

# NICCI e-Newsflash

## In this Issue

Trade deficit again to exceed budget **1**

Issue of car carriers to be settled at IGSC meeting **4**

Restriction on third country exports not originating in Nepal lifted **5**

Nepal-India cross-border petroleum pipeline **5**

## Beautiful Nepal



Annapurna IV (7525m), Annapurna II (7939m), Lamjung Himal (6905m) - Left to Right

## Trade deficit again to exceed budget

Despite repeated claims being made by successive governments to promote exports, the excessively import-based economy is going to record a trade deficit that is more than the budget again, for the current fiscal year. Earlier, in fiscal years 2009-10 and 2011-12 also, trade deficit had exceeded the total budget outlay of the country.

Merchandise exports went up by only four per cent to Rs 63.33 billion in the first 10 months of the current fiscal year 2012-13, compared to an increase of 16.4 per cent to Rs 60.90 billion in the same period of last fiscal year, according to the central bank's data that has revealed that the country has imported Rs 458.56 worth merchandise — a 19.7 per cent increase compared to an increase of 19.2 per cent to Rs 383.01 billion in the same period of last fiscal year 2011-12.

“Imports from India increased primarily owing to an increase in imports of petroleum products, vehicles and spare parts, cement, rice and other machinery and parts, among others,” the NRB report says. Likewise, imports from other countries increased due to increase in

### In 10 months

Total Imports	Rs 458.56 bln
Import from India	Rs 302.43 bln
Total Export	Rs 63.33 bln
Export to India	Rs 41.92 bln
Total Trade Deficit	Rs 395.23 bln
Trade Deficit with India	Rs 260.50 bln
Total Remittance	Rs 371.66 bln
Petroleum Imports (Total)	Rs 90.45 bln

### Daily

- Daily trade deficit stands at Rs 1.32b
- Daily remittance Rs 1.13 billion on average in the first 10 months (except pension)
- Daily petroleum products import stands at Rs 30 crore.

**Import substitution a failure, export promotion still a pipe dream**

flow of silver, readymade garments, pipe and pipe fittings, telecommunication equipment parts, shoes and sandals, among others.

During the review period, the overall balance of payments (BoP) recorded a surplus of Rs 38.59 billion, down from a surplus of Rs 102.64 billion recorded in the same period last year. Similarly, the current account surplus shrunk to Rs 28.99 billion in the review period from Rs 44.75 billion recorded in the corresponding period last year.

“Trade deficit surged by 22.7 per cent to Rs 395.23 billion, as compared to an increase of 19.7 per cent in the same period of the last fiscal year.”

The trade deficit that is widening is looking to exceed the total budget — that is Rs 404.85 billion — of the country by the end of the current fiscal year as in the remaining two months by mid-July, the country's trade deficit is going to record over Rs 405 billion on weak export promotion and import substitution, a buzzword much loved by the political leadership, economists and bureaucrats in recent years.

*Continued on page 2 to 4*

## Trade deficit to again exceed .....

This year, in the 10 months, average total monthly imports stood at Rs. 45.86 billion, average monthly total exports Rs 6.33 billion, average monthly imports remaining 7.25 times more than exports. Similarly, average monthly imports in 10 months from India stood at Rs. 30.24 billion, average monthly exports to India Rs 4.19 billion, average monthly imports remaining 7.21 times more than exports.

Nepal received Rs 1.13 billion daily remittance on average in the first 10 months of the current fiscal year, according to the macroeconomic data of Nepal Rastra Bank (NRB), which comes to Rs 1.23 billion in average including pension. Likewise, according to the Central Bureau of Statistics (CBS)'s projection for fiscal year 2012-13, the country's average daily GDP amounts to Rs 4.6 billion. Thus, Nepal's receipt of daily remittance income is equivalent to one-fourth of the average daily gross domestic product (GDP) of the nation.

Likewise, average monthly total remittance was Rs 37.17 billion where as average total consumption of petroleum products remained at Rs 9.05 billion in the last 10 months.

### Top-ten Imports from India

<i>Petroleum Products</i>	<i>88.55 bln</i>
<i>Vehicles &amp; Spare Parts</i>	<i>22.21 bln</i>
<i>M.S. Billet</i>	<i>17.62 bln</i>
<i>Medicine</i>	<i>10.87 bln</i>
<i>Other Machinery &amp; Parts</i>	<i>9.85 bln</i>
<i>Cement</i>	<i>7.96 bln</i>
<i>Rice</i>	<i>7.16 bln</i>
<i>Coal</i>	<i>6.37 bln</i>
<i>Agri. Equip.&amp; Parts</i>	<i>6.20 bln</i>
<i>Chemical Fertilizer</i>	<i>6.09 bln</i>

### Top-ten Exports to India

<i>Textiles*</i>	<i>4.62 bln</i>
<i>Zinc Sheet</i>	<i>4.15 bln</i>
<i>Polyster Yarn</i>	<i>3.93 bln</i>
<i>Jute Goods</i>	<i>3.50 bln</i>
<i>G.I. pipe</i>	<i>3.09 bln</i>
<i>Juice</i>	<i>3.05 bln</i>
<i>Cardamom</i>	<i>3.02 bln</i>
<i>Wire</i>	<i>2.28 bln</i>
<i>Shoes and Sandles</i>	<i>1.41 bln</i>
<i>Ginger</i>	<i>1.06 bln</i>

Despite Nepal being an agriculture country, and one-third of the population involved in the sector, the country imported rice worth Rs 7.16 billion in the first 10 months of the current fiscal year against rice worth Rs 2.85 billion in the same period of the last fiscal year from India, failing to substitute rice imports.

Likewise, the country imported vegetables worth Rs 3.84 billion and fruits worth Rs 1.13 billion from India by mid-May, compared to Rs 2.23 billion and Rs 697.3 million, respectively, in the same period of the last fiscal year, the central bank data revealed.

It added that cement import — that could also be substituted by increasing domestic cement production — also stood at Rs 7.96 billion, whereas Rs 46.80 million worth tea was imported in the 10 months from India.

Likewise, “the country imported gold worth Rs 21.23 billion and silver worth Rs eight billion from third countries,” the data revealed.

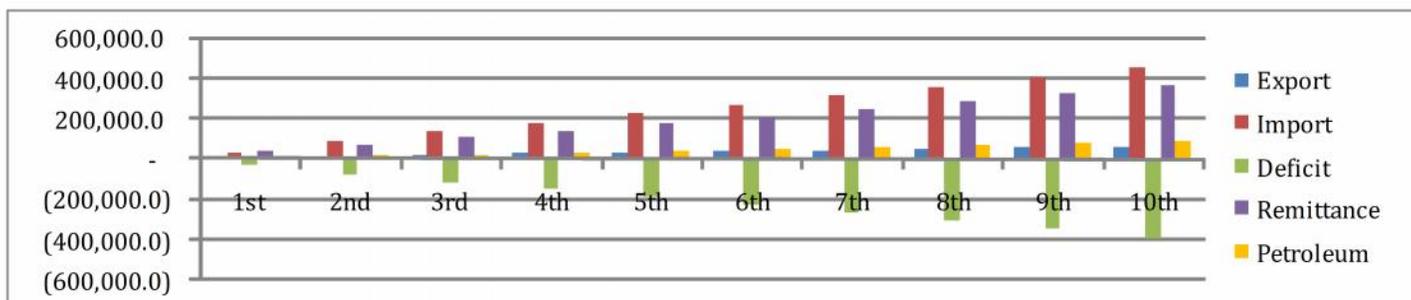
Import substitution of only rice, fruits, vegetables, tea and cement could save the country over Rs 22 billion, bridging the widening trade deficit.

### Nepal's Trade with India in the last 10 months in FY 2012-13

(Rs in million)

#### Cumulative Figures

Month	Export to India	Import from India	Trade Deficit	Overall Remittance*	Petroleum Imports from India	Import without Petroleum
July-Aug	4,154.8	28,736.0	(24,581.2)	37,337.8	8,376.2	20,359.8
Aug-Sep	8,007.0	57,172.7	(49,165.7)	71,817.1	15,283.6	41,889.1
Sep-Oct	12,265.2	86,921.1	(74,655.9)	106,660.5	23,702.7	63,218.4
Oct-Nov	16,062.8	113,754.8	(97,692.0)	139,211.2	31,962.5	81,792.4
Nov-Dec	20,617.7	144,487.6	(123,869.9)	177,400.1	40,780.3	103,707.3
Dec-Jan	24,981.6	175,531.1	(150,549.5)	214,630.5	49,489.2	126,041.9
Jan-Feb	28,935.8	207,635.5	(178,699.7)	245,439.8	59,475.6	148,160.0
Feb-Mar	33,254.2	237,643.9	(204,389.7)	287,883.5	68,079.7	169,564.2
Mar-Apr	37,580.7	270,221.3	(232,640.6)	328,443.8	78,612.8	191,608.5
Apr-May	41,923.3	302,426.4	(260,503.1)	371,657.1	88,547.4	213,879.0

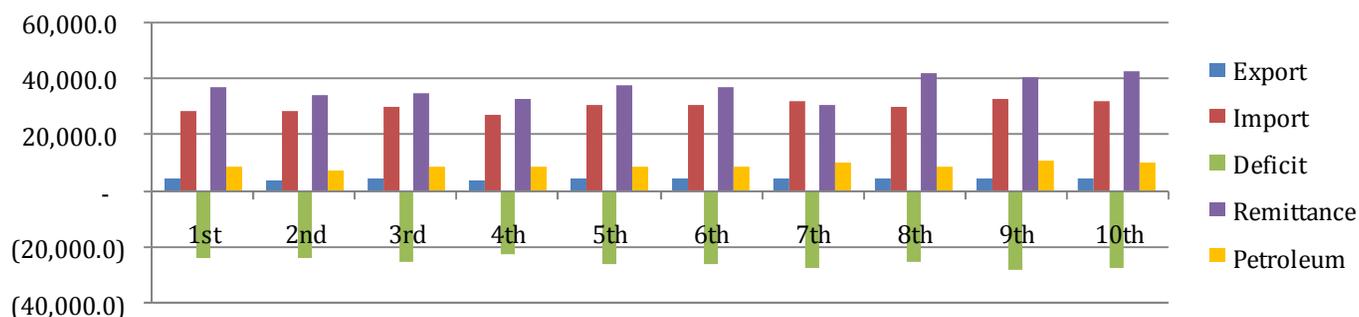


## Nepal's Trade with India in the last 10 months in FY 2012-13

(Rs in million)

## Monthly Individual Figures

Month	Export to India	Import from India	Trade Deficit	Overall Remittance*	Petroleum imports from India	Import without Petroleum
July-Aug	4,154.8	28,736.0	(24,581.2)	37,337.8	8,376.2	20,359.8
Aug-Sep	3,852.2	28,436.7	(24,584.5)	34,479.3	6,907.4	21,529.3
Sep-Oct	4,258.2	29,748.4	(25,490.2)	34,843.4	8,419.1	21,329.3
Oct-Nov	3,797.6	26,833.7	(23,036.1)	32,550.7	8,259.7	18,574.0
Nov-Dec	4,554.9	30,732.8	(26,177.9)	38,188.9	8,817.8	21,914.9
Dec-Jan	4,363.9	31,043.5	(26,679.6)	37,230.4	8,708.9	22,334.6
Jan-Feb	3,954.2	32,104.4	(28,150.2)	30,809.3	9,986.3	22,118.1
Feb-Mar	4,318.4	30,008.4	(25,690.0)	42,443.7	8,604.2	21,404.2
Mar-Apr	4,326.5	32,577.4	(28,250.9)	40,560.3	10,533.1	22,044.3
Apr-May	4,342.6	32,205.1	(27,862.5)	43,213.3	9,934.6	22,270.5

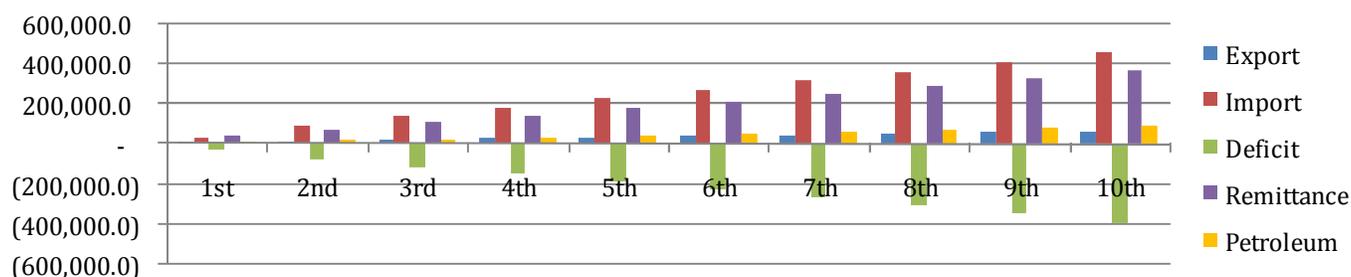


## Nepal's Total Foreign Trade in the last 10 months in FY 2012-13

(Rs in million)

## Cumulative Figures

Month	Total Export	Total Import	Total Trade Deficit	Overall Remittance*	Total Petroleum imports	Import without Petroleum
July-Aug	7,199.9	32,695.6	(25,495.7)	37,337.8	8,615.60	24,080.0
Aug-Sep	13,966.7	90,648.1	(76,681.4)	71,817.1	15,642.40	75,005.7
Sep-Oct	20,732.4	136,479.5	(115,747.1)	106,660.5	24,177.78	112,301.7
Oct-Nov	26,463.0	178,838.3	(152,375.3)	139,211.2	32,578.07	146,260.2
Nov-Dec	32,875.6	225,392.3	(192,516.7)	177,400.1	41,641.40	183,750.9
Dec-Jan	39,245.8	271,348.5	(232,102.7)	214,630.5	50,497.32	220,851.2
Jan-Feb	44,983.6	316,205.2	(271,221.6)	245,439.8	60,586.74	255,618.4
Feb-Mar	51,007.8	360,562.7	(309,554.9)	287,883.5	69,446.43	291,116.3
Mar-Apr	57,158.9	408,830.1	(351,671.2)	328,443.8	80,282.95	328,547.1
Apr-May	63,332.9	458,559.6	(395,226.7)	371,657.1	90,453.89	368,105.7



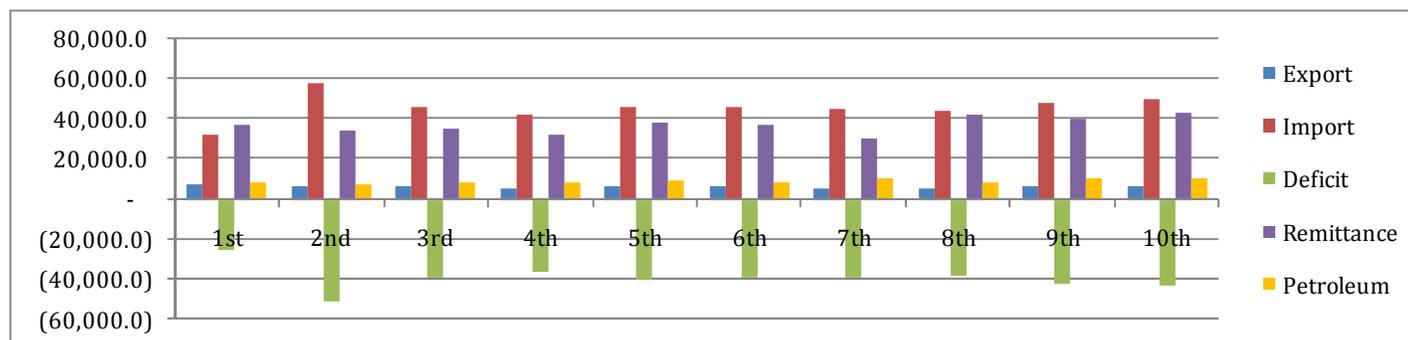
## Nepal's Total Foreign Trade in the last 10 months in FY 2012-13

(Rs in million)

Monthly Individual Figures						
Month	Total Export	Total Import	Total Trade Deficit	Overall Remittance*	Total Petroleum imports	Import without Petroleum
July-Aug	7,199.9	32,695.6	(25,495.7)	37,337.8	8615.6	24,080.0
Aug-Sep	6,766.8	57,952.5	(51,185.7)	34,479.3	7026.8	50,925.7
Sep-Oct	6,765.7	45,831.4	(39,065.7)	34,843.4	8535.4	37,296.0
Oct-Nov	5,730.6	42,358.8	(36,628.2)	32,550.7	8400.3	33,958.5
Nov-Dec	6,412.6	46,554.0	(40,141.4)	38,188.9	9063.3	37,490.7
Dec-Jan	6,370.2	45,956.2	(39,586.0)	37,230.4	8855.9	37,100.3
Jan-Feb	5,737.8	44,856.7	(39,118.9)	30,809.3	10089.4	34,767.3
Feb-Mar	6,024.2	44,357.5	(38,333.3)	42,443.7	8859.7	35,497.8
Mar-Apr	6,151.1	48,267.4	(42,116.3)	40,560.3	10836.5	37,430.9
Apr-May	6,174.0	49,729.5	(43,555.5)	43,213.3	10170.9	39,558.6

Source: NRB,

\* Remittance including pension.



## Issue of car carriers to be settled at IGSC meeting

With the government of India asking Nepali importers to transport vehicles imported from third countries in car carriers, the government is all set to seek a permanent solution to the problem at the upcoming Nepal-India Inter-Governmental Sub-Committee (IGSC) meeting.

India's recent notification to Nepali importers of autos from third countries (other than India) to deliver vehicles either by using rail wagon or container had resulted in more than 200 Nepal-bound vehicles piling up at Kolkata port for more one and a half months. International brands like Toyota, Skoda, Mazda, Ford, Kia, Nissan, Mitsubishi, Hyundai and Chevrolet, among others, had been stranded at the port since April 23 causing massive losses to Nepali motor dealers.

Normally, vehicles imported from third countries arrive at Kolkata port by ship and are driven to Nepal. After they clear customs at the border, they are again driven to their respective showrooms or godowns. However, the Indian government has released the vehicles stuck in Kolkata as per the earlier tradition. The government has seen urgency to resolve the issue permanently given that the southern neighbour is not feeling comfortable in continuing the existing tradition due to the security threat in their land.

Jib Raj Koirala, joint secretary at the Ministry of Commerce and Supplies (MoCS), said the ministry was now doing rigorous homework to hold the IGSC meeting at the earliest to resolve the issue permanently.

The joint secretary level meeting to be called every year was last held in New Delhi in the first week of March 2011. Responding to our eagerness, our Indian counterparts are also positive about holding the meeting soon," said Koirala.

MoCS officials said that the Indian authorities had halted the movement of Nepal-bound vehicles at Kolkata port as ferrying the vehicles under the system of "drive on its own power" is not an international practice and that Nepal's trade treaty with India has not given this special preference to Nepali importers.

"It is due to the grace of the Indian authorities that we are being allowed to drive the vehicles despite the fact that this provision has not been mentioned in the trade treaty between the two countries," said Mukti Narayan Poudel, director general at Department of Customs (DoC). "It is also our mistake that we did not consider the seriousness of the issue so far," the official added. "As per the international standard we should switch to the system of importing vehicles by using carriers.

Traders, however, have been demanding continuation of the traditional system claiming that using carriers to import vehicles would result in a 100 percent rise in costs. However, some of the sole authorized distributor third country vehicles in the country, said "The distance from Kolkata port to Birgunj is around 1,100 km, and the road is not so fine," he said. "After we go for the new system using carriers, we will be able to preserve the quality of the vehicles which will ultimately benefit the customers."



**Nepal-India  
Chamber of Commerce & Industry**

*Dissemination  
Marshal Rathour*

*Concept/Text / Research / Analysis/  
Design /Edit  
K M Singh*

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

*Phone: 977-1-4444607  
Fax: 977-1-4444608  
Email: [secretariat@nicci.org](mailto:secretariat@nicci.org)*

*We're on web! [www.nicci.org](http://www.nicci.org)*

## Restriction on third country exports not originating in Nepal lifted

India has agreed to lift the restriction on movement of goods not originating from Nepal to third countries via Kolkata port. Citing the provisions of Nepal-India Transit Treaty, Indian officials had restricted export of some goods heading to overseas destinations via Kolkata port.

As per the Nepal-India Transit Treaty, Nepal can export only the products originating in the country to overseas markets via Kolkata port. "The Indian central government has lifted restriction on Nepal's third country exports from via Kolkata ports following our diplomatic efforts to resolve the problem," Chandra Ghimire, Nepalese Consul General in Kolkata, said on Tuesday.

Ghimire said India has lifted the restriction until the next Inter Governmental Committee (IGC) meeting of trade officials of both countries. The meeting is expected to amend the existing provisions in the treaty.

"This one-time exception is a just stop-gap measure to resolve the problem. We have to seek permanent solution by making amendment to the treaty after next bi-lateral trade meeting," said Ghimire.

After the Indian government lifted restriction, goods stuck in the Kolkata customs for the last couple of months were finally shipped to the overseas destinations. More than half a dozen varieties of goods, including those brought by foreign exhibitors who participated in an international trade fair held recently in Kathmandu, were stuck in the Kolkata customs after India imposed restriction.

## Nepal-India cross-border petroleum pipeline

Nepal Oil Corporation (NOC) has said it has initiated the process of land acquisition for the proposed Nepal-India cross-border petroleum pipeline. The corporation has proposed a 200 x 300 metre (118 Ropani) land plot on the southern side of the existing Amalekhgunj depot, according to the NOC. "The proposal has been sent to the National Planning Commission (NPC)," said NOC Acting Managing Director Suresh Kumar Agrawal.

A technical committee formed to make appropriate recommendations to the NPC — the main body looking after the much-delayed 41-km Amalekhgunj-Raxaul pipeline — has suggested using right alignment, or about 25 metre of the right side of the Birgunj-Amalekhgunj road.

The committee led by Agrawal had submitted its report to the NPC in March. However, the project failed to make headway after the NPC vice-chairman and members tendered their resignation. "With a new vice-chair in place at NPC, we have decided to meet soon for the project development," Agrawal said. The report, however, was criticised by the then NPC Vice-chairman Dipendra Bahadur Kshetry, stating it did not include any specific details that would help the government move ahead with the project development.

"We had recommended that the project be built under the Build

Operate Transfer (BOT) modality by the Indian Oil Corporation (IOC)," said Agrawal. "This way, the developer will transfer the project to the NOC after its pay-back period ends." According to the BOT modality, a company constructs and implements operation and maintenance of a project for a certain period before handing it over to a public entity.

Another option the committee had recommended is adopting a joint-venture modality between the NOC and IOC, which was also proposed in the past years, said Agrawal. "As Nepal has no expertise on petroleum pipeline, the first option will be better. Besides, the IOC will also train NOC technicians."

The government also plans to use Raxaul-Birgunj-Amlekhgunj track, which was earlier allocated to a railway corridor, for the pipeline project. The corridor has so far remained unused or encroached by human settlement. Nepal Railway owns more than 400 bighas of land in the corridor.

The project was first proposed by the IOC in 1995. On January 3, 2013, the Cabinet had agreed in principle to develop the project. Subsequently, the NPC formed a committee to look into a number of legal and technical complexities. The project has been estimated to cost Rs 1.6 billion, excluding the costs for land acquisition.

*We solicit suggestions/feedback from all members and readers for NICCI e -Newsflash at [secretariat@nicci.org](mailto:secretariat@nicci.org)*

### Disclaimer:

The e-Newsflash is a periodic electronic release of Nepal-India Chamber of Commerce & Industry, Kathmandu, Nepal to keep members and readers updated on national and international business news/economic activities and our activities.

The information contained in this e-Newsflash including text, graphics and links are provided on an "as-is" basis with no warranty. The information contained here has been obtained from sources believed to be reliable and responsible. Whilst we have made every effort to ensure the information and details in our e-Newsflash are correct, we do not accept any liability arising from the use of the same. The news and views expressed in this e-Newsflash are not necessarily those of NICCI and the entries displays are in no way a specific endorsement of companies, products or services.