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Non-Tariff Barriers obstruct intra regional trade

Non-tariff barriers (NTBs) have choked intra-regional trade as according to a study, elimination of tariffs in South Asia could help double intra-regional trade.

“The study conducted by CUTS International suggests that complete elimination of tariff under SAFTA may increase intra-regional trade by 1.6 times,” said former commerce secretary and trade expert Purushottam Ojha, speaking at an interaction on ‘Non-tariff barriers in South Asia and its remedy,’ organised by South Asia Watch on Trade, Economics and Environment (SAWTEE), here in the valley.

“Reduction in transport costs and other trade facilitation measures would entail welfare gain to consumers on account of import value for SAARC member countries like Nepal, India, Pakistan, Bangladesh and Sri Lanka,” he said, adding non-tariff barriers are relatively non-transparent and unpredictable in relation to tariff barriers and measuring its effect on trade is difficult.

Though South Asian nations have been gradually reducing tariffs under SAFTA, non-tariff barriers have become a major problem in increasing intra-regional trade.

Citing the example of bureaucratic hassles in export of Nepali herbs from Jumla and Humla in one of the nearest state of neighbouring country he further said- “Bureaucratic hurdles at customs points, delay and mal-intention of customs officials, and lack of infrastructure are some of the non-tariff barriers that have increased the cost of trade of Nepal with regional members,” said Ojha,

“Likewise, domestic pharmaceutical players are unable to complete the arduous and time taking process for exporting products to South Asian Countries.” Nepal should strengthen national laboratories and human resources skills for accreditation of such laboratories, Ojha suggested.

“Trade facilitation measures should be applied along with the concept of creating a regional transit transport network — which has been in talks since long but not materialised — within the region, and is key to regional integration.”

Among the regional blocks in the world, the South Asian region is the least integrated, according to SAARC Chambers of Commerce and Industry vice president Pradeep Kumar Shrestha. Free flow of goods and people will help

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regional integration, Shrestha said, adding that the next generation could live in a developed South Asia, if the current generation works hard and plants the seeds of economic integration and development.

Likewise, addressing the interaction, joint secretary at the ministry of commerce and supplies Jeebraj Koirala said that increasing non-tariff barriers, which are also against multilaterism, has hurt a country like Nepal that has a small basket of exportable products. "Non-tariff barriers are against the World Trade Organisation norms," he said, adding that the number of non-tariff barriers have increased four times to 1,500 in 2012 from 1995, according to a global trade regime report.

Executive chairman of SAWTEE Dr Posh Raj Pandey said that the sooner the South Asian nations act in reducing non-tariff barriers the more will intra-regional trade increase.

NRB to draw line between bankers and businessmen in three years: Governor

Nepal Rastra Bank (NRB), the banking sector regulator, is framing a policy to draw a clear line between bankers and businessmen. NRB Governor Yubaraj Khatiwada said on Saturday the central bank will take measures to ensure the separation of bankers and businessmen within the next three years. Stating that several anomalies have appeared in the banking sector due to businessmen promoting banks, the governor said the central bank will discourage businessmen's involvement in the sector by taking steps such as barring them from taking loans for companies in which they have a majority stake.

Since his appointment as the central bank governor, Khatiwada has been vocal against the existing practice of entrepreneurs running banks as well as other businesses -a practice which has prevented banks and financial institutions from upholding good governance.

The NRB has already barred directors, chief executives and managerial-level officers of banks and financial institutions (BFIs) from taking any types of loans on 'personal capacity' except for education, hire purchase, home loans and loans for household purposes.

He said the practice of same person running banks and other businesses has flourished due to haphazard issuance of operating licenses to banks and financial institutions (BFIs). "We will formulate a policy that will bar issuance of banking licenses to those who are involved in other businesses in coming days. Businesspeople cannot run banks," added Khatiwada.

"The separation may not be possible in the next year. It will take at least the next three years," Khatiwada said, addressing a programme to mark the central bank's 58th anniversary here. He also said the NRB would not issue new licenses for BFIs promoted by businessmen. Currently, central bank has imposed a moratorium on new banking licence.

NRB officials say the involvement of businessmen in banks as directors has promoted insider lending, increased the tendency of borrowing loans from each others' banks in collusion and sometimes preventing the extension loans to businessmen challenging the interest of directors concerned. During the 'National Directors Conference' on April 19, Khatiwada had advised bank directors "either to become a banker or a businessman", saying their dual role has been "self-contradictory"

'Banks can counter high shocks'

The central bank has claimed that banks have sound financial health. "The stress test results of commercial banks as of mid-July 2012 on credit, liquidity and market shocks revealed their ability to withstand high shocks," according to Nepal Rastra Bank's Financial Stability Report.

Among the 32 existing commercial banks, a standard credit shock would push capital below the regulatory minimum in 22 banks, and two commercial banks would be under-capitalised, it said, adding sustained deposit withdrawals over five consecutive days would render five banks illiquid, and liquidity ratios of 17 banks would fall below 20 per cent in the event of sudden large withdrawals by institutional depositors. "Given the amount and nature of exposure, commercial banks are relatively less vulnerable to market shock."

While the resilience of the commercial banks to credit and market shocks have improved over time, the liquidity scenario analysis shows some potential risk, it added, though the soundness of financial institutions was maintained with adequate capital, liquidity and profitability buffers and improvement in asset quality.

The banking sector is adequately capitalised with the overall industry average capital ratio of 18.2 per cent. The Capital Adequacy Ratio of class 'A', 'B' and 'C' institutions stood at 11.5 per cent, 20.5 per cent and 23.1 per cent, respectively, in mid-July 2012, which is well above the minimum regulatory requirement.

Likewise, the asset quality of commercial banks has shown some signs of improvement with the reduction of non-performing loan (NPL) ratio from 3.2 per cent in mid-July 2011 to 2.6 per cent in mid-July 2012. The average NPL ratio of banks and financial institutions stood at 6.1 per cent with finance companies having the highest ratio of 10.7 per cent followed by development banks with 4.9 per cent, according to the report.

Tenants of industrial estates protest rent hike

Tenants of the country´s 11 industrial estates have launched series of protest programs against the government´s unilateral decision to increase rent of land and buildings inside the industrial estates. IEML revised rent for spaces and buildings inside industrial estates effective from mid-April.

The businessmen operating factories inside industrial estates went on warpath after Industrial Estate Management Limited (IEML) - the authority overseeing the management of industrial estates - increased the rent going against the agreement that it reached with Federation of Industries in Nepal Industrial Estates (FINIE) in January. FINIE is the umbrella organization of more than 600 factories operating inside industrial estates.

"We announced the protest after IEML went against the agreement," Shailendra Lal Pradhan, president of FINIE, said. "We want IEML to stick to the agreement." Issuing a press release, FINIE has issued ultimatum to IEML to correct its decisions by Sunday. "We have asked the government to implement the understanding reached between FINIE and IEML in January," Pradhan said. "If the government didn´t address our demands, we will launch protest programs from May 6."

According to the release, the FINIE has devised protest programs like submitting a memorandum to Minister for Industry and Secretary at the Ministry of Industry, urging all the political parties for their solidarity, and stop paying rent to IEML.

Meanwhile, Devendra Kumar Yadav, chairman of IEML, said the state-owned agency has not gone against the spirit of the agreement. "We have revised the rate as per the understanding reached with the tenants," he added.

Private sector has made investment of more than Rs 13 billion in industrial estates. Factories in the industrial estates employ around 25,000 people, according to the release.

Agriculture Development Strategy -Govt rejects demand for ban on FDI in farm

The government has turned down farmers' demand for ban on foreign direct investment (FDI) in the farm sector and on the import of genetically-modified (GM) crops, in the upcoming Agriculture Development Strategy (ADS).The government has also refused to form a Peasants' Court, stating it was a matter of legislation and that the ADS draft cannot incorporate it.

The ADS document — a 20-year vision and a 10-year planning horizon for the country's farm sector — is being prepared with the technical support of the Asian Development Bank (ADB).

Dissatisfied with some of the components of the ADS, the National Peasants' Coalition — a loose group of seven farmers groups — had put forth a 22-point demand to be incorporated in the ADS, which is scheduled to be finalized by June 28. The coalition has representations from three major political parties. The groups were then invited by the Ministry of Agriculture Development (MoAD) for talks, in which both sides agreed on 10 of the 22 demands. Farmers' representatives said apart from the three key demands, the government agreed to address almost all of their demands.

"As the ministry has assured to address a majority of our demands, we also agreed to conduct an extensive discussion on those key issues which we failed to plead the government officials," said Prem Dangal, secretary general of the All Nepal Peasants' Federation.

Government officials said the demand to ban FDI in the farm sector could not be addressed at a time when the country is in need of foreign investment. "We have been preparing the ADS in line with the existing Foreign Investment and Technology Transfer Act and that it cannot ban FDI under the provision," said a senior MoAD official.

On the demand for a blanket ban on GM crops, an understanding has been reached to conduct an extensive discussion with experts. "As Nepal's Seed Act stipulates mandatory registration of import and requires multi-location trials for all hybrids, it is not necessary to impose a blanket ban on its import at present," said a ministry official, adding the issue has been planned to be discussed with experts in the near future."However, an important agreement reached between the government and the group was setting of the minimum support price for staple crops which will be included in the ADS," Dangal said. The government has been struggling to announce the support price for farm produce although it was announced a year ago.

Other issues agreed by the government include formation of National Farmers Commission, which will be a high-level permanent body. Various programmes and activities to ensure farmers rights and addressing food sovereignty were other agendas pledged by the government. The group has also demanded that access and control of natural resources by farmers and allocation of sufficient budget in the farm sector. "The farm budget envisaged by the ADS is still not sufficient to address the sector's problems and we have urged for its revision," said Dangal.

The review of the seed vision, promoting rainwater harvesting and promoting sustainable agriculture instead of green farmers were other agendas agreed by both sides. The ministry will recommend the agreed demands to the TA team to incorporate it in the ADS. "We will verify all our agendas whether they can be incorporated in the draft before it is finalized," Dangal added.

WB assistance in agriculture, climate change projects

The government and World Bank on Tuesday signed an agreement for total assistance of US$ 77.6 million to implement two projects -- Nepal Agriculture and Food Security Project (NAFSP) and Building Resilience to Climate-Related Hazards (BRCH).

According to a press release issued on Tuesday, Finance Secretary Shanta Raj Subedi and Tahseen Sayed, country manager for World Bank, signed the agreement. NAFSP, which targets to support poorest and vulnerable people from the mid and far-western region, covers $ 46.6 million.

"The project is designed to improve food and nutrition security as well as livelihood opportunities," reads the release.

Similarly, remaining $31 million goes to BRCH project that aims to transition Nepal´s hydro-meteorological services into a modern service-oriented system that will build resilience today as well as adaptive capacity for the future. "It intends to enhance government capacity to mitigate climate related hazards by improving the accuracy and timeliness of weather and flood forecasts for disaster preparedness by the general population and warnings for climate-vulnerable communities," said the release.

Recognizing the high levels of exposure to climate change risks, the Climate Investment Funds (CIF) selected Nepal as one of nine pilot countries for the Pilot Program for Climate Resilience (PPCR) in 2009. The World Bank is an implementing agency of CIF.

10 imports accounted for 38pc of customs revenue

Ten imports accounted for 37.70 percent of the customs revenue during the first nine months of the fiscal year. The top revenue generators were motorcycles, cars, bus and truck chassis, diesel, LPG, MS billet, betel nuts, cement, petrol and coal, in that order. According to the Department of Customs, these products contributed Rs 37.71 billion out of the total collection of Rs 98.83 billion in value added tax (VAT), excise duty and customs duty.

Motorcycles generated the highest amount of revenue for the government by way of import taxes amounting to Rs 7.88 billion. Jeeps, cars and vans stood second while high-speed diesel and petrol stood third and fourth respectively in terms of revenue contribution. LPG is the fifth largest contributor to customs revenue.

The growth in revenue collection from the automobile sector is due to the surge in vehicle imports. According to the Department of Transport Management, vehicle registration increased by 24 percent in the first nine months of the current fiscal year.

Automobile traders attributed the growth in vehicle imports to a decline in the bank interest rate on auto loans, opening of rural tracks. According to them, the interest rate has come down to around 12 percent from 18 percent.

“There was a massive growth in the import of Indian vehicles in the price range of Rs 2 million to Rs 2.5 million. However, imports of vehicles in the luxury segment, especially from third countries, declined during the period” ,” said Saurav Jyoti, president of the Nepal Automobile Dealers’ Association (NADA).

Meanwhile, the highest growth in terms of revenue contribution was recorded by betel nuts with a whopping jump of 122.3 percent. Taxes on the import of betel nuts amounted to Rs 375 million during the review period. Director general of the Customs Department Mukti Narayan Poudel said that despite the department’s move to discourage imports of betel nuts, shipments continued to soar. “We have increased the valuation rate for betel nuts by 100 percent to discourage reexport” he added.

On the other hand, there has been severe decline in the revenue contribution from other ten items including, iron, crude palm oil, cigarette, colour TV and garlic, among others.

No wealth tax on farm land, no roll back of duty hike on SUVs: P Chidambaram, FM, India

Finance Minister on India P Chidambaram on Tuesday ruled out levying wealth tax on agriculture land and roll back of the duty hike on SUVs but relaxed residency norms for investors from countries like Mauritius for the purpose of tax benefit.

In order to attract investment for long-term infrastructure bonds, he said the interest payments on investments in government bonds and corporate debts will attract 5 per cent tax as against 20 per cent.

In a short speech while moving the Finance Bill for passage in the Lok Sabha, Chidambaram ruled out withdrawal of the proposal to introduce Commodities Transaction Tax (CTT) saying that with the new levy commodities derivative trading would no longer be considered as Fa speculative transaction.

With the government and the opposition having reached a limited understanding, the House passed the Finance Bill, demands for grants of all the ministries after applying the guillotine and the Railway Budget without any discussion.

With apprehensions raised by farmers, especially those in Punjab and Haryana, and capitalised by Congress' opponents, the Finance Minister took the first opportunity to clarify that there was no intention of levying Wealth Tax on agriculture land.

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Unilever offers to pay $5.4 billion to raise stake in Hindustan Unilever to 75 per cent

Anglo-Dutch company Unilever has offered to pay $5.4 billion (over Rs 29,000 crore) to increase its stake in Hindustan Unilever to 75%, the largest acquisition deal in India's consumer goods sector. The maker of Rin detergent, Lux soap and Knorr soups said the deal was driven by its desire for a bigger pie of HUL's dividend outflow, and it had no intention of delisting its Indian unit.

"Unilever has no intention to delist the Indian unit," said Lucila Zambrano, a spokeswoman for Unilever, replying to ET's queries. "Indeed, the purpose of the offer is partly to increase Unilever's share of the HUL dividend flow," she said.

The parent company plans to buy over 487 million HUL shares at Rs 600 each in a public offer, to raise its holding to 75% from 52.48% at present. The offer represents a 20.6% premium over Monday's closing share price and a 26% premium to the one-month average price.

The acquisition is Unilever's biggest since its 2000 purchase of Best Foods for $23 billion and is the largest offer announced in the history of Indian capital markets. It becomes the second multinational to spend big money to hike its stake in its Indian unit after GlaxoSmithKline spent over $1 billion (Rs 5,222 crore) in February this year to raise its stake to over 70% from 43%, marking a break in a narrative of doom and gloom about the Indian economy. ET Bureau—Mumbai

Indian LPG consumers to get the subsidy directly in bank accounts from October 1, 2013

The government of India plans to provide subsidy to 14 crore LPG subscribers directly in their bank accounts from October 1, using the *Aadhaar* payment platform. The government, official sources said, has decided to launch "Direct Benefit Transfer (DBT) for LPG throughout India tentatively from October 1".

"This (transfer of LPG subsidy) would require a much larger number of beneficiaries to be covered for opening of bank accounts and linked to *Aadhaar* and banks have been asked to get ready for the launch," said one official.

A consumer will have to get his or her bank account seeded with *Aadhaar* number for getting the LPG subsidy. The annual subsidy per consumer is estimated at Rs. 4000. The supply of subsidised LPG cylinder has been capped at 9 cylinders per year for a consumer.

While about 32 crore *Aadhaar* cards have been issued by UIDAI, only 80 lakh bank accounts have linked to the unique identity numbers so far.

Under a pilot project for LPG subsidy transfer, 20 districts in India will be covered by May 15.

While the exact procedure to transfer the subsidy is being worked out, sources said subscribers will have to buy the LPG bottle at prevailing market price (currently IRs. 901.50 per 14.2-kg cylinder in Delhi) and subsequently the subsidy amount will be transfered to the bank account.

The finance ministry has asked the public sector banks to speed up the process of linking accounts with Aadhaar.

The government expects that the DBT will eliminate all ghost LPG connections and diversion of cylinders.

Under the DBT scheme, subsidies and other benefits are transfered directly into the *Aadhaar* linked bank account of the beneficiary. PTI New Delhi

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