

Breakthrough in Nepal's Peace Process: Maoist combatants come under NA security

Four years after the election to the Constituent Assembly, all cantonments of the Maoist People's Liberation Army (PLA) and their weapons and physical properties came under the control of the government from 11th April.



The government made a breakthrough in the peace process, and ultimately the Maoist combatants canted in different places came under Nepal Army following the decision of the Army Integration Special Committee (AISC), held in the presence of the top leaders of three major political parties, and decided to entrust Nepal Army (NA) with the responsibility to provide security to all 18 cantonments, including seven main ones and their satellite camps. Nepal Army is assigned responsibility to provide security to the combatants, weapons, containers and other physical properties of all cantonments and camps from April 11.

According to the Prime Minister's Office, Prime Minister Dr. Baburam Bhattarai called Chief of the Army Staff General Chhatra Man Singh Gurung and instructed him to take the responsibility of managing the security of the cantonments and combatants, including regrouping and rehabilitation of the combatants, leading to the current stage of the peace process.

Terming the decision as historical, top leaders of the lead political parties have commonly expressed that the decision has opened the gateway to peace process and, now, the constitution drafting process will pick momentum.

With this latest significant decision, business community are now excited and much more optimistic than earlier towards their business, further investment from within the country and abroad, speedy economy, once the constitution is drafted, and announced within latest stipulated and committed time frame.

The political parties in the Comprehensive Peace Agreement signed in 2006 had decided to conclude the army integration process within six months. However, after having uncountable number political meetings, inter-party/intra-party exercises and political wrangling over the period, long awaited safe landing of the national crisis and restoration of peace are being expected across the country and abroad.

ADB Report: Nepal to grow at 4.5pc this year

The Nepalese economy is likely to grow by 4.5 per cent in 2012 as contrary to 3.5 per cent growth of last year, according to Asian Development Outlook 2012 (ADO 2012) launched by the Asian Development Bank (ADB).

Faster growth of agriculture and services sector, strengthening remittance and rebounding tourism receipts and good weather contributed for the higher growth of Gross Domestic Products (GDP) in 2012 as compared to the previous year. The report has also projected to slow down the GDP growth to 4 per cent in 2013 under the current condition and average weather.

Nepal's economic growth rate has stagnated at below 5 percent level for almost a decade due to the Maoist-led armed insurgency and political wrangling in the post-insurgency period - except in 2007/08 when GDP grew by 5.8 percent. Since then, the growth rate has ticked 3.8 percent in 2008/09 and four percent in 2009/10 before

falling to 3.5 percent in the last fiscal year.

In the same year, growth rates of neighboring China and India also contracted, but stood at far higher level than Nepal's at 9.2 percent and 6.9 percent, respectively. This year, China's economic growth rate is expected to further moderate to 8.5 percent, while India's economy is projected to expand by seven percent.

(Contd.. Pg 2)

Inside this issue:

ADB Report: South Asia to see faster growth	2
Thai Airlines' facilities	2
India's Foreign trade policy likely next month:	3
Growing air links enhance encouraging Indian tourist	3
Chinese investors interested on mega projects, travel trade	3
Malaysia opens doors to more migrant workers	4
GAN asks government for free trade pact with US	4

Regarding inflation, the report has projected that it would be contained at 8 per cent in 2012 and will down to 7 per cent in 2013 in line with India's price structure. Similarly, trade deficit is expected to widen further with the import growth as compared to export.

Despite increasing trade deficit, balance of payment is expected to be offset by remittance growth and tourism receipts to maintain current account surplus.

The report also says Nepal needs to expand the tax

base, by bringing the informal sector in the formal tax base, to reduce dependence on foreign aid. Currently, foreign aid finances about three-fifths of the government's capital spending. Yet the government will need to work toward reducing subsidies, particularly to public enterprises, to preserve fiscal prudence.

But since the projections are based on assumptions that weather conditions will remain normal and peace process would conclude on time, factors such as amount of rain and political consensus on promulgating the constitution by May 27 could affect the growth rate.

ADB Report: South Asia to see faster growth

The growth of Gross Domestic Product (GDP) in the developing Asia is projected to be 6.9 per cent in 2012 and 7.3 per cent in 2013.

Weak global demand will weigh on developing Asia in 2012 but growth rates in most economies remain robust and should tick back up in 2013 with private consumption providing support, Asian Development Outlook 2012 (ADO 2012), the annual economic publication, published by Asian Development Bank said.

GDP expanded by 7.2 per cent in 2011 after growing 9.1 per cent in 2010, as the region rebounded strongly from the global financial crisis, the report that was released on 11th April said.

South Asia will also remain subdued with growth of 6.6 per cent in 2012, tempered by weak demand and fiscal limitations. The pace of expansion will accelerate to 7.1 per cent the following year, driven by the Indian economy, which is projected to rise to 7.5 per cent.

Southeast Asia will see growth quicken, with GDP expanding to 5.2 per cent in 2012 from just 4.6 per cent in 2011.

Similarly, the **East Asia** will see a deceleration in growth to 7.4 per cent this year from 8 per cent in 2011, weighed down by weaker exports and investments.

Central Asia will see little changes in economic activities for 2012, with projected growth of 6.1 per cent reflecting the weak

conditions in the Euro zone and sluggish growth in the Russian Federation.

Presenting the ADO report 2012, Kenichi Yokoyama, country director for ADB, said that the continued uncertainties in the Euro zone and a further slump in global trade posed the biggest threats to the growth outlook.

He, however, quoting the report, said that Asia's rapid growth is leaving millions behind, causing a widening gap between the rich and the poor that threatens to undermine the region's stability. Income divisions are rising noticeably in the region, where the richest 1 per cent of households account for 6 per cent to 8 per cent of total income. Close to 20 per cent of total income went to the wealthiest 5 per cent in most countries, the report stated.

"Inequality leads to a vicious circle, with unequal opportunities creating income disparities, that in turn lead to dramatic differences in future opportunities for families," he said.

Highly uneven distribution of new technology, infrastructure and investment is further fueling the divide, particularly between rural and urban areas, and coastal and inland provinces, he said. The report suggested that the governments should focus on policy options for reducing inequalities.

Thai Airlines' facilities

Thai Airways International (THAI) has offered promotional fares and various facilities to its passengers on the occasions of Nepalese New Year and Songkran Festival in Thailand and also to mark the 44th successful years of its operation in Nepal. Thai is flying in Nepal since 1968.

The airline has also announced increase of over 3,000 seats on domestic flights and very attractive fares to facilitate additional passengers traveling

during these special occasions and committed to providing the highest level of service to all customers making each journey a memorable one.

In a press conference Kathmandu last week, officials of the airways informed that it was THAI is offering free excess baggage for students, businessmen traveling to Australia and China respectably and free hotel service in Bangkok for destinations like Hong Kong. Besides, they have new check in time at the THAI counter from 9:30am -12:50 pm to avoid delay at immigration desk because of long queue.

The foreign trade policy, to be unveiled next month, will focus on addressing India's trade deficit, which ballooned to USD 185 billion in 2011-12, exerting pressure on India's current account deficit.

"The expectations are that 2012-13 would be difficult. But, there is a way of dealing with even difficult circumstances, so please leave that to be packaged, to be put together as part of the foreign trade policy (FTP) supplement that will be announced next month," Commerce Secretary of India Mr. Rahul Khullar has said.

India's imports grew by 38 per cent to USD 485 billion mainly due to high crude oil prices and gold and silver. Though exports too crossed USD 300 billion for the last financial year, a widening trade deficit is an area of concern for the policy makers.

Commerce and Industry Minister of India Mr. Anand Sharma has said "current account deficit (CAD) and trade deficit are a challenge". He has said that his ministry would devise a strategy in its upcoming foreign trade policy to regulate and address the growing trade gap.

India's CAD nearly doubled to \$19.6 billion or 4.3 per cent during the Oct-Dec quarter of 2011-12 fiscal. CAD includes deficit in external trade of goods, services besides net investment income.

On cotton exports, Mr. Khullar said that scrutinisation and revalidation of registration certificates, which was issued before the ban on exports was imposed on March 5, will be completed by 17th April. "By 17th April, all 19 lakh bales for which revalidation has been sought would have been issued. Ten lakh bales has already gone," he said.

Growing air links enhance encouraging Indian tourist arrivals

The number of Indian tourists visiting Nepal by air has been growing significantly over the years due to increasing air connectivity between Kathmandu and various cities of the southern neighbour.

A total of 16,234 Indian tourists came to Nepal by air alone in March this year as compared to 9,628 in the same month of 2011. This shows that the number of Indian visitors increased by 68.6 per cent last month in comparison to the same month last year.

In the first three months this year, altogether 37,543 Indians traveled to Nepal, while the number in the last year 2011 for the same period stood at 26,144.

The revised Air Services Agreement (ASA) signed in 2009 has attracted more Indian airlines to operate their flights to Kathmandu. Naturally, this has helped in increasing the movement of travelers between the two countries. As per the new ASA, the designated airlines of each of the countries are entitled to operate 30,000 seats per week to/from the specified points.

Arrivals from India, the largest tourist source market for Nepal, are expected to go up further in the days ahead, as Buddha Air, a leading private sector carrier of the country, has already penetrated into the vast Indian market from 1st March with four weekly Varanasi flights, and also in the process of resuming its services between Kathmandu and Lucknow, the Capital of Uttar Pradesh in India.

Chinese investors interested on mega projects, travel trade industry

A 15-member delegation of Chinese investors, comprising businessmen from different provinces of China, has approached Investment Board showing its interest to invest in Nepal in a range of areas from restaurant business to mega projects like hydroelectricity.

During discussions, the Chinese investors said they had own priority areas of investment. Besides big projects, they showed interest to invest in hotels, food productions, tea trading, cement factory, pharmaceutical industry and restaurants.

"The delegation from China is very much eager to invest in Nepal, they also explored the possibility of making investments in food production industries and exporting the products to India," said Radhesh Pant, CEO of the Investment Board. He added during his discussion with the team, the Chinese investors expressed interest to invest in Lumbini in order to de-

velop it as a major tourist destination.

According to officials, the delegation including Cheng Huihong, chairman of International Enterprise Management and Investment Association, Ji Kaiping, president of Beijing Kaiping Real Estate and Tourism Investment Group, Cui Hao, Board-in-Chief of Hong Kong Hua Xia Er NV Investment Group also met with Prime Minister Dr. Babu Ram Bhattarai on 11th April and discussed investment prospects in Nepal.

The Chinese delegates also expressed happiness on the recent political development. "They are very positive in terms of bringing investment in Nepal," said Pant.



Malaysia opens doors to more migrant workers

Malaysia has opened its doors to migrant workers from April 12 following the seven-month long ban on new job permits. Malaysia started the migrant worker legalisation and amnesty programme between September 1, 2011 to April 10, 2012.

According to Malaysian news agency Bernama, the country has opened job market with the end of 6P or Illegal Immigrant Comprehensive Settlement Programme. "From today (12th Apr), new workers will be permitted to work in Malaysia," the agency reported quoting Home Ministry secretary-general Tan Sri Mahmood Adam.

However, 6P programme will continue for those who have applied for legalisation before April 10. "All further applications for legalisation, change of employer's details, ID applications and other related applications will not be entertained, with the exception of those who have made appointments to sort matters out prior to April 10," said Adam.

New demands from Malaysia will increase the outflow of Nepali migrant workers and ensure 10,000 jobs in the security sector. A job in the security sector in Malaysia is a high income job where a hired gunman earns around Malaysian Ringgit (MR) 1,900 while construction and manufacturing sector workers earn around MR 600. About 300,000 Nepalis are believed to be working in Malaysia and around 58,165 Nepalis joined jobs in Malaysia in the last eight months.

GAN asks government for free trade pact with US

Garment Association Nepal (GAN) has asked the Ministry of Commerce and Supplies to propose for Free Trade Agreement (FTA) with the US in the next Trade and Investment Framework Agreement (TIFA) council meeting to be held in Kathmandu.

During the Readymade Garment Management Committee meeting chaired by secretary of Ministry of Commerce and Supplies Lalmani Joshi last week, GAN asked the ministry to propose for FTA with the US to boost exports of readymade garments and pashmina to the US, take lead in passing the Special Economic Zone (SEZ) Bill that is in the parliament for the last three years and clarify on the 10 per cent countervailing duty (CVD) charged by India on the export of Nepali readymade garments to India.

"There is confusion over the 10 per cent countervailing duty charged by India on the export of Nepali garments to India," said president of GAN Uday Raj Pandey, adding that the Commerce Ministry has to clarify on the issue as the 10 per cent countervailing duty has made Nepali garments less competitive in the Indian market

which in turn has hurt exports.

The country is preparing for the Investment Year and needs to create a favourable investment climate and SEZ could will boost the exports of garment sector and ensure foreign as well as domestic investors of a conducive environment, he said, adding that FTA with the US will help bring in US investments to Nepal and Nepali readymade garments and pashmina will get the most favoured nation status and Generalised System of Preferences facility that could help boost exports. "It's a win-win situation for both countries."

At one time, the country used to export readymade garments and pashmina worth Rs 15 billion but it has come down recently. According to central bank's data, in the first seven months of current fiscal year, the country has exported readymade garments worth Rs 347.6 million to India and Rs 2.80 billion to third countries. "Similarly, the country has exported pashmina worth Rs 1.87 billion to a third country and worth Rs 21.4 million to India," the data reveals.

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