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nepal

Special General Meeting of FNCCI concluded FNCCI presents 20-year vision for economic revolution

A Special General Meeting of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) was held on 13 June in Pokhara. The SGM was inaugurated by the Finance Minister Dr. Ram Sharan Mahat amid a special function.

Speaking at the inaugural ceremony Finance Minister Dr. Mahat said Nepal should be developed as a new investment destination. "High economic growth will not come if we do not lure foreign capital," he said.

He also said as a liberalized economic policy has become a global norm, nobody can backtrack it.

Presenting the private sector's 20-year vision for economic revolution in Nepal, President of FNCCI Kush Kumar Joshi demanded that private sector be given a lead role in bringing out the economic revolution.

Addressing a Special General Meeting of FNCCI, Joshi informed that he would handover a detailed strategy to the upcoming

government. The meeting, participated by more than 400 representatives, from all over the country, also urged that the Constitution Assembly shorten the transitional period by quickly forming a new government.

The vision aims to generate 10,000 megawatts of power by 2023 and plans to increase power generation by another 10,000 Megawatts in the five years after that. Likewise, it vows to generate employment for half a million people within the next five years and raise the per capita income to US\$ 1,500 by achieving a 15% annual growth rate in the next 20 years.

Likewise, the vision paper has also aims to achieve a growth rate of 15% in the export sector by producing high-valued products and 15% in the service sector. Private sector investments will be raised to 45% in the next 20 years.

The suggestions also stated that the government should encourage the concept of build

operate own and transfer (BOOT) and public private partnerships in construction of physical infrastructures for electricity, education, roads, health, and fast track projects among others.

The vision paper was prepared on the basis of suggestions from the FNCCI members, concerned organizations and financial institutions.

Suraj Vaidya, Senior Vice President of FNCCI, underscored the need to put in place flexible labor law.

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MoU sign between FNCCI & CBI of Turkey (TUSKON)

In the presence of Kursad Tuzmen, Minister of State for Commerce of Turkey President of the Federation of Nepalese Chambers of Commerce & Industry (FNCCI) Kush Kumar Joshi and President of the Confederation of Businessmen and Industrialists of Turkey (CBIT)=TUSKON Rizanur Meral Signed a Memorandum of Understanding (MoU) in Istanbul, Turkey on 17th June 2008.

As per the MoU both parties will exert their utmost efforts for the promotion of commercial and industrial relations between Nepal

and Turkey on the basis of cooperation and mutual benefits and will encourage the exchange of trade missions and agreed to support the business programs of the visiting delegations of the other party with all reasonable preparation; both parties agreed to support or co-sponsor, where appropriate, trade and investment seminars for the other party; both parties will supply relevant market information, conducting business match making and facilitating the introduction of visiting trade missions to representatives of

relevant industries; each party agreed to render the support and assistance when one party holds exhibitions in the home market of the other; to exchange relevant know-how and information, where appropriate, on organizing exhibitions and trade fairs and to exchange member company information.

Similarly both parties agreed to exchange and answer

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trade and business enquiries from their respective home markets and to assist each other in the area of research on trade and investment by providing facilities and business contacts where appropriate; to cooperate in the education and training programs for human resources development; to nominate one representative within their respective organizations who will have the responsibility of coordinating the relationship between the two parties and to exchange staff members to promote cooperation and understanding when both parties deem it necessary to do so.

FNCCI President Joshi meets President of Turkey

A delegation of Federation of Nepalese Chambers of Commerce and industry (FNCCI) led by its President Kush Kumar Joshi paid a courtesy visit of President of Turkey Abdullah Gul in Ankara on June 18.

On the occasion Joshi highlighted the scope of investment in Nepal and discussed on various trade and economic issues between the two countries. He also requested for investment in Nepal as the country is heading towards an economic revival after the successful political revolution.

GDP to grow by 4%

The Nepal Rastra Bank (NRB) has predicted national output grow by 4% in the fiscal year 2007/08, thanks mainly to a record agricultural growth of 6%, the highest in 13 years.

Despite a wonky manufacturing sector, the impressive rebound by the agriculture sector along with an almost 17% growth in tourist arrivals contributed to the economic expansion, according to the central bank's economic report that covered the first nine months of the fiscal year.

However, a record high inflation, which looks to be marching toward double digits, has painted a bleak picture of the economic outlook. The year to year consumer inflation stood at 8.9% in mid April 2008 compared to 5.6% in the corresponding period last year.

The high inflation was fueled by whooping 12.6% jump in the prices of food and beverages while the index of the non food and services group rose by 4.9% during the period.

Despite the slowing economy, domestic credit increased by 14.6% during

the period compared to a growth of 4.2% in the previous year. A significant increase in private sector credit contributed to the acceleration in domestic credit as the credit off take by the private sector from commercial banks expanded by 19.9%. As a result of the continuing double digit growth in income from remittance total deposits mobilized by the commercial banks expanded by Rs 55.96 billion to Rs. 390.42 billion in mid April 2008.

A widening trade deficit emerged as another major challenge for the fragile economy. In the first nine months of the 2007/08 fiscal year, total exports went down by 2.6% in comparison to a decline of 2.9% in the corresponding period of the previous year.

However, total imports increased significantly by 19.5%, compared to a rise of 7.4% in the corresponding period of previous year. The overall balance of payment (BOP) posted a surplus of Rs 13.68 billion during the period.

The gross foreign exchange reserves recorded an increment of 10.4% to Rs. 182.27 billion in mid April 2008.

Marginal decline in tourist arrivals

The consecutive growth in tourist arrivals has been slightly slowed down with a marginal decline of one percent in arrivals in April.

According to the arrival figures released by Immigration Office at Tribhuvan International Airport, a total of 32,665 tourists came to Nepal via air route in April, which is 359 less than 33,024 tourists in the same month last year.

However, European sector has remained unchanged with almost the same figure as compared to the April 2007. The arrivals from France grew up by 21%, Austria with 20%, the Netherlands and Israel with 28% respectively.

The arrival figure shows a fall of 18% from the Asian countries, SAARC countries arrival dropped by 14% where India has the share of 19% in overall fall. Bangladesh on the other hand posted an extraordinary growth of 60%

While contemplating the arrival figures, the main reason for decrease in arrivals might be the prediction of uncertainty in the minds of travelers due to CA polls.

Garment exports plunge

The export of Nepali garments plunged 27% in the first quarter of the fiscal

year 2007/08 compared to the same period during the preceding fiscal year.

According to the data of the Garment Association of Nepal (GAN) released recently, Nepal shipped out apparels worth US\$ 5.65 million during the period, down from US\$ 7.82 million previously.

In terms of quantity, exports declined to 4,891 kg from 13,062 kg. A total of 101,157 dozen pieces of garment item were dispatched overseas during the three month period. The quantity shipped during the same period last year was 164,085 dozen.

GAN's data also shows that the value of exports of Nepali apparels took a nosedive of 66% to US\$ 0.99 million from US\$ 2.89 million in March 2008 compared to the same months last year.

Entrepreneurs attributed the fall in garment exports to the recession in the USA (the main buyer), unsettled labor problems, shrinking international market and disturbances to the delivery chain caused by frequent bandas and strikes organized by different groups.

Nepal, Bangladesh trade

The bilateral trade between Nepal and Bangladesh over the last decade was equivalent to three billion forty one million and four hundred and twelve thousand rupees (Rs.3,041,412,000).

The bilateral trade between Nepal and Bangladesh via the Kakarbhitta -Fulbari Banglabandh road started from September 1,1997.

Although Nepal was facing trade deficit in the initial period after the start of the bilateral trade, the bilateral trade gradually came to a balance in recent times, according to the Office of Nepal Transit and Warehouse Management Company, Kakarbhitta.

There is a possibility of maximum increase in the bilateral trade since the work of construction and maintenance of the road from the Fulbari customs, India to Banglabandh transit point of Bangladesh has been started.

SAARC

India's GDP expected to ease at 7.8%

On the back of strong government spending and investment activity, the global slowdown will only have a modest effect on Indian economy whereas the country's GDP is expected to ease to 7.8% this year, says global credit rating agency

Moody's in its latest report. The report by Moody's Economy.com noted that slowing exports and tight monetary policy are the key downside risks to expansion this year.

Government's current priority to improve infrastructure and reduce poverty would witness strong demand for workers and house hold income grow at a stunning pace this year. Public expenditure would receive major boost in anticipation of the general election to be held in May 2009, the report said.

"... However, thanks to strong government spending and investment activity, the global slowdown will have only modest effect. India's GDP growth is expected to slow to around 7.8% in 2008, and rebound to 8% the following year as the global economy rebuilds momentum," the report titled 'India Outlook: A Challenging Time Ahead' noted.

At 3% industry growth hit 6 year low in India

Sluggish performance of the manufacturing sector pulled down growth in industrial production to a 6 year low of 3% in March, compounding worries of the government and RBI that are trying to fight rising prices.

The numbers for March is the lowest since the 2.4% recorded in February 2002.

Owing to the slow growth in March, the industrial out put, measured by the Index of industrial production slipped to 8.1% for 2007-08 from 11.6% a year ago.

However, industrial growth figurers for the entire fiscal was not as dismal as that of March giving some solace to the government. Planning commission deputy chairman Montek Singh Ahluwalia said: "There was an estimate of 8-8.5%. The lower end of the range is acceptable."

Pakistan growth slowest in 5 years

Pakistan's economy will expand by less than 6% for the first time in 5 years amid double digit inflation and ballooning budget and trade deficits, the central bank said recently.

In a quarterly report released recently, the state Bank of Pakistan said the economy was showing "increasing signs of stress" as a result of both homegrown and international factors.

The central bank expects economic growth will come in between 5.5% and 6% in fiscal 2008, which ends June 30, down from 7% the previous year.

Bangladesh seen growing 5.5%

Bangladesh's economy could grow by 5.5 to 6.0% this fiscal year, the IMF forecast recently, saving it was hiking its projection because the nation was recovering well from twin natural disasters.

Earlier the Washington-based International Monetary Fund (IMF) Forecast growth of 5.0 to 5.5% for the financial year to June after massive flooding and a devastating cyclone dealt a major blow to economic activity.

"With exports recovering and a strong Boro (dry season rice) crop being harvested, real GDP growth of 5.5-6% appears possible," IMF Asia Pacific adviser Thomas Rumbaugh said.

The IMF forecast was slightly below the military backed government's projection of 6.0 to 6.2% for this financial year.

Lanka risks junk credit rating

Sri Lanka, which already carries a speculative credit rating may be downgraded further as an intensifying civil war imposes new economic strains, Standard and Poor's warned recently.

"The escalating conflict increases risks to the economy and fiscal balances, and portends the risk of reduced donor support," the international credit rating agency said, referring to the 36 year old ethnic conflict.

Pakistan's per capita income rises

Pakistan's per capita income has risen to \$ 1,027 in fiscal 2007-08 against \$878 in the last financial year.

The total size of Pakistan economy went up to \$170.8 billion in the fiscal year that ends on June 30 against \$143.9 billion last fiscal year to post a growth of \$26.9 billion, states a paper forwarded by National Accounts Committee to Annual Plan Coordination Committee.

During the last financial year, the provisional per capita estimate claimed by the then government of premier Shaukat Aziz was \$925 but was reduced to \$878 in accordance with the finalised per capita income related figures, inflation is projected at 10.5% in the current fiscal.

ASIA

Investment up in China

China's urban fixed asset investment rose 25.7% in the first four

months of 2008 compared with a year earlier, the national Bureau of Statistics said recently.

Overall urban fixed investment a key measure of spending on infrastructure projects for the period was 2.8 trillion Yuan (405.9 billion dollars), the bureau said in a statement.

The figure indicated a slight slowdown in growth compared with the first quarter. In the first three months of this year, urban fixed asset investments were up 25.9% from a year earlier.

China's economy, the world's fourth largest grew 10.6% in the first quarter from a year earlier after expanding by 11.4% in 2007, the fifth consecutive year of double digit economic growth.

Japan expects brisk economic growth

Despite headwinds from the global credit crunch and US economic slowdown, analysts expect Japan to report continued brisk economic growth due to solid exports to emerging nations.

Cooling US demand for cars and other goods is squeezing Asia's largest economy, but robust shipments to other regions has cushioned the impact.

Japan's gross domestic product (GDP) is expected to have grown by about 0.7% in the first quarter, and at an annualized pace of 2.7%, according to a survey of 24 analysts by the Nikkei business daily.

That would mark a slight slowdown from growth of 0.9% an annualized rate of 3.5% logged in the fourth quarter of 2007.

The Japanese economy is gradually rebounding from recession in the 1990s but there are worries that its exported recovery could be hit hard by a global slowdown.

Singapore economy may be hit by global turmoil

The United States is probably in a recession and the Singapore economy will be more severely affected if the turmoil in global financial markets worsens, Singapore's prime minister said recently.

The Southeast Asian country was ready to respond if the situation in the United States worsens, said Lee Hsien Loong in a statement to mark May Day. "Dark storm clouds have gathered ... A US recession has probably already started," Lee said.

"We must watch closely how the situation in the US unfolds, and be ready to respond if things take a turn for the worse. We have the resources and the ability to do so." Lee acknowledged that

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the rising cost of living in the city state was a major issue but said Singapore could not be completely insulated from rising global inflation.

Japan's trade surplus plunges

Japan's trade surplus tumbled by a worse than expected 46.3% in April due to the rising cost of energy imports and falling exports to the US economy, the government said recently.

The data showed that Asia's largest economy continues to be pressured by a global economic slowdown, although brisk shipments to fast growing emerging markets are helping to cushion the blow analysts said.

Exports to the European Union grew at the slowest pace in more than two years.

But overall export growth picked up slightly from the weakest pace in three years in March, missing hopes that Japan's economy can continue its recovery from a slump stretching back moiré than a decade.

Japan had a trade surplus of 485.0 billion yen (4.71 billion dollars) in April, the finance ministry reported.

WORLD

US jobless data show slow growth

President George W Bush said recently the reported loss of 49,000 US jobs in May is clearly a sign that US economic growth has slowed.

The loss the fifth consecutive monthly payrolls decline reported by the Labor Department is "consistent with slow economic growth," Bush said in Washington before the swearing in of the new housing and urban development (HUD) secretary Steve Preston.

"This is a time of turbulence in the housing market and slow growth for our overall economy," he said.

The president suggested the government's 168 billion dollar stimulus package which includes tax rebates may be helping to spur momentum in the sluggish economy, which grew a feeble 0.9% in the first quarter after 0.6% in the 2007 fourth quarter. The administration is "beginning to see signs that the stimulus may be working," he said.

Many economists say the world's largest economy is effectively in recession although its technical definition is two consecutive quarters of economic contraction.

Bush noted the 5.5% unemployment rate in May, which jumped an unexpected half a percentage point in the steepest monthly rise in more than two decades, was due in part to young, new workers entering the workforce.

UK law bars low skilled workers

In a bid to cut overseas workers, Britain recently announced tougher immigration criteria for skilled professionals from India and other non EU countries seeking jobs in London including an annual earning of over £ 24,000 while barring lowskilled foreigners from entry.

Within a week of Indian doctors winning a favorable verdict from the House of Lords to be treated equally with UK and European doctors for employment, the Home Office recently published proposals for its new Points Based System (PBS) Immigration rules. The schemes known as Tier 2 and Tier 5, sweep aside around 30 different routes to the UK, including the old work permit system.

British based companies will now have to prove they cannot fill skilled posts with a resident worker and must show that the job vacancy has been advertised in the UK.

US tops competitive rating

The US topped world competitiveness rankings for the 15th straight year, but its economy is showing the same signs of weakness that sank booming Japan in the early 1990s, according to an annual survey released recently.

Asian tigers Singapore and Hong Kong ranked just behind the US, as they did last year Switzerland jumped two places to fourth, while Luxembourg rounded out the top five most competitive national economies, said the Lausanne, Switzerland based IMD business school publisher of the World Competitiveness Yearbook.

"The big question is whether the US will be No 1 after this year," project director Stephane Garelli said, adding that the report was based on 2007 data that do not fully reflect all of the problems in US financial markets, now. The study lists 55 economies according to 331 criteria.

World economy to grow 1.8% in 2008: UN

The world economy is "teetering on the brink" of a severe downturn and is

expected to grow only 1.8% in 2008, the United Nations said in its mid year economic projections.

That's down from a global growth rate of 3.8% in 2007, and the downturn is expected to continue with only a slightly higher growth of 2.1% in 2009, the UN report said.

The mid year update of the UN World Economic Situation and Prospects 2008 blamed the downturn on further deterioration in the US housing and financial sectors in the first quarter, which is expected to "continue to be a major drag for the world economy extending into 2009."

But the UN said developing countries will suffer as badly: They should grow by 5% this year and 4.8% next year, compared to a robust 7.3% in 2007 the report said.

The US economists said the deepening credit crisis in major market economies triggered by the US led slump in housing prices, the declining value of the US dollar, persistent global imbalances and soaring oil and commodity prices pose considerable risks to economic growth in both developed and developing countries. "The baseline forecast projects a pace for world economic growth of 1.8% in 2008," the UN report said.

However, it said the final figure will largely depend on developments in the US Global growth this year could fall to 0.8% if the US subprime mortgage market turmoil has a more serious impact on developing countries and countries in transition, the UN report said.

But if the monetary and fiscal measures the US government has taken to stimulate the economy including tax refunds and lower interest rates boost consumer spending and restore confidence in the business and banking sector, the world economy could only slow to 2.8% growth this year and 2.9% in 2009, it said. The report, prepared by the UN department of economic and social affairs, forecast that US economic growth will decline from 2.2% in 2007 to 0.2% this year, with only slight recovery in 2009 to 0.2% growth.

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BUSINESS OPPORTUNITIES

Following Business Opportunities have been received in the Federation of Nepalese Chambers of Commerce & Industry (FNCCI). Interested Parties may contact with parties concerned.

IMPORT

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