

# NICCI e-Newsflash

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## *Kathmandu Durbar Square*



*Kathmandu Durbar Square, a world heritage site surrounded with spectacular architecture and vivid showcase of the skills of the Newar artists and craftsmen over several centuries...*

## First Nepal-India ICP in Birgunj-Raxaul may be ready by Feb '15

Nepal and India have agreed to speed up work on the planned Integrated Check Posts (ICPs). The first integrated check post (ICP) along the Nepal-India border may come into operation as early as February next year, if things go according to plan. High-ranking Nepali and Indian officials held crucial talks for the establishment of integrated check points (ICPs) along the Nepal-India border, which once complete will further facilitate trade and reduce trading cost between the two neighbouring countries.

The concept of ICP is to bring customs office, quarantine laboratories, immigration office, banks and post office, among others, under one roof so as to facilitate the movement of passengers and goods. For this, similar physical infrastructure has to be built on both the Nepali and Indian sides and later interconnected so that people do not have to travel quite a distance to release cargoes or visit a quarantine laboratory. This will ultimately facilitate trade and transit between the two countries and bring down the cost of trading. Considering these benefits, an agreement to build ICPs in Birgunj, Biratnagar, Bhairahawa and Nepalgunj on the Nepali side and in Raxaul, Jogbani, Sunauli and Rupedia on the Indian side was signed in August 2005. The Indian government is supporting Nepal to build these checkpoints to facilitate trade and transit between Nepal and India. Despite these advantages, of these sites, progress has been satisfactory only in Birgunj-Raxaul area. But this project is also running behind deadline, as the ICP which

should have been built within 18 months to two years of commencement of construction in 2009 is yet to be completed.

Currently, all these facilities are scattered at Nepal-India border points and people have to travel quite a distance when they have to release cargoes or visit a quarantine laboratory.

“Keeping this in regard, the Indian government has agreed to complete all construction work at Birgunj-Raxaul ICP within February next year,” joint secretary at the ministry of urban development (MoUD) Abadh Kishore Mishra said. The Indian government made the commitment during the India-Nepal steering committee meeting on construction of ICPs held in New Delhi, on Wednesday.

As per the MoUD, construction of ICP in Birgunj is almost 45 per cent complete, while work on the Indian side of Raxaul is almost 85 per cent complete. “If construction work is expedited on the Nepali side, we can easily meet the deadline,” Mishra, who took part in the fifth steering committee meeting, said, upon his arrival in Kathmandu Saturday.

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## First Nepal-India ICP in Birgunj-Raxaul .....

The recent steering committee meeting was participated by a 10-member Nepali delegation led by MoUD secretary Kishore Thapa. He was joined by secretary of Border Management Sneh Lata Kumar, who was heading the Indian delegation.

However, it might take some more time to build ICPs in Bhairahawa and Nepalgunj, as these projects fall in the second phase of the programme.

The Indian government has earmarked a total of IRs 1.20 billion for the Biratnagar-Jogbani customs. Similarly, an estimated IRs 340 million each has been allocated for the Birgunj-Raxaul customs and the Bhairahawa-Sunauli customs while IRs 290 million has been set aside for the Nepalgunj-Rupaidiya customs. India has reported to be constructing a total of 13 ICPs with its neighbouring countries including Nepal, Bangladesh, Myanmar and Pakistan to facilitate bilateral trade.

## Nepal's foreign trade increase by 22 percent, deficit widens to Rs 289.62 billion

(By- K M Singh)

Nepal's total foreign trade in the first six months has increased to 379.05 billion from 310.6 billion the same period a year ago which is higher than 22 percent, according to the trade statistics revealed by Nepal Rashtra Bank. However, Nepal's trade deficit expanded to Rs 288.76 billion during that period. Last year the trade deficit was 232.1 billion in the first half. Trade deficit has increased proportionately by 24.4 percent.

Nepal imported goods worth Rs 333.91 billion in the six-month period, while exports stood at Rs 45.14 billion, according to the statistics of Nepal Rashtra Bank for that period. The import export ratio remained 1:7.4 during the review period in totality.

The NRB data show the country's exports increased by 15 percent, while imports grew 23 percent. The ever increasing trade deficit shows the government's policy targeted at increasing exports has failed to deliver. The government had

rolled out cash incentives on several export-oriented products last year. However, this hasn't made any impact on arresting the trade deficit.

Statistics says the rise in imports of luxury goods has further worsened the situation. Nepal imported gold worth Rs 12.16 billion in first six months of this fiscal year. The trade deficit can only be reduced by either increasing exports or discouraging imports, but the trend of Nepal's international trades with both India and third country are just reverse to this ideology.

According to the NRB data, the country spent the highest for the import of petroleum products. In the review period, Nepal imported petroleum products worth Rs 61.22 billion, which is 21 percent more than previous year import of petroleum during same period and 36 percent more than the country's overall export earnings of the first six months.

*Continued on page 3*

### Direction of Foreign Trade

First Six Months  
(Rs in Million)

				Percent Change	
	2011/12	2012/13R	2013/14P	2012/13	2013/14
<b>TOTAL EXPORTS</b>	<b>35,916.6</b>	<b>39,245.9</b>	<b>45,142.9</b>	<b>9.3</b>	<b>15.0</b>
<b>To India</b>	24,060.7	24,981.6	29,566.1	3.8	18.4
<b>To Other Countries</b>	11,855.9	14,264.3	15,576.8	20.3	9.2
<b>TOTAL IMPORTS</b>	<b>216,684.5</b>	<b>271,348.5</b>	<b>333,907.4</b>	<b>25.2</b>	<b>23.1</b>
<b>From India</b>	139,138.5	175,531.1	220,516.9	26.2	25.6
<b>From Other Countries</b>	77,546.0	95,817.4	113,390.5	23.6	18.3
<b>TOTAL TRADE BALANCE</b>	<b>(180,767.9)</b>	<b>(232,102.6)</b>	<b>(288,764.5)</b>	<b>28.4</b>	<b>24.4</b>
<b>With India</b>	(115,077.8)	(150,549.5)	(190,950.8)	30.8	26.8
<b>With Other Countries</b>	(65,690.1)	(81,553.1)	(97,813.7)	24.1	19.9
<b>TOTAL FOREIGN TRADE</b>	<b>252,601.1</b>	<b>310,594.3</b>	<b>379,050.3</b>	<b>23.0</b>	<b>22.0</b>
<b>With India</b>	163,199.2	200,512.7	250,083.0	22.9	24.7
<b>With Other Countries</b>	89,401.9	110,081.7	128,967.3	23.1	17.2

Source: Nepal Rashtra Bank

(R=Revised; P=Provisional)

## Nepal's foreign trade increase by 22 percent, deficit widens .....

In terms of trading partners, India is the largest trading partner of Nepal, both in terms of exports and imports. Its share in total trade in term of export, imports and trade balance remained around 2/3 of total trade since more than one decade. The one shot way to reduce the trade balance with India as believed in the vicinity of business community, experts and bureaucrats is sell of hydropower, but this sector still has a long way to travel, and this sector is still crippling. Another way that can be considered for a speedy improving economy is the transit point between the two fast growing enormous economies with economic activity in Nepal as transit point than a mere access for consignments.

### Trade with India

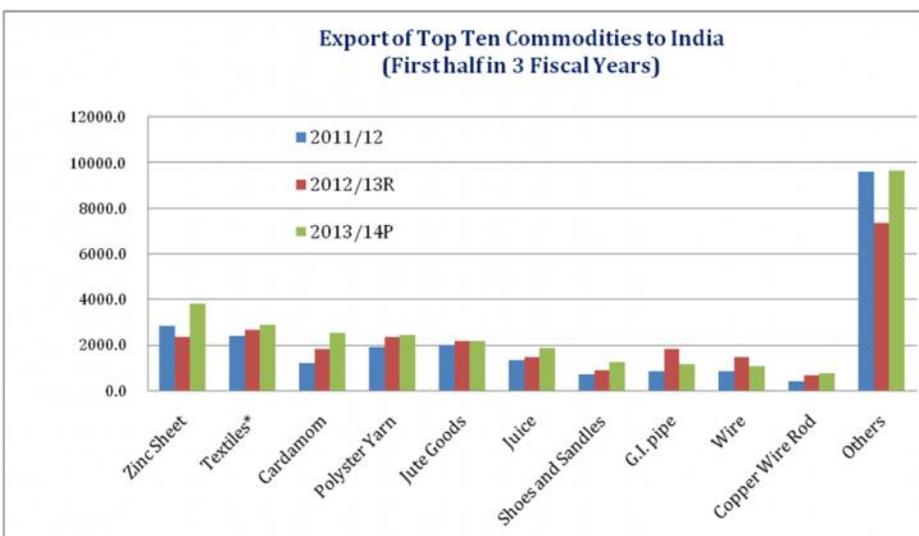
During the review period, Nepal's export to India reached 29.57 billion with a surge by 18.4 percent compared to 3.8 percent last year amounting to Rs 24.98 billion whereas imports from India has increased to 220.57, an increase by 25.6 percent. Last year incremental imports from India was 25.2 percent and this ratio has remained almost same. On the other hand, the import export ratio with India remained 1:7.46 during the review period of first six months.

Zinc Sheet stands the first position in the export list of review period tolled Rs 3.82 billion followed by Textiles (Rs 2.87 bln), Cardamom (Rs 2.54 bln), Polyester Yarn (Rs 2.44 bln) and Jute Goods (Rs 2.15 bln) in top five. Similarly, Juice (Rs 1.86 bln) followed by Shoes and Sandals (Rs 1.26 bln), GI Pipe (Rs 1.16 bln), Wire (Rs 1.107 bln) and Copper wire rod (Rs 0.77 bln) are in top ten. The top ten items of exports to India worth Rs 19.93 billion comprise 67 percent of total exports to India.

Similarly, towards import from India, petroleum products stands first amounting to Rs 60.71 billion, an increase by Rs 11.22 bln (22.68 percent) during review period, followed by Vehicles and spare parts (Rs 16.88 bln), M.S. Billet (Rs 22.68 bln), medicine (7.41 bln) and Other Machinery & Parts (7.38 bln) in the list of top five. Likewise, Chemical Fertilizer (5.37 bln), Thread (5.35 bln), Rice 5.03, Hot rolled sheet in coil (4.72 bln) and Agricultural Equipment & parts (4.08 bln) in the top ten list. Nepal claims its economy as agro-based, but import of rice has surged since last year, which tolled Rs 5 billion in the first half this year. Total top ten imports worth Rs 127.33 bln which accounts 58% of total imports from India during review

### Top Ten Commodities of Exports to India in the first of 3 Fiscal Years

S.N.	Products	Six months (Rs in Million)			Percent of
		2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>	2013/14 <sup>P</sup>
1	Zinc Sheet	2852.2	2350.4	3820.1	13%
2	Textiles*	2374.6	2657.5	2869.4	10%
3	Cardamom	1184.5	1830.3	2537.2	9%
4	Polyster Yarn	1910.5	2346.2	2437.1	8%
5	Jute Goods	2009.7	2173.1	2150.6	7%
6	Juice	1312.7	1481.6	1863.8	6%
7	Shoes and Sandles	717.2	873.0	1256.6	4%
8	G.I. pipe	839.3	1833.7	1159.7	4%
9	Wire	861.9	1451.8	1071.2	4%
10	Copper Wire Rod	399.1	649.8	766.9	3%
<b>A. Top Ten Commodities</b>		<b>14461.7</b>	<b>17647.4</b>	<b>19932.3</b>	<b>67%</b>
<b>B. Others</b>		<b>9599.0</b>	<b>7334.4</b>	<b>9633.7</b>	<b>33%</b>
<b>Total (A+B)</b>		<b>24060.7</b>	<b>24981.8</b>	<b>29566.1</b>	<b>100%</b>



period.

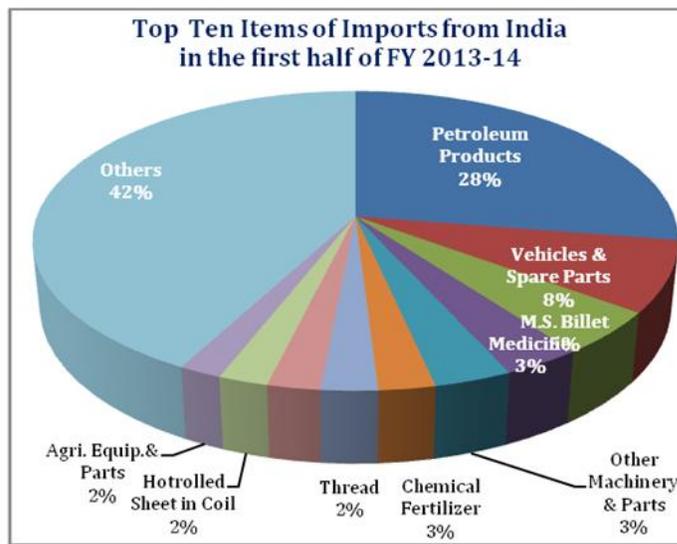
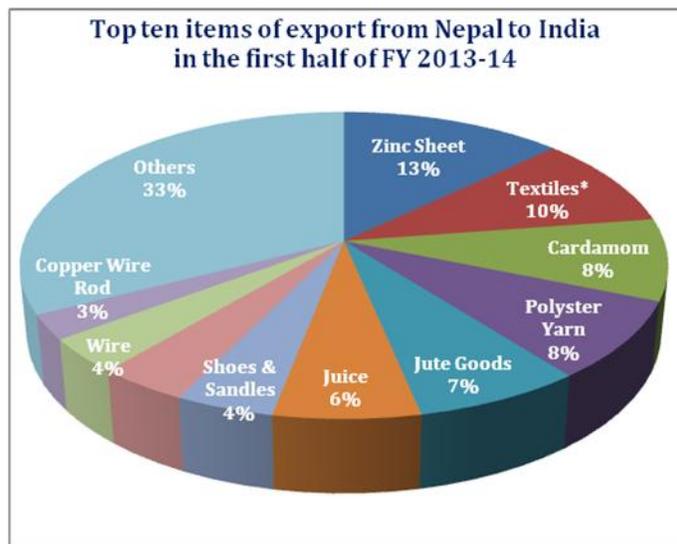
### Import against payment of convertible foreign currency

This year, import from India against payment of convertible foreign currency has also surged to Rs 36.16 billion compared to 19.91 billion which is nearly 82 percent in the first half of the ongoing fiscal year.

Regarding trade balance during review period, it has surged by 26.8 percent compared to last year and reached 190.95 billion. It is obvious that we have not made any crucial strategy to check the trade balance, it has been increasing alarming every year.

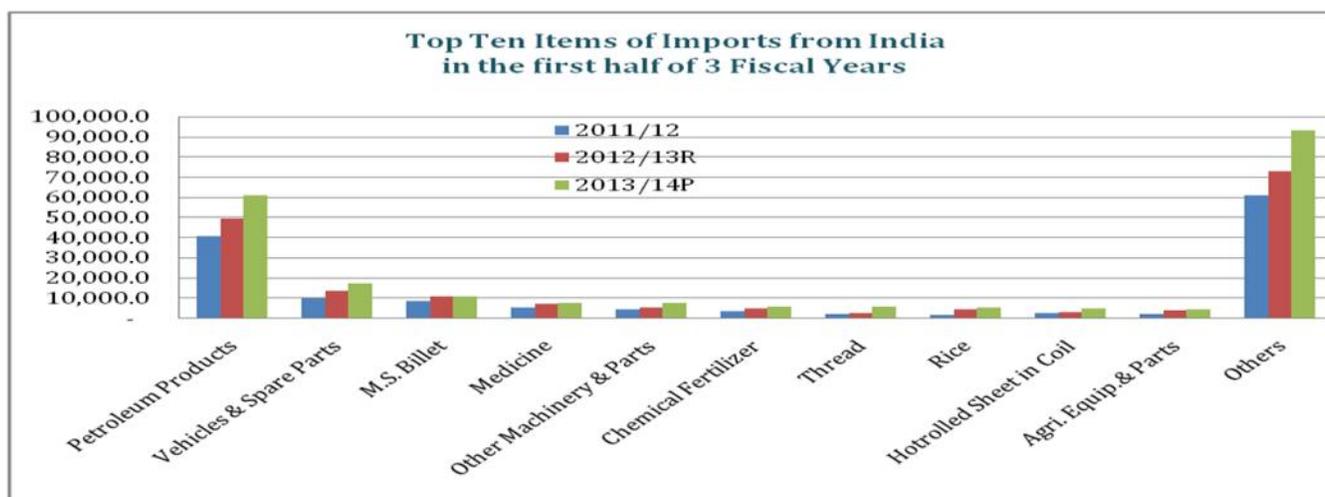
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Nepal's foreign trade increase by 22 percent, deficit widens .....



Top Ten Commodities of Imports from India in first half of 3 Fiscal Years

S. N.	Products	Six months (Rs in Million)			Percent of
		2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>	2013/14 <sup>P</sup>
1	Petroleum Products	40,628.0	49,489.2	60,710.9	28%
2	Vehicles & Spare Parts	9,453.2	13,442.5	16,883.7	8%
3	M.S. Billet	8,504.5	10,482.1	10,393.6	5%
4	Medicine	4,989.8	6,837.7	7,409.6	3%
5	Other Machinery & Parts	4,174.1	5,179.5	7,381.9	3%
6	Chemical Fertilizer	3,019.0	4,462.3	5,369.0	2%
7	Thread	1,955.4	2,112.9	5,354.3	2%
8	Rice	1,218.1	4,198.0	5,032.7	2%
9	Hotrolled Sheet in Coil	2,486.7	2,545.6	4,718.0	2%
10	Agri. Equip.& Parts	2,037.1	3,848.0	4,077.9	2%
	<b>A. Top Ten Commodities</b>	<b>78,466.0</b>	<b>102,597.9</b>	<b>127,331.6</b>	<b>58%</b>
	<b>B. Others</b>	<b>60,672.5</b>	<b>72,933.1</b>	<b>93,185.3</b>	<b>42%</b>
	<b>Total (A+B)</b>	<b>139,138.5</b>	<b>175,531.1</b>	<b>220,516.9</b>	<b>100%</b>



## Nepal's foreign trade increase by 22 percent, deficit widens .....

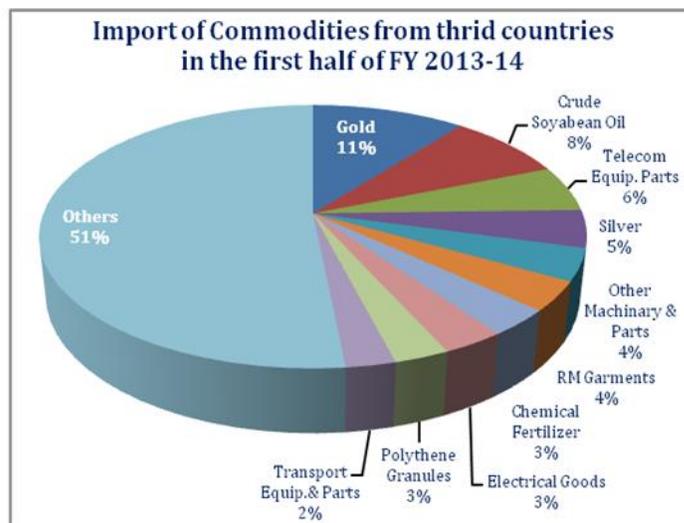
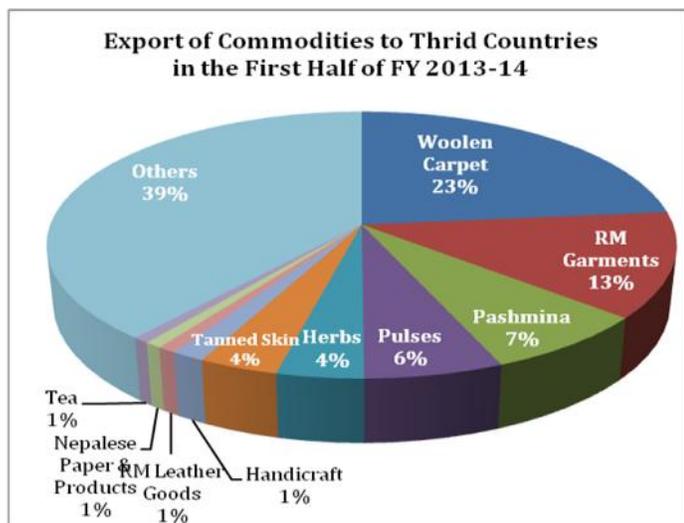
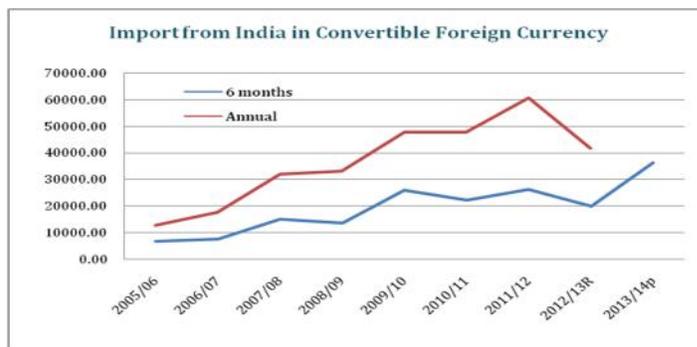
### Import from India in Convertible Foreign Currency

(Rs in Million)									
Mid-Month	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 <sup>R</sup>	2013/14 <sup>P</sup>
6 months	6708.64	7524.78	14931.71	13670.80	25900.20	22008.77	26237.43	19914.38	36159.33
Annual	12805.88	17720.93	32016.37	33126.80	47702.92	47768.05	60678.96	41759.32	

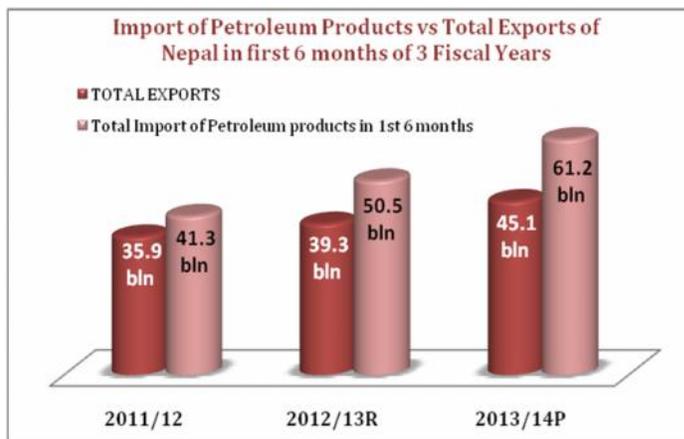
#### Trade with third countries

Characteristics of Nepal's trade with third countries are also more or less same to India.

Woolen carpets stand first with export figure of 3.65 bln followed by readymade garments (Rs. 1.99 bln), Pashmina (Rs 1.17 bln), pulses (Rs 0.96 bln), Herbs (Rs 0.60 bln) in the top five list. Other items of export in the top ten list are tanned skin (Rs 0.55 bln), Handicrafts (metal and wooden) (Rs 0.23 bln), Nepalese paper and paper products (Rs 0.12 bln) and tea (Rs 0.11 bln) respectively. Top ten items of exports worth Rs 9.32 bln comprising 61 percent of total exports to third countries.



Towards imports from third countries, experts say the rise in imports of luxury goods has further worsened the situation. Nepal imported gold worth Rs 12.16 billion in first six months of this fiscal year, followed by crude soyabean oil (Rs 9.33 bln), Telecommunication Equipment and parts (Rs 6.37bln), silver (Rs 5.24 bln), and other machinery and parts (Rs 4.47bln). Likewise, Chemical fertilizer (Rs 3.71 bln), electrical goods (Rs 3.56 bln), polythene granules (Rs 3.14 bln), and transport equipment and parts (Rs 2.82 bln) are in the top ten imports list respectively. The total imports in top list worth Rs 54.88 bln which accounts 48 percent of total imports from third countries.



#### Remittance

NRB's data shows that workers' remittances surged by 34.4 percent to Rs 265.62 billion compared to an increase of 21.8 percent in the same period of the previous year. Remittance has been playing crucial and strategic role in maintaining the econ-

omy, but it cannot be considered as steadfast tactics for a long time.



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## First plant quarantine list to be implemented

The government has prepared the first list of products requiring plant quarantine clearance. The Ministry of Agricultural Development (MoAD) is implementing the list, which contains apple, citrus fruits, potato, ginger, garlic, banana and coffee, last week. The country imports big volume of apple, citrus fruits, garlic and banana every year.

“With the implementation of plant quarantine list, the country has started to protect plant life and health by banning import of infested plant products,” Arun GC, officer at MoAD, said. Each quarantine station at major transit points will have laboratories to test the products before allowing them into the country.

The Directorate of Plant Protection prepared the list after carrying out study of prevailing pests and plant diseases in the country. It took the directorate three years to conduct the study. The list was prepared as per the Plant Protection Act 2007.

The directorate works as a National Plant Protection Organization (NPPO), which is a focal office in Nepal, under International Plant Protection Convention - a sister agency of WTO. According to the World Trade Organization (WTO), a member country can reject plant products that have diseases and pests not found in the homeland.

The government prepared the list a decade after the country became member of WTO. The membership allows member countries to enforce measures to protect plant life and health.

MoAD had sent the list to WTO and its member countries in September last year. The government decided to implement the list as no comment or objection was made in the list from member countries in the given 60 days.

Officials say ban on import of infected products can help bring down trade deficit as well as promote local products.

“For effective implementation of the list, we will also prepare a manual for quarantine officials. The manual explains the ways to identify pests and diseases while sampling the products,” added GC. He, however, stressed the need to quarantine the products before starting customs formalities for effective implementation of the list.

The ministry will prepare second list of plant products that will include cut flowers (Gerbera and Carnation), cabbages, cauliflower, hot chilli, large cardamom, and tea. It has already received go ahead from WTO to implement the list. Likewise, MoAD sent notification to WTO and member countries for another list of products on January 24. The list includes pumpkin, cucumber, bitter gourd and radish. WTO member countries can make comment on the list within 60 days.

Officials say unhindered import of orange saplings about a decade ago is the reason behind citrus greening disease in orange orchards.

The country is yet to carry out pesticide residual analysis in the imported plant products to control pesticide residual in imports as per WTO, said GC.

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