management, said.

Once the agreement is signed, the WB will disburse the committed amount as reimbursement in different installments over the five-year program period on the basis of progress made in construction of bridges.

"The committed amount will cover 60 percent of the total cost required for maintenance, renovation and construction of bridges along the strategically important national level roads," Bista told Republica.

The government has estimated that it will need $100 million for the maintenance and renovation of 1400 existing bridges, including 400 bridges along the strategic national roads, and construction of 300 new bridges.

Likewise, the ADB has agreed in principle to provide $65 million (about Rs 5.78 billion) to Nepal for the construction and improvement of a total of 177 km stretches of five strategic roads. The assistance includes $49 million in grant and the remaining $16 million in credit.

According to Bista, the ADB assistance will be used to construct and renovate strategically important Leguwaghat- Bhojpur (65 km), Halesi-Diktel (38 km), Koshi-Bridge -Birtamod (16 km), Koshi Bridge-East-west Highway- Koshi-Bridge (54 km) and Manthali- Ramechhap (14 km) roads.

"These roads will be upgraded into two-lane structure and blacktopped in the five-year program period that starts from the coming fiscal year," said Bista.

The Department of Roads (DoR) has estimated total cost of the project at $100 million. Bista said the remaining $35 million will be arranged by the government.

"Our consultant firm has almost completed the project preparation report. We expect the ADB Board to approve the assistance by January next year," added Bista.

The government has allocated Rs 2 billion for under-construction bridges and Rs 600 million for the maintenance of damaged bridges in the current fiscal year.

National Labour and Employment Conference ends issuing 15-pt declaration

The 3rd National Labor and Employment Conference concluded in Kathmandu on Wednesday, issuing a 15-point declaration that, among others, calls for introduction of social security schemes in both formal and informal sectors, and formulation of the final draft of the labor law within next four months.

The declaration endorsed by all stakeholders of the labor market - trade unions, employers´ organizations and the government - would be referred to while formulating or changing policies and laws related to labor.

The declaration announced at the conference, held after seven years, has mainly laid focus on rolling out social security schemes in both formal and informal sectors. Currently, the government has only been raising funds - one percent of basic salary - from workers of the formal sector to introduce social security packages, as the initial plan was to rope in employees of the formal sector in the program.

But since the draft of the Social Security Fund Act also has provision for participation of workers of the informal sector in the program, trade union leaders have asked the government to accommodate them from the beginning. "In this regard, monetary contribution of the government and employers to the Social Security Fund should be fixed and social security schemes be designed immediately," the declaration reads.

Although it is not known when these schemes will be introduced, the government´s plan is to begin the process once the existing Labor Act is amended and promulgated. The declaration has, therefore, laid emphasis on completing the process of formulating final draft of the Labor Act within the next four months.

"Within this period, drafts of Trade Union Act, Labor Commission Act and other laws related to labor would also be prepared," the declaration says.

The declaration has also stressed the need to include a provision in the Trade Union Act that allows collective bargaining between employees and employers at the central level. It has also asked for establishment of a permanent minimum wage determination committee.

Among others, the declaration has also called on the government to hold employment summit to devise a mechanism on managing fresh workers entering the labor market, set minimum annual target on generation of additional employment opportunities and explore ways to enhance productivity of workers.

Contd on page 7

National Labour and Employment Conference

"This is essential at a time when the labor ministry has been given the responsibility of addressing problems related to employment in the country," an official of the Ministry of Labor and Employment said referring to the recent government decision to shed the component of transport management from the ministry and add employment component to it.

Besides, the declaration has also laid emphasis on formulation of Unified Labor Market Information System by coordinating with various government bodies, ending child labor and gender discrimination at workplaces, upholding rights of people who migrate abroad for employment purposes and holding labor and employment conferences at intervals of every three years.

Earlier, employers' organisations and trade unions had said amending the Labour Act 'is a must' so as to make the law more investment friendly ahead of the Nepal Investment Year 2012-13. It has already been over 10 years since the government started planning to make changes to the act.

The three-day labour conference held after 7 years is aimed at holding extensive consultations on reforming labour laws, enhancing labour market governance, exploring the scope of creating employment and finding a better way to utilise skills of returning migrant workers.

15 Points Declarataion

- Labour law is fundamental law
- Ensure social security to workers
- Timely amendment of labour and trade union laws
- Set time for collective bargaining
- Strengthen labour administration
- Build investment/industry friendly atmosphere
- Build confidence among government agencies, employers and trade unions
- Set scientific criteria for minimum wage
- Improve industrial safely
- Promote gender friendly environment at work places
- Abolish child labour
- Explore alternatives to foreign employment
- Develop; integrated labour information
- Endorse minimum wage agreement (March 24, 2011) between employers and trade unions
- Organize national level labour conference every three years

Government lifts ban on rice export

The government has lifted the four-year-old ban on rice exports. The ministry took the decision of exporting 10,000 metric tonnes of rice to China in the current fiscal year, said secretary at the Ministry of Commerce and Supplies Lal Mani Joshi. "The rice will be exported through the Rasuwa and Tatopani customs points," Joshi further added.

Earlier, the ministry had proposed about exporting 50,000 metric tonnes of rice to China. Mr. Joshi said, adding that the Ministry of Agriculture Development gave a green signal for the export of 100,000 metric tonnes of rice due to good harvest in the country this year.

The government took the decision to export rice because the production of rice has substantially increased this year, informed Joshi. "Dozens of companies have already approached the ministry seeking permission to export rice." However, it will take some more days to publish the ministerial decision in the gazette, he further added. "The decision will be applicable after the gazette notification and the ministry can formally allow various parties to export rice."

Nepal had placed a ban on rice exports in 2008 amid low domestic rice production and the global food crisis. However, the country had 443,000 tonnes of rice surplus in the fiscal year 2010-11, and another 300,000 metric tonnes of rice in the current fiscal year. "The government cannot take a decision regarding exports in haste since the country's agriculture production is heavily based on the monsoons," he said.

The move to lift the ban on rice exports is expected to discourage the smuggling of rice to China, Joshi said.

International Book fair 2012 kicks off

The 15th Nepal Education and Book Fair 2012 with 71 stalls featuring 55 book stalls kicked off on Friday in Bhrikuti Mandap, Kathmandu, featuring stalls of both national and international publishers, educational institutes and consultancies.

Major domestic publishers, including Mandala Book, Pairivi Prakashan, Ekta Books, Ratna Pustak, Bhudipuran, Kankai Books, MK publishers, Ramesh Publishers, Sangrila Book and some others, as well as international publishers like Pearson Education, Scholastic India, Oxford University Press, Cambridge University Press, Harvard, Penguin Books, Orient Blackswan and some new participants are upholding prominent space in the event.

For the four initial days, the event is also accommodating colleges and universities from India, China, Bangladesh, UK, USA and Australia. Santosh Chhetry, coordinator of the event, said the nine-day fair is expected to attract around 100,000 visitors.

China agrees to import Nepali citrus fruits

Nepal and China have signed a memorandum of understanding (MoU), enabling Nepal to export two types of citrus fruits—orange and sweet orange—to Tibet. Representatives of the two countries signed the deal at the third Nepal-China Tibet Trade Facilitation Committee (NTTFC) meeting held on July 4-5 in Lasha.

Naindra Prasad Upadhyaya, joint secretary at Ministry of Commerce and Supplies, who led the Nepali delegation at the meeting, said this was the first time after Nepal's accent to the World Trade Organisation (WTO) that the country received a facility under Sanitary and Phytosanitary (SPF) measures.

Shyam Kishor Sah, director at the Department of Agriculture, signed the MoU on behalf of the Nepal government. "This deal ensures easy access of Nepal's orange and sweet orange to the Chinese market," said a participant of the meeting, adding that the Chinese government has also agreed to expand the product list.

In the initial phase, the government targets to export oranges from Syangja and Sindhuli based on the WTO-set norms. Tibet had long been expressing interest to buy Nepali oranges as it has stopped importing the citrus fruits from South Africa. Officials at the Agriculture Ministry said it plans to export 100 tonnes of sweet orange and 1,000 tonnes of orange in the initial phase after issuing a grade separation of quality and quarantine certification.

The joint secretary level meeting has also decided to form a focal point each in both the countries to help boost bilateral trade. "The need for a focal point was felt by both the parties so as to promptly resolve any sort of trade-related problems," added Upadhya.

According to him, it has been decided that Nepal's Commerce Ministry and Tibet's Commerce Department would be made the focal points. "Other information in this regard will be exchanged later through diplomatic channel," said another participant of the meeting, which is held every year.

Commerce Ministry officials said the meeting also reviewed the implementation of decisions taken by the second meeting. The second NTTFC meeting held in May last year in Kathmandu had agreed to remove procedural hurdles in the enforcement of zero-tariff and activate local-level working groups to eliminate non-customs barriers. "Both the parties have realised that Nepal has not been able to utilise the facility of duty free access of different Nepali products to China," said Upadhya. "The Chinese side has promised to take measures to help Nepali exporters utilise the facility."

Officials said the Chinese side pointed out some flaws in the Certificate of Origin (CO) issued to Nepali exporters. "The ministry will work to rectify such flaws as it was also identified as a hassle for Nepali exporters," said an official. Upadhya said the Nepali side also pleaded to waive non-tariff and para-tariff barriers. "The Chinese side is positive to the proposal."

At the meeting, China also agreed to help Nepal solve quarantine related problems, while both of the parties agreed to introduce letters of credit (LC) as a mode of payment and focus on cross boarder infrastructure development.

Mei Tu Bao, deputy secretary general of Lasha, had led the Chinese side at the meeting.

According to the Trade and Export Promotion Centre, Nepal's trade deficit with China swelled to Rs 38.2 billion in 2009-10 from Rs 11 billion in 2005-06.

Ministry yet to get proposal for private petro business

Neither has the government nor the private sector put in any serious effort for the entry of the private sector in the petroleum business.

The government really does not want to privatise the petroleum sector, according to an official at the Ministry of Commerce and Supplies (MoCS). "And the private sector too is not serious about it," the official said, adding that the ministry has not received any genuine proposal for petroleum business so far.

The Ministry of Commerce and Supplies has also not formulated any standards to regulate petroleum business, according to secretary Lal Mani Joshi. "The ministry is in the process of setting standards to pave the way for the private sector to enter the petroleum business," he said.
Nepal Oil Corporation (NOC) and even the petroleum entrepreneurs blame the regulatory authority's ambiguous messages for the current problems in the petroleum business in the country.

Contd on pg 9

Ministry yet to get proposal for private ....

The Ministry of Industry issues licences to aspiring companies which want to enter the petroleum sector, said an official at NOC. "But, it is the responsibility of MoCS and in some cases NOC to regulate the market.

"The existence of separate authorities for issuing licence and for regulating the business has created a clash of interest, according to him. The Ministry of Industry wants to issue as many licences as it can, but MoCS has no proper mechanism for regulation, he further claimed.

Banks ask NRB to let them trade US$ daily

Banks and financial institutions (BFIs) have asked the central bank to allow them to trade US dollars daily. BFIs buy or sell the greenback as per their requirement under a provision known as "currency intervention". Currently, such transactions are permitted on three working days — Monday, Wednesday and Friday.

BFIs asked Nepal Rastra Bank (NRB) to let them trade on other days too due to a fluctuating exchange rate and surplus supply of the US dollar. The Nepal Bankers' Association (NBA) made the request while presenting its recommendations to NRB for the upcoming monetary policy.

"Remittance transactions by banks have increased," said Ashoke Rana, president of the NBA. "Allowing daily transactions would be a great help." Bankers said that it would reduce the risk posed by fluctuations in the exchange rate. "If transactions could be carried out on a daily basis, rate fluctuations will not trouble us," said a banker.

Bankers have also asked for this choice to avoid the problems caused by occasional unavailability of US currency in a small market like Nepal.

While carrying out currency intervention, NRB collects information from all the BFIs about the amount of US dollars they want to buy or sell, and sets the exchange rate based on it. "After gathering such info, NRB determines the demand and supply situation of the greenback," said a bank CEO. "The central bank then decides whether to buy or sell."

However, NRB fixes the exchange rate daily for use of the government and individuals. If daily transactions are allowed, foreign investors too will know the exchange rate daily, said a banker.

Nepal Telecom plans microwave link along Mid-Hill Highway

Nepal Telecom (NT) is preparing to set up an Alternative Microwave Radio Relay Network along the 1,776-km Mid-Hill Highway, which will work as an alternative route to provide uninterrupted service if the existing system is obstructed.

The microwave radio relay technology is used for transmitting digital and analog signals such as long-distance telephone calls between two locations.

The state-owned telecom company said the move was initiated as the installation of the mechanism on this route would be cost effective. "This will be a cost-effective project as we will have to install only one tower in the Western part," said Jiban Ratna Shakya, deputy managing director at NT. "Our estimation has showed that we can develop the network using the existing towers with some modifications."

The planned microwave network will also help NT offer telecom services to the proposed 10 cities to be developed by the government along the Mid-Hill Highway. NT already has an East-West optical fibre connection developed in 2001 along the East West Highway, but it started work on the alternative microwave link keeping in mind the cost-effectiveness.

NT is conducting a survey to ascertain the estimated cost of the network. In the initial phase, NT will conduct the survey in the Western part for the connection between Kathmandu and Dadeldhura. The network will pass through two dozen mid-hill districts.

Shakya said the quality of NT's service would improve after the traffic is transmitted through the alternative route. "We will send and receive call traffic from this route too, which will reduce congestion on existing routes," he added.

The government has also been planning to set up an optical fibre connection along this route using resource available at the Rural Telecommunication Development Fund. The optical fibre extension project planned by the Nepal Telecommunications Authority (NTA) is aimed primarily at taking high speed broadband internet services to all districts. However, the plan is under consideration at the Ministry of Information of Communications for last nine months. "Our recommendation has remained undecided, affecting the plan to complete the optical fibre expansion by 2014," said a senior official at the NTA.

Tourism :

SAARC tour operators urge for joint promotion

The South Asian Countries´ Tour Operators Conclave has urged countries in the region to set up a joint forum to promote tourism.

Issuing a press statement, Nepal Tourism Board (NTB) said the meeting held in New Delhi on July 6 was attended by 45 participants, including policymakers, from eights countries. They held discussions on different ways to promote travel within the region by removing the current entry barriers. The conclave focused on various strategies to promote tourist destinations and products in the SAARC region, according to the statement.

Inaugurating the conclave, Subodh Kant Sahai, Minister for Tourism, India highlighted the diverse range of destinations and products of the region. Sahai also unveiled the Indian government´s plan to organize International Buddhist Conclave in Varanasi on September 29-30.

Participants of the conclave suggested that affordable travel connections and visa on arrival facility could accelerate tourism development in the region.

During the presentation from the Nepali delegation, Subash Nirola, officiating CEO of NTB, stressed the need for joint forums, including the common forum for the private sector tourism associations for marketing and promotion of tourism activities, for promoting regional tourism.

“The first SAARC Tour Operators Conclave is indeed a big step in the right direction and is expected to contribute to business and opportunities for economic development and employment generation in the region,” the statement added.

NTB gears up to set up promotional office in India

Nepal Tourism Board (NTB) has announced that it will set up a marketing and promotion office in New Delhi, India within 2012 in order to tap the southern neighbor´s growing outbound travel market.

The board geared up to finally execute the two-year-old plan after the government expressed commitment to support it get due diplomatic clearance for establishing the office in the Indian capital. The Ministry of Culture, Tourism and Civil Aviation had recently discussed the issue and granted permission to the NTB to move ahead with the plan.

"If things moved as per the plan, we will have the office set up within this year,” officiating CEO of NTB, Subash Nirola said. Nirola, who just returned from New Delhi where he attended SAARC Tour Operators´ Conclave, said he has unveiled the plan to the regional tour operators as well as the Indian policymakers.

NTB had announced to open promotional offices in India and China in 2010. Its attempt to open office in India had not materialized after it failed to garner necessary diplomatic permission. Nirola, however, is optimistic about getting diplomatic clearance this time as the government has expressed commitment to lead the diplomatic formalities. "The process is rigorous, but we are optimistic about getting the clearance," he added.

The board has expressed commitment to bear other costs of operations, such as staff and logistics expenses, on its own, except cost of space, for which they have asked ministry.

"The office at New Delhi is a must as India is not just the largest tourist generator for us, but also holds a huge potential,” said NTB Spokesperson Aditya Baral. "The marketing office there will help us promote our destinations more effectively."

India is the largest tourists generating country for Nepal. Nepal welcomed a total of 97,165 Indian tourists in first half of 2012, recording a growth of 28.9 percent compared to arrival figures in the same period last year.

‘Chaliye Pokhara’ road show a big hit in Indian cities

Tourism entrepreneurs from Pokhara are setting their sights on tourists from bordering Indian cities to boost their business. The Paschimanchal Hotel Association Pokhara (PHAP) in association of Nepal Tourism Board (NTB) recently carried out promotion campaign ‘*Chaliye Pokhara’* in Lucknow, Kanpur and Gorakhpur.

Hoteliers from Pokhara announced separate package for Indian tourists offering discounts upto 30 percent. For this, they must produce identity card that verifies Indian nationality. “The offer will last till December 31, 2012.”A total of 25 hotels and their promoters from the lake city interacted with tour operators, travel agencies and hoteliers in the three Indian cities.

Hoteliers have introduced tour package of IRs 6,666 for three-day and two-night stay at hotel and site-seeing of the nearby locations to honeymoon package for IRs 14,999 for the same duration as well as tour package up to adjacent cities and religious places like Sunauli, Pokhara, Muktinath, Lumbini, Chitwan, Tansen, Manakamana under different packages at different concessional costs.

Eight Indian companies in Fortune 500 list

Eight Indian companies have made it to Fortune magazine's 2012 list of world's 500 largest companies with public sector Indian Oil and Mukesh Ambani-led Reliance Industries among the top 100. While Indian Oil with revenues of $ 86,016 million took the 83rd spot up from 98th place last year, Reliance Industries with revenue of $76,119 million moved up from 134th to 99th position to become the first Indian private firm to join the top 100.

Third placed Bharat Petroleum with revenue of $44,582 million is ranked 225th globally, Hindustan Petroleum with $38,885 million comes next in 267th place followed by State Bank of India with $36,950 million in the 285th spot.

Tata Motors with revenues of $34,575 million is ranked 314th followed by Oil & Natural Gas with $30,746 placed 357th and Tata Steel with $27,739 million brings up the rear for Indian companies in the 401st place.

Interestingly, the 2011 list also featured the same eight Indian companies. Last year, Bharat Petroleum was at the 272nd position, followed by SBI (292), Hindustan Petroleum (336), Tata Motors (359), ONGC (361) and Tata Steel (370).

Indian steel magnate Lakshmi Mittal's Luxembourg based ArcelorMittal with revenues of $94,444 million is ranked 70th while American banking giant Citigroup led by Indian-American chief executive Vikram Pandit takes the 60th spot with revenue of $102,939 million.

Royal Dutch Shell with revenues of $484,489 takes the top spot in Fortune 500 global list ending retail major Wal-Mart Stores' two-year winning streak.

Energy firm Exxon Mobil takes the second place followed by Wal-Mart Stores, energy company BP, and oil producer and refiner Sinopec Group.

American companies have cornered 132 places in the list, followed by China with 73 positions and Japan coming next with 68 spots.

New Service Tax Regime Introduced in India from July 1, 2012

A new service tax system has been introduced last week in India based on a list of 38 exemptions, rather than the previous list of 119 explicitly taxed activities. Under this regime, a tax of 12 percent will be levied on all services not included in the exemption list.
This is an important change for businesses engaging in or utilizing services in India. Moreover, since the new regime has been introduced to align the current system with the proposed Goods and Service Tax (GST), it provides a strong indication that India is on track to introduce the latter, more radical set of tax changes.
The 38 exemptions include the following:

- Metered taxis and auto-rickshaws
- Betting, gambling, lotteries
- Entry to amusement parks
- Transport of goods or passengers
- Transmission and distribution of electricity by distribution companies
- Funerals, burial and transport of deceased people
- School, university and approved vocational courses
- Services relating to work contracts for schemes under the Jawaharlal Nehru National Rural Urban Renewal Mission or the Rajiv Awas Yojana (an urban housing construction and slum reduction project)
- Services provided by advocates to other advocates and business entities up to a turnover of INR10 lakh (INR1 million) in the preceding financial year.

Due to continuing negotiations between Railway Minister Mukul Roy and authorities leading the taxation changes, it is still not clear whether taxes will be imposed on air-conditioned and first-class railway services. Such a rise is likely to cost INR6,000 crore (INR60 billion) if born by the railways, or to increase rail ticket prices by 3.6 percent if not.
As well as easing the transition towards the GST, they move will assist the Indian government in increasing its service tax collection from INR97,000 crore (INR970 billion) to INR1.24 lakh crore (INR1.24 trillion) during 2012-2013.

Ambitious Godrej sniffs growth opportunity in air fresheners

Godrej Consumer Products Ltd (GCPL) on Monday (July 9) announced its entry into the fast-growing air freshener category with an aim to woo the urbane Indian consumer who has hitherto used traditional products such as incense sticks (agarbattis). The introduction of fragrance products under its new brand "aer" comes after 2009, when GCPL sold its Ambipur brand to Procter&Gamble.

While globally the air fragrance market is estimated at around $7.5 billion (R42,000 crore) the same in India is a mere R1,200 crore. "Even the Indonesian market is thrice the size of India at present," said Godrej.
But all that seems to be changing, because of new Indian lifestyle fuelled by increased urbanisation, which has already led to a demand surge for air fragrance products. The Indian market is growing at a robust pace of 20% year-on-year and the company plans to grab around 7% of the market over the next 12 months, said Godrej, adding, the company plans to export its products under the "aer" brand to Nepal, Sri Lanka and West Asia.

WE'RE ON THE WEB !
WWW.NICCI.ORG

NEPAL-INDIA CHAMBER OF COMMERCE & INDUSTRY

GPO Box 13245
Ace Apartments,
Narayanchaur, Naxal
Kathmandu, Nepal.

Phone: 977-1-4444607
Fax: 977-1-4444608
Email: secretariat@nicci.org

Greece tackles EU-IMF auditors on bailout

New Greek Prime Minister Antonis Samaras began talks with EU-IMF auditors on Thursday, last week hoping to renegotiate Greece's second bailout, as the country's international creditors show signs of impatience.

Samaras, who was sidelined for two weeks after eye surgery, heads a three-party coalition which has promised to halt further austerity measures agreed in return for 130 billion euros ($162 billion) in rescue loans.

Crisis-hit Athens is being kept alive by funds from a 130-billion-euro ($164 billion) lifeline but Samaras and his allies want to renegotiate the agreement to avoid further job losses and put more emphasis on growth rather than austerity. "This is an introductory round of contacts. The negotiation will take place later," a finance ministry source told AFP.

The Greek economy is in its fifth year of recession and officials warn that it could contract by 6.7 percent in 2012, much worse than an earlier forecast of 4.5 percent.

The government is expected to promise creditors that it will redouble privatisation efforts to show that it remains on a recovery path that will enable it to rejoin the world economy.

Euro finance ministers agree bailout for Spain's banks, 30 billion euros agreed for this month

Euro area finance ministers agreed early Tuesday on the terms of a bailout for Spain's troubled banks, saying that (EURO)30 billion ($36.88 billion) can be ready by the end of this month.

The finance ministers for the 17 countries that use the euro as their official currency will return to Brussels on July 20 to finalize the agreement, having first obtained the approval of their governments or parliaments, eurozone chief Jean-Claude Juncker said.

As part of the agreement with Spain, finance ministers from all 27 European Union countries are expected Tuesday to approve a one-year extension, until 2014, of Spain's deadline for achieving a budget deficit of 3 percent.

"We have a tentative deal on the bailout conditions for a bailout of Spanish banks," De Jager said. "The total will likely be 100 billion euros. Some countries like the Netherlands, Germany and Finland need to get parliamentary approval. We hope this can be wrapped up within a week."

The exact amount of the bailout will likely not be known until September, when individual examinations of different Spanish banks have been completed.

De Jager said Madrid's partners agree that "financial sector reforms in Spain must be ruthlessly implemented. These reforms include, notably, a cap on salaries of bank executives and a ban on bonuses."

However, he said a system of EU-wide banking supervision still needs to be worked out.

"There are still differences over this," he said. "The details will be worked out by the end of the year."

"The first thing to be created will be the supervision," Draghi told a committee of the European Parliament. "We are talking about the long-term sustainability of the European monetary union. We are going as fast as we can. It is better to do things right than in a hurried fashion. We certainly want to see this thing wrapped up by the end of the year," he said, referring to banking oversight.

"By the end of this year we will have something that is not perfect, but achievable."

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