

NICCI e-Newsflash

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Naturally Nepal



Ama Dablam, 6,812 metres (22,349 ft), a mountain in the Himalaya range of eastern Nepal.

Nepal's foreign trade updates

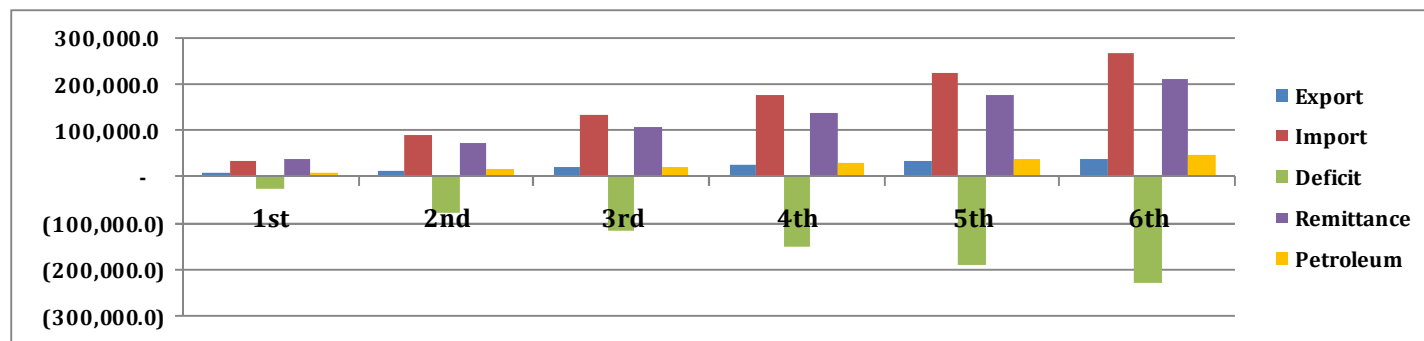
Nepal's Trade with India in the last 6 months in FY 2012-13

(Rs in million)

Cumulative Figures						
Month	Export to India	Import from India	Trade Deficit	Overall Remittance*	Petroleum Imports from India	Import without Petroleum
Jul-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

Source: NRB,

* Remittance including pension.

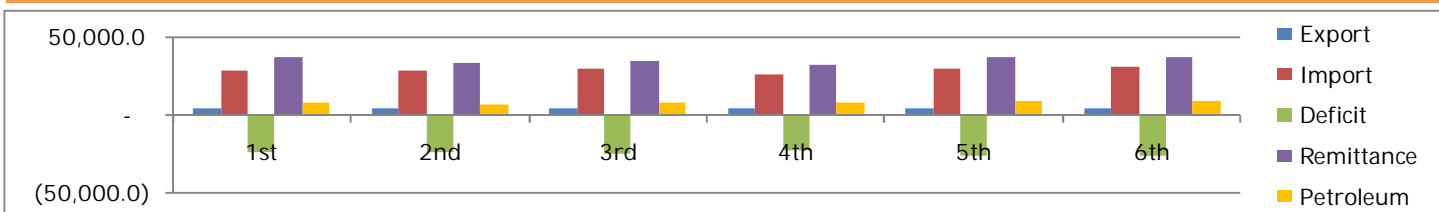


Nepal's Trade with India in the last 6 months in FY 2012-13

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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

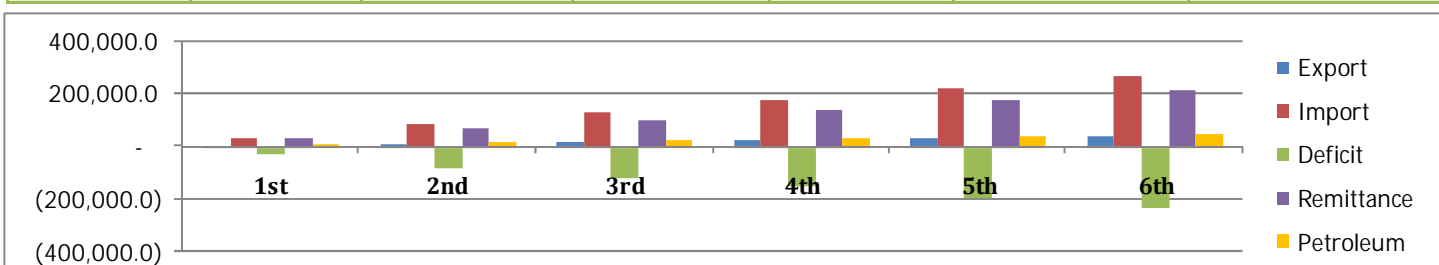


Nepal's Total Foreign Trade in the last 6 months in FY 2012-13

(Rs in million)

Cumulative Figures

Month	Export to India	Import from India	Trade Deficit	Overall Remittance*	Total Petroleum imports	Import without Petroleum
July-Aug	7,199.9	32,695.6	(25,495.7)	37,337.8	8,855.00	23,840.6
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

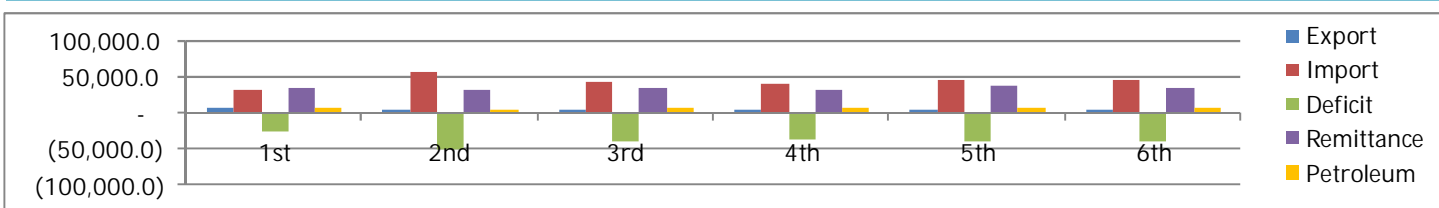


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Month	Export to India	Import from India	Trade Deficit	Overall Remittance*	Total Petroleum imports	Import without Petroleum
July-Aug	7,199.9	32,695.6	(25,495.7)	37,337.8	8,855.0	23,840.6
Aug-Sep	6,766.8	57,952.5	(51,185.7)	34,479.3	6,787.4	51,165.1
Sep-Oct	6,765.7	45,831.4	(39,065.7)	34,843.4	8,535.4	37,296.0
Oct-Nov	5,730.6	42,358.8	(36,628.2)	32,550.7	8,400.3	33,958.5
Nov-Dec	6,412.6	46,554.0	(40,141.4)	38,188.9	9,063.3	37,490.7
Dec-Jan	6,370.2	45,956.2	(39,586.0)	37,230.4	8,855.9	37,100.3



Source: NRB,

* Remittance including pension.

Imports of agro products jump at an alarming rate

In the absence of extensive programs to boost farm outputs, imports of major agro products shot up alarmingly during the first six months of 2012/13. Imports of farm products from India - a key supplier -- jumped in the range of 61 percent to 244 percent during the first six months of the current fiscal year compared to the figure of the same period last year. Imports of agricultural products like milled rice, vegetables and fruits shot up sharply during the review period though Nepal has huge potentiality to increase production of such products.

According to Trade and Export Promotion Center (TEPC), total cereal imports to Nepal went up by a whopping 92 percent to Rs 9.6 billion during the review period. Nepal had imported cereals worth Rs 10.31 billion in 2011/12.

Nepal Rastra Bank (NRB), the central monetary authority, stated that imports of rice from India increased by a massive 244 percent to Rs 4.19 billion during the review period. The figure has come at a time when Nepali officials have been claiming that the country is in a comfortable position to fulfill the demands for food.

Despite drop in production of paddy and maize by 11.3 percent

and 8.3 percent respectively, the Ministry of Agriculture Development (MoAD) estimated three months ago that Nepal is still in a position to enjoy surplus of 720,000 tons of food grains this year.

Experts say lack of modern technology to boost farm production and weak food distribution system have been affecting food availability in deficit areas. "We lack effective plans for commercialization of agriculture sector and put in place a proper system to supply food to needy areas. That is why some areas are facing food shortage even though the country is enjoying food surplus," said Dr Hari Dahal, who holds expertise in food security situation in Nepal, said.

Imports of vegetable from India also increased at an alarming rate of 61 percent to Rs 2.5 billion during the review period. However, country's vegetable exports to the largest South Asian economy declined by 8 percent to Rs 55 million during the period. Nepal is highly dependent on imports, especially from India, for onion and lime. Though local production is fast replacing imports, India is supplying more than 90 percent of onions consumed in Nepal.

India 'ready' to ease non-tariff barriers

India has said it is ready to ease the non-tariff barriers affecting Nepali exporters. Arvind Mehta, joint secretary at the Indian Ministry of Commerce and Industry, said the southern neighbor was ready to reduce the barriers if Nepal makes a concrete approach. "Nepal should make specific approach on the problems on the customs charge and days of customs clearance, among others, that are being faced by the exporters there," he said at an interaction in New Delhi on Friday.

Nepal's trade deficit with India has been ballooning. Although India has been providing concession facility to Nepali products with at least 30 percent value addition, the non-traffic barriers have been hitting Nepali exporters hard.

"The use of arbitrary measure in the past is of no relevance in the present context," said Mehta, adding that the Indian government implemented the provision to "protect" newly opened factories in India. Trade barriers like quarantine check, lengthy customs clearance process and lack of infrastructure facilities

on the Nepal-India border including quota are also creating hassles to Nepali exporters.

Mehta said the quarantine check process can be simplified provided the issue is raised at the policy level. On customs clearance procedures, he said the Indian government has planned to propose a joint team at the main customs points which could make customs check effective. "If implemented, the mechanism will relieve cross-border traders by clearing cargo on the spot," Mehta said, citing a similar model being adopted in the European countries.

On infrastructure-related barriers, Mehta said India was working on expanding infrastructure in five main customs points, including Raxaul and Jogbani. As far as the infrastructure development on the Nepali side of the border is concerned, the government of Nepal has to take the initiative to solve land acquisition-related issues, he said.

Indian investors say ready to increase investment in UTL

Indian investors have said they would invest an additional IRS 6.50 billion (Rs 10.40 billion) in United Telecom Limited (UTL), if the Nepal government issues unified license to the carrier. Indian investors hold 80 percent stake in UTL, including the Indian government's 56.25 percent.

"We will be operating cellular mobile service as soon we receive the licence," said AK Garg, chairman and managing director of Mahanagar Telephone Nigam Limited (MTNL) India, which owns 26.68 percent share in UTL. According to him, they will expand the network all over Nepal after they get the licence.

UTL received permission to operate basic telecom service across the country based the CDMA technology about a decade ago. The Indian shareholders have showed interest in the unified license. "The expansion plan is expected to secure the profit," said Garg.

Telecommunication Consultants India Limited (TCIL) India, another investor in UTL, has also expressed interest in increase UTL's capacity based on the expertise gained in other international markets. TCIL is the Indian government-owned company. It has so far extended its reach to 58 countries.

PDA template only for export-oriented projects: NIB

The Office of Nepal Investment Board (ONIB) has disclosed that the project development agreement (PDA) template that is on the verge of finalization is only meant for export-oriented hydropower projects. "The PDA template that is under discussion is not for projects that are for domestic consumption purposes," said Radhesh Pant, chief executive officer at ONIB. "We will soon develop a different template for that purpose."

Interacting with media persons at a program held on Friday, Pant said that ONIB was working towards tailoring PDAs with individual power developers for four mega hydropower projects viz 900 megawatts Arun III, 650 MW Tamakoshi III, 900 MW Upper Karnali and 600 MW Upper Marsyangdi with total installation capacity of 3,050 megawatt.

"We will soon develop a PDA template for West Seti," Pant added. A Chinese company, Three Gorges, is engaged in the development of West Seti. Project evaluation for West Seti will be completed in the next few weeks, according to Pant. West Seti is the only project that is meant for domestic consumption.

Meanwhile, George Davies, director of hydro cluster at the Centre for Inclusive Growth (CIG), shed light on the detailed structure of the PDA. He skipped any explanation of how exactly the PDA template now under discussion protects the

national interest of Nepal. "The PDA has provisions that guard the country's interests," Davies had said in his presentation. Davies made it clear that the risk was borne by the developer in most cases.

The interaction program, that was basically organized to make clear what the PDA is and how it protects the national interest, also touched base on other projects, including Chemical Fertilizer Plant, Nijghad Second International Airport and Solid Waste Management, among others.

"We want the best of best international developers to come to Nepal," Pant said, highlighting the importance of mature and detailed homework before actually signing a deal for project development.

Meanwhile, In an encouraging progress, 50 percent of the tunnel construction work on the Upper Tamakoshi Hydropower Project has (UTHP) has been completed on time. Normally, tunnel construction is considered as the most difficult work on hydropower projects. Of the 16km tunnel to be built, construction of the 8km section was completed on Friday, indicating that the 456MW project developed under domestic investment is on track for timely completion. "If the momentum continues and things go as planned, we see the project complete by mid-April 2016," said Bigyan Prasad Sharma, acting project chief.

Indian railway budget: Hike in rail charges to have little effect on Nepal's trade

The Indian finance minister P Chidambaram is expected to present union budget of India for FY 2013-14 today to the parliament of India.

Meanwhile, the Indian government has decided to hike railway freight charges which is expected to have an impact, though "minimal", on Nepali imports and exports and market prices. The Indian central government, in its railway budget presented on Tuesday, decided to increase freight rates by 5.79 percent and link the rates with the fluctuation in diesel prices. This decision will come into effect in April.

However, two disparate opinions have emerged across Nepali stakeholders regarding the possible effects of this increment in the neighboring country on which Nepal largely depends for its trade with third countries. Nepal's consul general in Kolkata Chandra Ghimire said that the decision would push up transaction costs which would eventually lead to higher production costs and market prices of daily goods.

"The increment in freight rates could trigger an inflationary trend which will ultimately have an impact on the common people," he said. On the export front, Ghimire opined that the



freight rates hike could affect the capacity of Nepali products to compete in the international market.

However, entrepreneurs said that the recent increment could be absorbed easily and would not bring any change in market prices or production costs. "It is true that transaction costs will go a little higher with this increment. But while breaking down the increment, it will just have a minimal impact on

market prices and production costs," said RB Rauniar of Interstate Multi-Modal Transport. For instance, if the rate is increase by Rs 3,000 per 10 tonnes, the increment comes to just 3 paise per kg.

Similarly, another entrepreneur Ramesh Naulakha of Eastern Clearing Agency said that the increment should not in any way be made an excuse to hike market prices.

Recent freight rates from Kolkata Port to Birgunj range from IRs 26,676 to IRs 38,500 for a 20-ft container depending on the weight of the goods. For a 40-ft container, rates range from IRs 48,561 to IRs 51,413. AFP-NEW DELHI



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RBI welcomes new banks with new guidelines

The Reserve Bank of India Friday issued the much-awaited guidelines for new bank licences, allowing corporates and public sector entities with sound credentials and a minimum track record of 10 years to enter the banking business. The Reserve Bank, which has laid down an elaborate 'fit and proper' criteria, has not excluded any category like brokerages, real estate companies from entering into the banking space as has been advocated by the Finance Ministry.

The final guidelines pave the way for corporate houses like Anil Dhirubhai Ambani Group, Larsen & Toubro, Tatas, Mahindra and Mahindra, Life Insurance Corporation and Aditya Birla Group to enter the banking business. "Entities/groups should have a past record of sound credentials and integrity, be financially sound with a successful track record of 10 years," it said. Further, RBI has empowered itself to reject those whose "business model" and "culture" are not in line with banking.

"Promoter Groups' business model and business culture should not be misaligned with the banking model, and their business should not potentially put the bank and the banking system at risk on account of group activities such as those which are speculative in nature or subject to high asset price volatility," the guidelines said.

The minimum paid-up capital for setting up a bank has been pegged at Rs 500 crore. The cap on the foreign investment, including FDI/FII and NRI, has been set at 49 per cent. As per norms notified by RBI, on receipt of licence, promoter has to start operations within one year and list the company within three years of commencement of the business. Also, new banks should open at least 25 per cent of branches in unbanked rural centres.

No hike in import duty on Sugar

The government on Friday said it has decided not to increase import duty on sugar though industry bodies and manufacturers had demanded a hike to curb shipment of the sweetener. In a written reply to the Lok Sabha, minister of state for finance SS Palanimanickam said representations received from industry associations and sugar companies were examined.

"...after taking into account relevant factors like international prices, domestic prices, import volume, domestic production etc, it was not found feasible to increase the custom duty on sugar," he said. The minister was replying to a query whether the Centre has received demands to raise sugar import duty to 60% to stem shipments. Industry bodies have been demanding a hike in the custom duty on sugar from the present 10% to curb imports.

Sugar output in India, the world's second largest producer after Brazil, is estimated to decline to 24.3 million tonnes in 2012-13 marketing year (October-September) against over 26 million tonnes in the previous year. PTI - NEW DELHI

Those seeking to set up a bank would have to submit applications by July 1, 2013. The RBI will display names of applicants on its Website. Before granting licences, RBI would seek feedback about applicants from other regulators, enforcement, investigative agencies like I-T Department, CBI, ED, as deemed appropriate.



The rules issued Friday is the culmination of three-year process. RBI will now begin taking applications for bank licenses for the first time in a decade. At present, there are 26 public sector banks and 22 private sector banks. Only 35 per cent of India's adult population has accounts with banks and other financial institutions as compared to a global average of 50 per cent. It is 41 per cent in case of developing economies.

"We welcome the long-awaited new banking guidelines, which are very forward-looking. We will actively pursue our interest in banking as it will complete our financial services' portfolio," said Kumar Mangalam Birla, chairman, Aditya Birla Group. PTI/

ET BUREAU MUMBAI

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

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