A

GLOBAL / COUNTRY STUDY AND REPORT

ON

“NEPAL”

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1.1 DEMOGRAPHIC PROFILE OF NEPAL

About Nepal

Nepal is a landlocked country in South Asia and bounded by China and India. It is situated in the Himalayas and contains eight of the world’s ten highest peaks. Nepal has a traditional economic system in which the greater part of the population engages in subsistence agriculture and the distribution of available resources is made on the basis of primitive methods. The government system is a federal democratic republic system. The chief of state is called the President and the head of government is called the Prime Minister.

Nepal is the world's 93rd largest country by land group. Kathmandu is the Nepal's capital and the country's largest metropolitan city. Nepal is a member of the Bay of Bengal inventiveness for Multi-Sectored Technical and Economic Cooperation (BIMSTEC) and the South Asian Association of Regional Cooperation (SAARC). Nepal is a country of highly diverse and rich geography, culture, and religions. It is bounded to the north by the People's Republic of China, and to the east, south, and west by India with an area of approximatel147,181 square kilometers and a population of approximately about 30 million. The mountainous north contains eight of the world's ten highest mountains, including the highest, Mount Everest. Nepal is connected historically with the birthplace of Gautama Buddha.

Population:	**Approximately about 29,391,883 in July 2011**
Age structure:	0-14 years: 34.6 percentage 15-64 years: 61.1 percentage 65 years and over: 4.4 percentage More than 60% people of age 15-64 years in 2011
Net migration rate:	0.61 migrant(s) per 1,000 populations in 2011
Median age:	Male: 20.7 years ,Female: 22.5 years Total: 21.6 years in 2011
Population growth rate:	1.596 percentages in 2011 est.
Birth rate:	22.17 births per 1,000 populations in 2011 est.
Death rate:	6.81 deaths per 1,000 population in July 2011
Sex ratio:	**At time of birth:** 1.04 male per female **< 15 years:** 1.04 male per female **15-64 years:** 0.92 male per female **65 years and over :** 0.88 male per female **Total population:** 0.96 male per female in 2011
Urbanization:	**Urban population:** 19 percentage of total population **Rate of urbanization:** 4.7 percentage annual rate of change
Life expectancy at birth:	**Male:** 64.94 year ,**Female:** 67.44 years **Total population:** 66.16 years in 2011
Religions:	Hindu 80.60 percentage, Buddhist 10.70 percentage, Muslim 4.20percentage, Kirant 3.60percentage in 2001 census, more is Hindu.
Total fertility rate:	2.47 children born per woman in 2011 est.

Ethnic groups:	Chhettri 15.50%, Brahman-Hill 12.50%, Magar 7.0%, Tharu 6.60%, Tamang 5.50%, Newar 5.40%, Muslim 4.20%, Kami 3.90%, Yadav 3.90% more are chhettri in 2001 census
Infant mortality rate:	**Male:** 44.54 deaths per 1,000 live births **Female:** 44.55 deaths per 1,000 live births **Total:** 44.54 deaths per 1,000 live births (2011 est.)
Languages:	Nepali (official) 47.80%, Maithali 12.10%, Bhojpuri 7.40%, Tharu 5.80%, Tamang 5.10%, Newar 3.60%, Magar 3.30%, Awadhi 2.40%, more are nepali in 2001 census
Literacy:	**Definition:** age of 15 and over can read and write **Male:** 62.7 %, **Female:** 34.9 % **Total population is** 48.6 percentage in 2001 census
Children under the age of 5 years underweight:	38.8 percentage in 2006
Education expenditures:	4.6 percentage of GDP in 2009
Maternal mortality rate:	**380** deaths per 100,000 live births in 2008
Hospital bed density:	5 beds per 1,000 population in 2006[1]
Health expenditures:	5.8 percentage of GDP in 2009
Physicians' density:	0.21 physicians per 1000 population in 2004
School life expectancy (primary to tertiary	**Male:** 10 years ,**Female:** 8 years in 2003 **Total:** 9 years

[1] *www.indexmundi.com/**nepal/demographics_profile**.html* Accessed on 26-10-2011.

education):	

1.2 ECONOMIC OVERVIEW OF NEPAL

Economy of Nepal

GDP (PPP)	**$39.14 billion**
GDP (OER)	$6.655 billion
GDP (RGR)	2.7 percentage
Inflation rate (consumer prices)	7.8 percentage
Budget	Revenues: $1.153 billion Expenditures: $1.789 billion
GDP (By sector)	Agriculture38%, Services 41% ,Industry21%
GDP Per capita (PPP)	$1,400
Population below poverty line	45 percentage
Unemployment rate	42 percentage

Nepal position itself as among the world's poorest countries, with a per capita income of **around $470** in 2009 Based on national calorie per GNP criteria, a predictable 31.00 % of the population is below the poverty line. A remote, agrarian society until the mid-20th century the country has. however, made improvement toward sustainable economic growth since the 1950s and is commit to a program of economic liberalization. , Nepal enters the modern era in 1951 without schools, roads, hospitals, telecommunications, industry, electric power, or a civil service.

The Government of Nepal has exposed an increasing commitment to good governance, fiscal transparency, and accountability. Also in 2002, the government began to prioritize development projects and remove lavish spending. Nepal launched its 10th five-year economic development plan in 2002; its currency has been made convertible; and 14 state enterprises have been privatized, 7 liquidated, and 2 dissolved. Foreign assist accounts for more than half the growth budget. In consultation with civil society and donors, the government cut 160 development projects that were driven by political support.

Agriculture remains Nepal's principal economic activity, employing over 71 percentage of the population and providing 32.12 percentage of GDP. Only about 25 % of the total area is cultivable; another 33 % is forested; most of the rest is mountainous. Wheat and Rice are the main food crops. The lowland Terai region produces an agricultural surplus from that part of which supplies the food-deficient mount areas. For the reason that of Nepal's dependence on agriculture, the extent of the annual monsoon rain strongly influences economic improvement.

Nepal's economic growth has been negatively affected by the political uncertainty. Real GDP growth was 4.6 percentage in financial year 2010, subsequent 4.4 percentage in financial year 2009. Sources of growth include agriculture, financial, construction, and other services, and consumption fuelled by remittance. Remittances, including informal flows from India, are estimated to be 25-30 percentage of GDP. Remittance growth slowed to 11 percentage from above 40 percentage during the 2 previous years. The trade deficit rose to 27 percentage of GDP with rolling imports and slow exports, and the overall BOP balance turned to deficit in financial year 2010 as official remittances could not offset the high trade deficit. Capital flight added to the balance of payment deficit.

Despite political uncertainties, Nepal maintains a policy of prudent fiscal management during financial year2010 and financial year2011. The rapid expansion of expenditures has been supported by a strong revenue performance 15 percentage of GDP and the accessibility of foreign aid 2.5 percentage and domestic borrowing 2.5 percentage. But expenditure quality remains an issue because of implementation capacity and emerging public financial management troubles. The four-month delay in passage of the financial year 2011 budget negatively affected the implementation speed of government projects.

Food prices in Nepal have risen speedily, affecting the poor, especially in food insecure areas. An estimated 3.5 million people are currently food insecure.

Nepal remains at moderate risk of debt suffering. Nepal has fruitfully lowered its debt level from 43 to 35.4 % of GDP from 2007 to 2011 and many indicators are well below the sustainability thresholds. Since July 2010, the Nepal Rasta Bank has been adopting some strong procedures to decrease risks to the fiscal system.GDP growth in financial year 2011 is estimated to be 3.5 percentage. Inflation is around 9.5 percentage in financial year 2011.[2]

In financial year 2007-2008 Nepal's exports increased by 2.4 percentage, compared to a decrease of 1.4 percentage in financial year 2006-2007.Imports grew by 16.1 percentage in financial year 2007-2008 as compared to 12 percentage in financial year 2006-2007. The trade deficit for financial year 2006-2007 was $1.9 billion, which widened to $2.5 billion in financial year 2007-2008. Real GDP growth during 1996-2002 averaged > 5 percentage. According to the revised estimates of the Central Bureau of Statistics, GDP grew 4.68 percentage in financial year 2003-2004 and slip to 3.12 percentage in financial year 2004-2005, but over again increased marginally to 3.72 percentage in 2005-2006 and slipped to 3.19 percentage in financial year 2006-2007.

[2] http://www.dfat.gov.au/geo/nepal/nepal_country_brief.html/ Accessed on 28-10-2011

Despite its rising trade deficit, Nepal traditionally has a balance of payments surplus because of remittances from Nepalese working abroad. In financial year 2007-2008, Nepal recorded a balance of payments surplus of $452.9 million 0.4 percentage of GDP, as compared to $83.58 million in financial year 2006-2007 0.01 percentage of GDP. Significant rise in workers' remittances and grants assistance contributed to a record level of BOP surplus in financial year 2007-2008, the BOP surplus cover import trade credit amounting to $232 million in 2007-08, reflecting a rather weak base. In the previous year, import trade credit was at a lower level of $ 25.95 million. On April 23 2004, Nepal became the 147th member of the World Trade Organization.

With 8 of the world's 10 highest mountain peaks--including Mt. Everest at 8,848 m-Nepal is a tourist destination for hikers and mountain climbers. However, the decade-long revolution and a global economic slowdown threatened the tourism industry. But 2007 witness a renewed gesture of tourism. Figures from the Department of Immigration show a 37.2 % increase in arrivals in 2007, which surpassed the numbers of tourist arrivals during 1999. The peak tourism year is 2006. Since the political parties and Maoists brokered an inclusive silence agreement in Nov. 2006, rehabilitated tourist arrivals have given relief to the tourism-based hotel, aviation industries, trekking, and mountaineering,

Swift rivers flowing south through the Himalayas have massive hydroelectric potential to service domestic power needs and wants and growing demand from India. Only about 1 percentage of Nepal's hydroelectric potential is currently valve. Several hydroelectric projects at Kulekhani and Marsyangdi, were finished in the early to late 1980s. In the early 1990s, one large size public-sector project, the Kali Gandaki , and a number of private projects were planned; some have been finished. Kali Gandaki A started commercial operation in August 2002. The most important privately financed hydroelectric projects currently in operation are the Khimti Khola and Bhote Koshi projects.

Population force on natural resources is rising. Overpopulation is already straining the "carrying capacity" of the middle mount areas, mainly the Kathmandu Valley, resulting in the decrease of forest cover for crops, fuel and fodder, and contributing to wearing down and flooding. in addition, water supplies within the Kathmandu Valley are not considered safe for use, and disease outbreaks are not unusual. even though steep mountain terrain makes utilization difficult, mineral surveys have found small deposits of limestone, magnetite, zinc, lead, copper, mica, iron and cobalt.

Progress has been achieved in health, education and infrastructure. A countrywide primary education system is under progress, and Tribhuvan University has several campuses. even though abolition efforts continue, malaria has been controlled in the fertile but formerly uninhabitable Terai region in the south. Kathmandu is connected to India and nearby hill regions by an growing highway network.[3]

Security concerns relating to the Maoist conflict and counter insurgency initiatives have led to a decrease in tourism, a key source of foreign exchange. Due to its long period with monarchy and feudalism, Nepal has one of the most uneven allocations of resources and prosperity in the Asia. This has led to the birth of contradict initiative movements such as *Maoism.* Nepal has substantial scope for exploiting its potential in hydropower and tourism. These are considered the future hot cakes in New-wave economy. Prospects for foreign trade or investment in other sectors will remain poor, though. There are lots of reasons for this such as the small size of the economy, landlocked geographic location, technological backwardness, civil conflict and its susceptibility to natural disaster[4]

Achievements 2009-2010

Economic development

[3] http://globaledge.msu.edu/countries/nepal/ Accessed on 1-11-2011

[4] *www.bharatonline.com/**nepal**/travel-tips/**economy**.html* Accessed on 1-11-2011.

- Helped build or repair 6 drinking water supply systems, 9 irrigation systems, 7 community buildings 11 public schools or health posts, and 3 agricultural transportation accepted by communities as priority needs
- Helped raise average household income by 54%, from 42,199 rs to 65,137 rs for more than 55,714 households
- Helped improve average agricultural production by 118 percent for vegetables, 32 percent for spices, 23 % for fruits and 23 Percent for milk in these community Helped increase the proportion of participating community-based organizations working with audited profits and cost recovery from 40 percent to 80 percent[5]

1.3 OVERVIEW OF INDUSTRIES TRADE AND COMMERCE

Different types of industries that are established in Nepal are as Follows:

• Textile and Garment	• Rolling Mills and Metal
• Construction Material	• Pulp, Paper and Stationary
• Furniture	• Food and Beverage
• Poultry and Hatchery	• Machinery and Material
• Electrical and Electronics	• Rubber, plastic and Allied Products
• Pharmaceutical and Chemical	• Handicrafts and Curios
• Energy	• Miscellaneous

6

Nepal is classified as one of the least developed countries in the world by The United Nations (UN). The country's gross domestic product was $10.3 billion

[5] http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/JUD-12916715-SS4 Accessed on 1-11-2011

[6] www.apo-tokyo.org/gp/e_publi/.../Penang_Symp_P149-158.pdf, accessed on 30/10/2011

in 2007, with an estimated per capita GDP of $367. There are several factors which have contributed to Nepal’s underdevelopment like landlocked geography, lack of natural resources, rugged terrain and poor infrastructure. China, Japan, India, the United States, and several European nations have made large investments in Nepal’s economy by the way of foreign help.

- **Agriculture and Manufacturing**

Agriculture leads Nepal’s economy. It provides a livelihood for 79 % of the population and contributes 34 percent of GDP. In Nepal Tarāi is the main farming region of the country. Major food crops are Rice and corn. Major cash crops are potato, oilseed, sugarcane, jute, and tobacco. Most industries are based on agricultural raw materials and dependent on various imported supplies, mostly from India. Major manufactured products are jute, sugar, cigarettes, beer, shoes, matches, bricks and cement.

- **Services**

Tourism represents a growing sector of the economy. Tourism has created demands for services and materials that are slowly changing the environment, ecology, and economy of the Himalayan region. Sherpas, well known for assisting as guides on Himalayan treks and mountain-climbing expeditions benefit from Nepal's growing popularity as a tourist destination. A unique part of Nepal's economy is the famous Gurkha mercenaries.

- **Energy**

Most of the energy consumed in Nepal comes from traditional sources such as fuel wood, which uses for deforestation. Marvelous potential exists for hydroelectric power development, but growth is limited because of terrain, lack of infrastructure, and insufficient capital investment. Nepal has used only a fraction of its potential hydropower. however, a major hydroelectric facility was under production on the Kali Gandaki River in western Nepal in the early 2000s. The country is heavily dependent on India for imported, non renewable sources of power such as kerosene and oil.

- **Transportation**

Nepal has a relatively underdeveloped roads. There are some main roads, which connect major cities and widen to the borders of both India and China. However, the main revenue of transportation is the network of footpaths and trails that interlock the mountains and valleys. There is also a small railway along with the Indian border. International service is available to India, Hong Kong, Singapore, Pakistan, Thailand and Japan. Trihuvan International Airport outside Kathmandu is the main airport in Nepal. There are also several smaller airstrips helping domestic air travel in Nepal.

- **Currency and Banking (1 Indian rupee=1.6nepalese rupees)**

Nepal's monetary unit is the Nepalese rupee (66.40 Nepalese rupees equal to U.S.$1; according to 2007 average). It is issued from the country's central bank, the Nepal Rastra Bank. Indian rupees are also used in Nepal, although less broadly than before trade disputes between the two countries in 1989.

- **Communications**

Nepal has limited telecommunication services. Postal services have improved in recent years but are still inaccessible to many Nepalese. There are only Few people have telephones, though most urban areas have public telephone services. Radio of Nepal broadcasts programs in Nepali and English languages available to more than 90 % of the population. Television programming is limited, but programs from out of the country are available via satellite in inaccessible parts of the country. The major newspapers in Nepal include the Kantipur, Gorkhapatra and Daily Times; freedom of the press was assured under Nepal's 1990 constitution.

- **Foreign Trade**

Because of geographical and historical reasons, most of Nepal's trade is with India. Attempts have been made to expand trade by making new agreements with China, Bangladesh, Pakistan, the United Kingdom, the United States, Singapore, Germany, Thailand and Japan. Nepal has a rising trade deficit with India. Major exports of Nepal are clothing, grain, carpets, and leather goods. Major imports are fertilizer, petroleum products, and machinery.[7] [8]

Particulars	Exports	Imports
Total	$907 million US$ (2009 est.)	$3.63 billion US$ (2009 est.)
Partners	India 59.2%, US 8.7%, Bangladesh 8.3%, Germany 4.3%	India 82.9%, China 13.5%, UAE 2.6%, Singapore 2.1%, Saudi Arabia 1.2%.
Commodities	carpets, clothing, leather goods, jute goods, grain	gold, machinery and petroleum products, equipment, fertilizer

[7] www.exotic-**nepal**.com/economy_of_**nepal**, accessed on 3/11/2011
[8] http://en.wikipedia.org/wiki/Economy_of_Nepal, accessed on 5/11/2011

1.4 OVERVIEW OF DIFFERENT ECONOMIC SECTORS OF NEPAL

Nepal's gross domestic product for 2008 was estimated at $12 billion, making it the 115th-largest economy in the world. Agriculture accounts for about 40% of Nepal's GDP, services include 41% and industry 22%. Agriculture employs 76% of the labor force, services 18% and manufacturing/craft-based industry 6%. Agricultural make – mostly grown in the Terai region bordering India – includes wheat, tea, rice, corn, milk, sugarcane, root crops and water buffalo meat. Industry mainly involves the processing of agricultural produce, including tobacco, sugarcane, jute and grain.[9]

- **Money and Banking**

Nepal's first commercial bank, the Nepal Bank Limited was established in 1937. The government owned 51% of the shares in the bank and controlled its operations to a large level. Headquartered of Nepal Bank Limited was in Kathmandu and branches are in the other parts of the country. There were other government banking institutions. National Commercial Bank, a state-owned commercial bank, was recognized in 1966. The Land Reform Savings Corporation was established in 1966 to deal with finances related to land reforms. [10]

- **Agriculture**

Agriculture dominated the economy. In the late 1980s, it was the source of revenue for more than 90 percent of the population--although only around 20 percent of the total land area was cultivable--and accounted for, on average, about 60% of the GDP and approximately 75% of exports. from the time when the formulation of the Fifth Five-Year Plan (1975-80), agriculture has been the highest priority because economic growth was reliant on both increasing the productivity of existing crops and diversifying the agricultural base for use for industrial inputs. In annoying to

[9] http://en.wikipedia.org/wiki/Nepal#Economy
[10] http://www.mongabay.com/reference/country_studies/nepal/ECONOMY.html

increase agricultural production and diversify the agricultural base, the government is paying attention on irrigation, the use of fertilizers and insecticides. Introduction of new equipment and new seeds of high varieties, and the provision of credit.

- **Manufacturing**

The major manufacturing industries produced jute, matches, shoes, sugar, cigarettes, beer, cement, chemicals, and bricks. The garment and carpet industries, under attack at export production, have grown rapidly from the mid1980s whereas jute production has reduced. The government provided the land and buildings for the industrial property, but the industries themselves were mostly privately owned.

- **Minerals**

Because only a small number of minerals were obtainable in small quantities for commercial consumption, the mineral industry's involvement to the economy was little. Most mineral commodities were used for domestic construction. The main mineral agency was the Department of Mines and Geology.

The most significant mineral resources subjugated were limestone for clay, garnet, cement, magnetite, and talc. Crude magnetite production reduced from a high of just about 63,200 tons in 1986 to about 28,000 tons in 1989; it was predictable to decline further to 25,000 tons.

- **Tourism**

Tourism was a most important resource of foreign exchange income. Especially since Mount Everest was first climbed by Sir *Edmund Hillary and Tensing Sherpa* in 1953, the Himalayas have paying attention of foreigners to Nepal. Tourism was making possible with the opening of airways to Kathmandu and other parts of the nation and the easing of travel limits. In the 1950s, there was a shortage of hotels.

Beginning in the 1960s, the government gave positive response to the building of hotels and other tourist services through loans. Between 1985 and 1988 the number of hotel rooms enlarged from 22,000 to more than 27,000 According to government reports.

- **Private Industry**

The past of incorporated private firms in Nepal is tiny. The Nepal Companies Act of 1936 provided for the combination of industrial enterprises on joint stock principle with limited liability. The first such firm was *Biratnagar Jute Mills*, a joint venture of Indian and Nepalese entrepreneurs. It was created in 1936 with initial funds of 160,000 Indian rupees.

- **Public Companies**

Public companies also had a variety of successes. From 1936 to 1939, twenty public companies were formed, of which three unsuccessful. Between 1945 and 1951, thirty-five public firms were built-in, six of which go out of business. Between 1936 and 1963, fifty four firms were built-in, but at the end of 1963 only thirty four remained in business.

1.5 OVERVIEW OF BUSINESS AND TRADE AT INTERNATIONAL LEVEL

- **Nepal - International Trade**

Nepal is a landlocked nation, surrounded by India on 3 sides and by Tibet (now a province of China) in the north. Previously, international trade before the 1950s was with these countries. Exports have consisted of mainly agricultural produce, while everything which was not produced locally has been imported. All through the years of improvement, these imports have included industrial inputs, fertilizers, and petroleum. Since 1970s, the balance of trade has been increasingly negative. During the same period, though, exports of garments and carpets have grown; reaching sales close to US$300 million, and trade with other countries has increased to the loss of the trade with India.

The trading relationship with India was initially codified in 1950 with the Treaty of Trade and Transit, which lowered tariffs and tax duties on goods passing between Nepal and India. In succeeding modifications and renewals of the treaty (notably in 1960), transportation facilities for trade between Nepal and other countries were established in India at the port of Calcutta. The decrease in India's percentage of trade with Nepal to just above 30 % in 1998 demonstrates the achievement of these arrangements. In March 1989, late negotiations led to the extinction of the treaty, and all but two trading points were closed for a year. This crippled the Nepalese economy, as internal trade and external trade with India was subjected to practical closure. A temporary government successfully reinstated the treaty in June 1990.

Fiscal yr	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Export	61126.8	67697.5	59266.5	59383.1	60234.1	58705.7
Import	378795.6	284469.6	221937.7	194694.6	173780.3	149473.6
Deficit	(317,668.80)	(216,772.10)	(162,671.20)	(135,311.50)	(113,546.20)	(90,767.90)

Nepal has been more victorious in expanding its exports with countries such as the United States, Germany, Britain and Japan, the value of which rose from 14.4 million rupees in 1965 to more than 16 billion rupees in 1996. Nepal's trade balance is twisted towards imports, partially because the demand for industrial inputs and consumer goods has grown while local production has not. In 1998, import of Nepal is US$1.2 billion in goods while exporting just US$474 million. Hong Kong, India, and Singapore are the country's major import associates. Governments have attempted to augment export earnings by diversifying products, and also to decrease import costs by replacement imports with local production. Policies such as the Exporter's Exchange Entitlement Scheme and both and a Single Exchange Rate a Dual Exchange Rate were formulated to smooth the progress of these objectives.

- **Trade Policy**

A liberal and dynamic trade policy will be pursued with the aim to improve balance of payments position by promoting exports to increase foreign exchange earnings as well as by gratifying internal demand of economic and quality products. Moderate procedures will be adopted for encouraging interactions between trade and industry for sustained export promotion and for fulfillment of internal demand through increased domestic production.

Importance will be given on modernizing management and technology, on promoting market and on attract direct foreign investment in order to identify and develop new products as well as raise the production and quality of the traditional products. The public sector trading corporations will slowly be privatized taking into considerations the development and efficiency of the private sector.

In support to above policy measures, essential steps-as pre-conditions-relating to foreign exchange, fiscal and monetary policies will be taken up towards (full) convertibility of the Nepalese currency in trade and service sectors. For this reason, major changes will be made in the administrative procedures to make them transparent, simple, and dynamic. [11]

Taxation system will be simplified by introducing necessary changes in order to encourage competition in trade. Emphasis will be laid on institutional development and information network as well as on monitoring system and quality upgrading for the promotion of foreign trade. The existing trade treaties and agreements with various countries and international agencies will be successfully implemented and new ones will be concluded, as and when necessary, for the encouragement of international trade

- **Export Strategy**

For the encouragement of exports, container service will be introduced and the existing bonded warehousing system will further expanded and improved.

The duty drawback scheme for the refund of import duty paid on the import of raw materials and intermediate goods required for the production of exportable products will effectively implement. In this context, duty on import of raw materials will be fully exempted taking into consideration the needs. Exports will be exempt all charges except the service charge. For the promotion of exports, Export Promotion Zone (EPZ) will be recognized. No duty will be charged on the raw materials and additional imports used by

[11] http://www.nationsencyclopedia.com/economies/Asia-and-the-Pacific/Nepal-INTERNATIONAL-TRADE.html#ixzz1cYP8QreP, accessed on: 02/11/2011

industries established in such EPZ. Industries exporting more than 90% of their production will be granted similar facilities as given to the industries established in EPZ.

No license will be required and no quantitative restriction will be imposed on the imports of the raw materials (except stipulated) necessary for the export-oriented and import-substituting industries. But for the import of such materials, foreign exchange will be made available by the commercial banks at the rate fixed by market mechanism.

Export Valuation System will gradually be abolished after the full convertibility of the Nepalese currency. Quality will be tested from time to time in order to improve the standard of exportable products and essential information will be made available for this purpose. Simple and convenient procedures relating to pre-and post-shipment credits will be adopted on a priority basis.

Income tax on income from exports will be fully excused, and income received from exports to India on the strength of letter of credit or agreed banking document will also be free from income tax. Emphasis will be given on the growth of packaging technology to maintain the quality standard of export products. Essential information and training relating to technology, marketing and export procedures required for export promotion will be provided on an institutionalized basis and arrangements will also be made for the contribution in national and international trade fairs for market promotion. Regular monitoring will be made to avoid twist in imports and exports. Strong procedures will be taken in case of exploitation of facilities. [12]

1.6 PRESENT TRADE RELATIONS AND BUSINESS VOLUME OF DIFFERENT PRODUCTS WITH INDIA

Nepal and India, in spite of their vast differences in size and population, are very closely held together by their culture and traditions. A history of close co-operation and friendship between

the people of these two nations has been significantly facilitated by the long

[12] http://www.asiatradehub.com/nepal/trade.asp accessed on 02/11/2011

and open border and close economic ties between these countries. From the past few decades, there has been tremendous progress in economic relationship between Nepal and India.[13]

Nepal has the leading volume of trade with India. Nepal also has the largest trade deficit with India, and this figure is increasing from year to year.

Fiscal year	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Export	40,114.90	41,005.90	38,555.70	41,728.80	40,714.70	38,916.90
Import	217,960.40	162,437.60	142,376.50	115,872.30	107,143.10	88,675.50
Deficit	(177,845.50)	(121,431.70)	(103,820.80)	(74,143.50)	(66,428.40)	(49,758.60)

[14]

- **India – Nepal Treaty of Peace and Friendship**

The Indo-Nepal Treaty of Peace and Friendship of 1950 is a bilateral treaty between Nepal and India establishing a close strategic association between the two South Asian neighbors. The signing of the India-Nepal Treaty of Peace and Friendship in 1950 established the framework for the exclusive ties between the two countries. The treaty, which provides for 'national' treatment for each others' citizens in matters of entry, movement and business in their own territories, is a reflection of the unique relationship. India has enjoyed good relations with consecutive governments in Nepal since the re-establishment of democracy in April 1990.

There has been strongest growth in bilateral trade since the revised Trade Treaty was signed in 1996. Since the revision of India-Nepal trade treaty in 1996, Nepal's exports to India have grown over 5 times and totality bilateral trade has grown over3 times. Over 85% of increase in Nepal's full exports worldwide and about 90%of whole imports, since 1996 has been on account of India. This period has also seen an increase in India's share in Nepal's foreign trade. Ever since the 1996 Treaty, India's share in Nepal's export has grown

[13] http://www.nicci.org/about/ accessed on 21/10/2011
[14] http://www.nicci.org/resources/import-including-petroleum.php accessed on 21/10/2011

from 18.5% in 1995-96 to 65% by January 2005. India's share in Nepal's imports has reached nearly 63% by January 2005, from 32.8 % in 1995-96. Today, India account for nearly two-third of Nepal's foreign trade.[15]

➢ Bilateral Framework

The bilateral framework for trade and transit is provided by the India-Nepal Treaties of Trade, of Transit, and Agreement for Co-operation to Control Unauthorized Trade 1991. The Trade Treaty legitimate for five years and was converted through an exchange of letters on December 3, 1996 and March 5, 2002 and in the year 2007. Under the Treaty of Trade, India provides, on a non-reciprocal basis, duty free access, without quantitative restrictions, to the Indian market for all Nepalese-manufactured articles except for a small list of harmful products like cigarettes, alcohol and cosmetics, subject to the condition. The two countries already have a double taxation avoidance agreement since 1987.[16]

➢ Business volume between Nepal and India

- Nepal's main imports from India are

Petroleum products (25.8%)	Motor vehicles and spare parts (9.1%)
M. S. Billet (7.1%)	Machinery and spares (3.7%)
Cold rolled sheet in coil (3.6%)	Medicines (3.5%) and hot rolled sheet in coil (2.4%)

[17]

Readymade garments are Nepal's highest export items to overseas countries, followed by woolen carpets and pashmina products. further traditional export

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[15] http://publishedforscholar.wordpress.com/2006/12/18/india-%E2%80%93-nepal-relations/ accessed on 22/10/2011

[16] http://publishedforscholar.wordpress.com/2006/12/18/india-%E2%80%93-nepal-relations/ accessed on 22/10/2011

[17] http://www.indianembassy.org.np/trade-and-commerce.php accessed on 22/10/2011

items to overseas countries are hides and skin, metal and wooden handicrafts, lentils, agro- and forest-based primary and secondary goods, raw jute, leather, large cardamom, tea, ginger and medicinal herbs. Coffee, terry towels, honey, blankets, micro transformers and buttons are emerging as new export items.[18]Nepal's export basket to India mainly comprises

Zinc sheet (8.5%)	Threads (8.3%)
Polyester yarn (5.9%)	Jute goods (9.3%)
Textiles (7.5%)	Juice (4.7%)
GI Wire (4%)	Large cardamom (2.6%)
Vanaspati (14.1%)	G. I. sheets and wire

Visualizing the scope of technology enhancement and production potentials, the upcoming export items are mushroom, saffron and floriculture products.

- **Indian firms invested in Nepal**

Indian firms are the largest investors in Nepal, accounting for 44% of total FDI proposal approved foreign direct investment of IRs 36.24 billion (approx. US $ 778 million). Indian ventures in Nepal are engaged in manufacturing, services like banking, dry port, insurance, power sector, education and telecom, and tourism industries. Large Indian investors in Nepal include, [19]

ITC	Dabur India	Hindustan Unilever
VSNL	TCIL	MTNL
State Bank of India	Punjab National Bank	LIC
Asian Paints	CONCOR	GMR India
IL&FS	Manipal Group	MIT Group Holdings
Nupur International	Transworld Group	Patel Engineering
Bhilwara Energy	Bhushan Group	Feedback Ventures
R J Corp	KSK Energy	Berger Paints

[18] http://nepalembassy.in/tradeandcomm.htm accessed on 22/10/2011
[19] http://www.indianembassy.org.np/trade-and-commerce.php accessed on 22/10/2011

According to Federation of Nepalese Chambers of Commerce and Industry (FNCCI) in year 2007.Indian companies like SBI (Nepal SBI Bank Ltd, share 50%), PNB (Everest Bank Ltd, share 20%), Alpic Finance Ltd(Alpic Everest Finance Ltd, share 55%), National insurance and Oriental insurance company Ltd having solid base inside the financial sector of Nepal.

In September 2003, an association of VSNL, TCIL and MTNL, jointly with a Nepali partner, became the earliest private sector player in the tele-communication sector in Nepal. The Indian partners have 80% share in the venture and offer basic telephony service through WLL technology.[20]Nepal is a formidable terrain for India in each manner and some Indian business venture in this land would be very boosting in trade relationships of these two countries. In current time numbers of joint ventures business with India (April 2008, FNCCI) has been considerably increased as 120 companies are operating, 33 are in under construction, 37 are waiting for license and 142 have received approval for businesses.

1.7 PESTAL ANALYSIS

- **Political Factors**

The country is divided managerially into 14 zones and 75 districts. Local and district-level administers responsible to national ministries that are guided by policies set by a bicameral government made up of a House of Representatives and a National Council. The majority party in the House of Representatives chooses the prime minister. The executive branch is made up of of the king and the Council of Ministers Leadership and Political Officials. The government is overwhelmed by corruption, and its officials often rely on bribes to increase their income. It is believed that power and

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[20] http://publishedforscholar.wordpress.com/2006/12/18/india-%E2%80%93-nepal-relations/ accessed on 23/10/2011

employment in government are achieved through personal and family associations. All Nepalese citizens 18 and older are eligible to vote.

- **Economic Factors**

Nepal is one of the poorest and least developed countries in the world with about 1/3 of its population living under the poverty line. Agriculture is the key economic activity, providing employment for three-fourths of the population and accounting for 38% of GDP. Industrial activity mainly involved the process of agriculture produce. Prospects for foreign trade or investment in other sectors remain poor due to Nepal’s tiny economy, its remoteness, its technological backwardness, its landlocked location, its civil trouble, and its vulnerability to natural calamity.

<u>Economic Structure</u>

- GDP by sector: agriculture 35 %, industry 16%, services 49%
- Labor force by sector: industry 6%, services 18%, agriculture 76%
- Nepal has a short of skilled labor. The rate of unemployment and underemployment is move toward to the half of the working-age population. So, many Nepalese migrates to India to look for of work.
- In 2004, Nepal joined the South Asia Free Trade Agreement that guaranteed a zero customs duty on the trade of practically all products in the region by the end of 2012.[21]

- **Social factors**

As Nepal is consisting a very broad diversified home of several ethnical groups so it has common social family structure. Nepal experiences growth in economic and human development over the last decade. On the basis of results of the Center for Nepal and Asian Studies (CNAS), Social Exclusion Survey of **2890** households, discover that in spite of of background

[21] http://en.wikipedia.org/wiki/Economy_of_Nepal accessed on 23/10/11

characteristics, a majority of people report socio-economic enhancement, more ethnic incorporation and less discrimination. Although traditionally disqualified caste, ethnic and religious groups are rather less likely to report social improvements than more privileged groups. Socio-economic and socio-cultural change show that such group differences removed when calculating for socio-economic and other background characteristics.[22]

- **Technological Factors**

Agriculture engineering division is a major responsible organization for R&D of farm machinery and agriculture equipment. Alternative energy promotion center is an organization devoted to the development and promotion of renewable and alternative energy in Nepal.

The Foreign Investment and Technology Transfer Act, 1992

It has been mentioned that " whereas, in the process of industrialization of the country, it is convenient to promote foreign investment and technology transfer for making the economy feasible, dynamic and competitive all the way through the maximum mobilization of human, limited capital and other natural resources"[23]

- **Environmental aspects**

The major environmental issues in Nepal are agricultural infringement, deforestation, soil erosion, and contagion of the water supply. Between the mid1960s and the late 1970s, forestland decline from 30% to 22% of the total area mainly because of the felling of timber for firewood. All of Nepal's forests were nationalized in 1957, but reforestation efforts are in a smaller amount. By 1985, however, deforestation averaged 324 square meters per year, while reforestation was only 4,000 hectares per year. An additional 4.4% of forest

[22] http://jas.sagepub.com/content/46/2/184.abstract?rss=1 accessed on 23/10/11

[23] http://www.unescap.org/tid/publication/indpub2323_part3nep.pdf accessed on 23/10/11

and woodland were vanished between 1983 and 1993. The FAO estimates that at the present rate of exhaustion, the forests will be virtually shattered by 2015. Air and water pollution are significant environmental problems in Nepal. Almost one-third of the nation's city inhabitants and two-thirds of all rural dwellers do not have pure water, Untreated sewage is a major pollution factor: the nation's cities produce an average of 0.4 million tons of solid waste per year.

- **Legal Aspects**

National Child Labor Laws

According to the ILO, Nepal's law establishes a minimum age for employment of children at 14 years. Other important child labor laws include the Children's Rights and Welfare Act 1992. The Act defines child as a person who has not reached at the age of 16. Article 17 forbids the employment of children who have not attained the age of 14 years.

The Industrial Enterprises Act, 1992

The Act envisages a crucial role for the private sector initiative for economic development in Nepal. It has been mentioned in the Act that the Industrial Promotion Board, will give guidelines in attaining the objectives of open, liberal and competitive economic policies pursued by the country so as to make the industrial sector competitive.

The Consumer Protection Act, 1997

The Consumer Protection Act was enacted in 1998. This Act is an umbrella act aimed at protecting the rights of the consumer and restricting unfair trade practices. The Section 6 of the Act assures and recognizes six rights of the consumer out of eight rights recognized globally. The provisions mentioned in the Act can help protect the interest of the consumer and also foster a competitive business environment.[24]

[24] http://www.state.gov/r/pa/ei/bgn/5283.htm accessed on 23/10/11

PART-2

INTRODUCTION OF DABUR

Dabur India Limited came into existence over 100 years ago in 1884 at Calcutta. The creator, Dr.S.K.Burman, was a working allopathic doctor.

Dabur (Dr.S.K.Burman) Pvt. Ltd. was amalgamated with Vidogum and Chemicals Ltd. w.e.f. 1stJuly1985 and the merged company was renamed Dabur India Limited and a fresh certificate of incorporation was issued to that effect. In 1970, the bulk of manufacturing amenities were shifted from West Bengal to Faridabad in Haryana.

Dabur was incorporated as a Private Ltd. Company in the name of “Dabur Pvt.Ltd.”according to the companies act 1956.From a modest establishment in 1884, a manufacture of traditional medicine in Calcutta. It now enjoys the distinction of being the 2nd largest FMCG Company and is praised to become a true Indian Multinational.

The main plant was set up in Sahibabad (U.P.) in 1977 for developed of Dabur Chyawanprash, hair oil, tooth powder, Hajmola one of the digestive and other Ayurvedic medicines and food products etc.Dabur's main line of business includes Health care, Personal care and Beauty care. Its power lies in natural and herbal preparations.

Dabur is also an ISO 9002 certified company. The official recognition was obtained in 1995 by SGSYARSLEY international services Ltd U.K. In recently time Dabur's profits is more than Rs.800 crores. Dabur has more than 34,000 shareholders with market capitalization of more than Rs.1, 450 crores.

Dabur has 11 manufacturing plants in India and Nepal and a licensee in the Middle East.Dabur has production facility Egypt also. The company has more than 4,000 employees with around1, 500 looking after sales and marketing activities. The Indian market is being served throughout a transactional set-up of sales offices and carrying and forwarding agents. Dabur has established its offices in U.K., New York and Moscow. Dabur products are being exported to approximately 50 countries. Dabur's Product portfolio including more than 500 products of FMCG and health care products.[25]

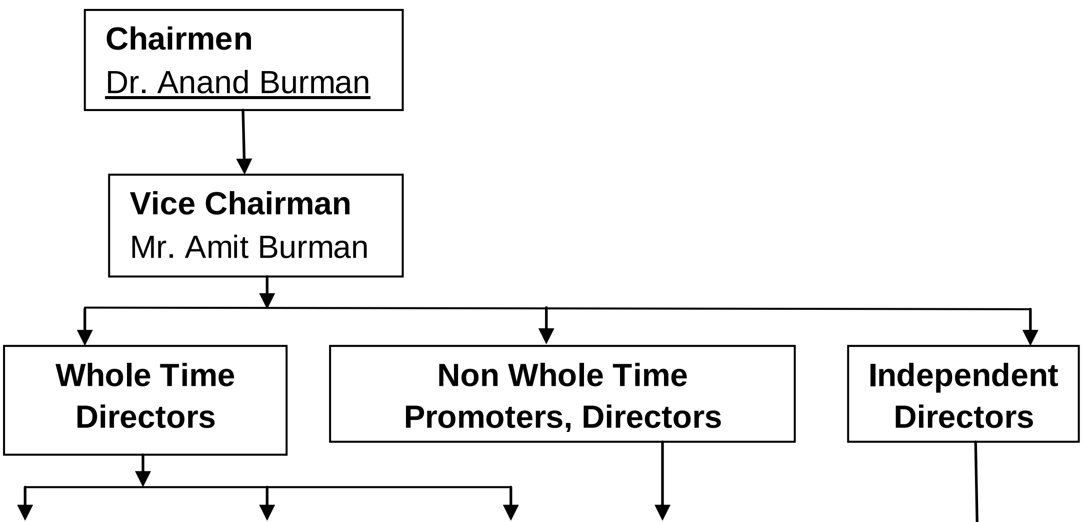
2.2 STRUCTURE, FUNCTIONS AND BUSINESS ACTIVITIES OF THE DABUR COMPANY

Founder and Leaders

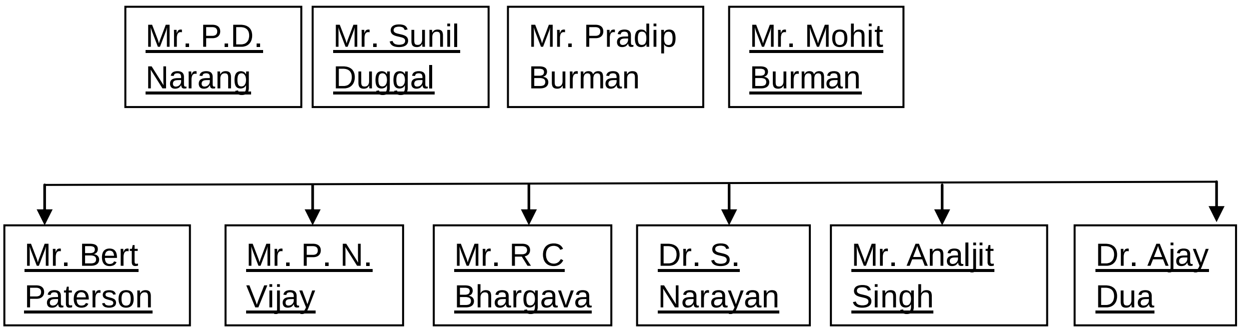
- **Founding Thoughts**

The story of Dabur began with a small, but visionary Endeavour by Dr. S. K. Burman, a physician of Bengal. Dr. S. K. Burman's mission was to make available effective and affordable cure for ordinary people in far-flung villages.[26]

- **Board of Directors[27]**



[25] http://www.scribd.com/doc/47020417/5/Introduction-to-Dabur
[26] http://www.dabur.com/About%20Dabur-Founder%20and%20Leaders
[27] http://www.dabur.com/About%20Dabur-Board%20Of%20Directors



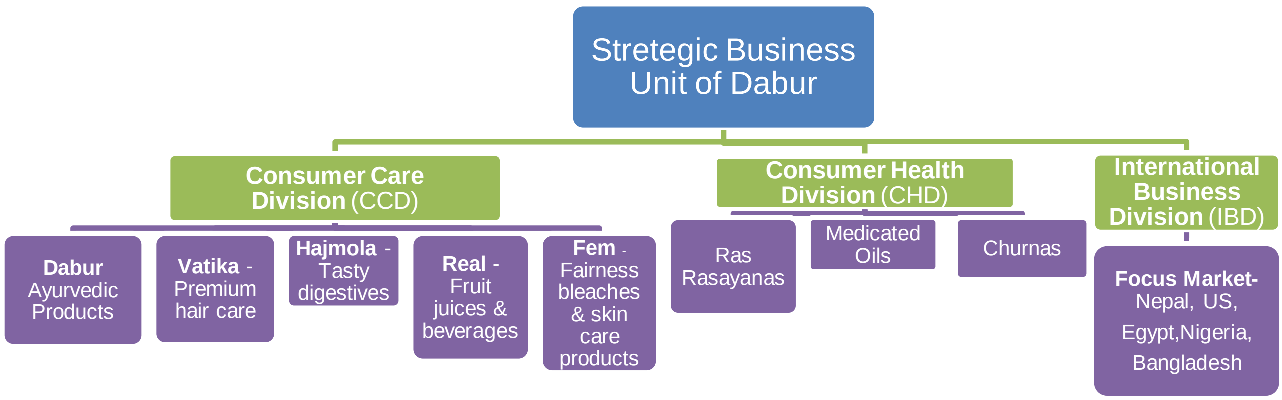
- **CEO of Dabur**

Mr. Sunil Duggal became Chief Executive Officer of Dabur India Limited in June 2002. he joined Dabur company in 1995. Mr. Sunil Duggal has handled diverse portfolios during 20 years of his career in comapny that have helped him understand the dynamics of FMCG businesses and market trends.[28]

- **Functions and Business Activities of Dabur**

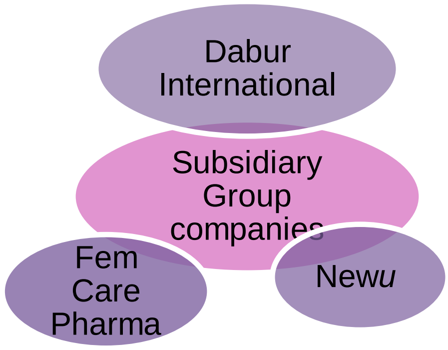
Dabur India Limited has marked its existence with important achievements and today commands a market leadership position. The results of our policies and initiatives speak for themselves.

- Leading consumer goods company in India with a **turnover** of Rs. 2834.11 Crore (FY09)
- Mainly three strategic business units of Dabur are as follow:

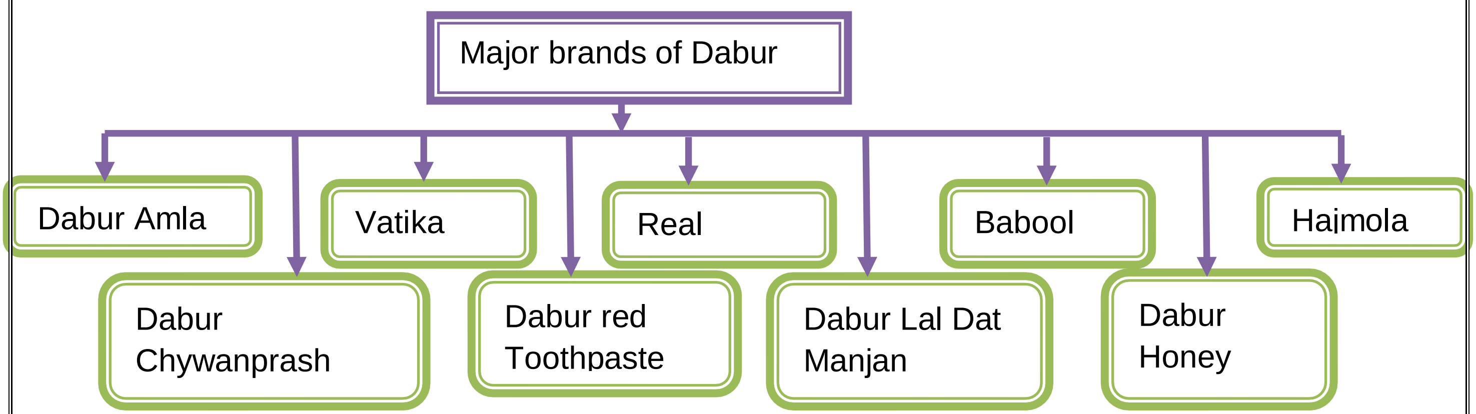


[28] http://www.dabur.com/About%20Dabur-CEO

- 17 **highly technological manufacturing units** spread around the world
- Dabur Products are marketed in more than **60 countries throughout the world.**
- 3 Subsidiary Group companies



- Wide and deep market penetration with around **50 carry and forward agents**, more than **5000 distributors/vendors** and more than**2.8 million** retail outlets all over India.[29]
- 9billion Rupees brand:



- **In 2006, Dabur crosses $2 bin market cap, adopts US GAAP.**

[29] http://www.dabur.com/About%20Dabur-Dabur%20At-a-Glancen.

- **In 2010,** Dabur makes its first overseas acquisition, buying Hobi Kozmetik Kozmetik Group, a leading personal care products company in Turkey, for $69 million.
- In 2011, **Dabur launches its first-ever online shopping portal** .Dabur India Ltd. launches its first-ever online shopping portal. Dabur is the foremost Indian FMCG company to launch a dedicated online shopping portal for its beauty products range.[30]

3.1 COMPARATIVE POSITION OF FMCG INDUSTRY WITH INDIA AND NEPAL

India's FMCG sector reported steady sales of 11.2% over FY00-10 on the back of strong annual volume growth of ~8.5%.Growth being determined by increasing consumption lead by increase in incomes, changing lifestyle and encouraging demographics FMCG industry projected to grow in mid to high youth going ahead FMCG industry peg at US$30billion in CY10Of the whole FMCG sector, Food is52%, Non-Food at 45% and OTC 3% Rural sector financial records for about 33%of total revenue Of the 7.8 million retail outlets for FMCG, Grocers are the leading format Modern Trade contribute to 6%of FMCG sale[31]

DABUR IN INDIA

DABUR is the fourth major FMCG Company in India with Revenues of Rs 4110 Crore & Market Capitalizations of Rs 20,000 Crore. Dabur operates in key consumer products category that include Skin Care, Oral Care, Hair Care, Home Care & Foods, Health Care.[32]

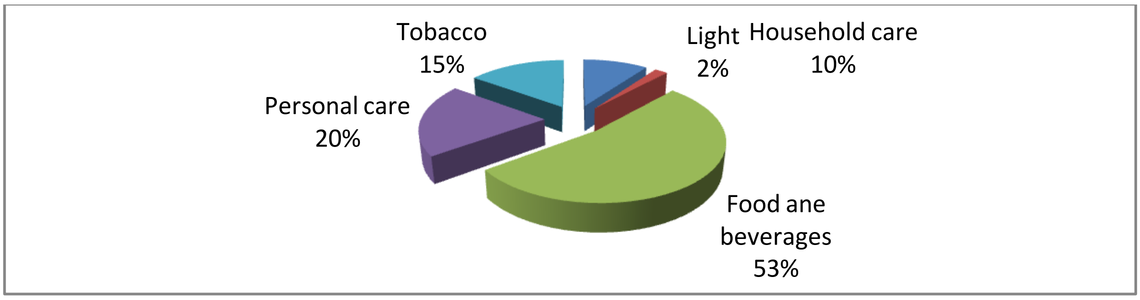
[30] http://www.dabur.com/About%20Dabur-Milestones

[31] http://www.dabur.com/en/investors1/DIL-Inv.%20Presentation-HSBC%20India%20Inv.%20Conf.-7th%20Feb.,%2011.pdf/ Accessed on 1-1-2012

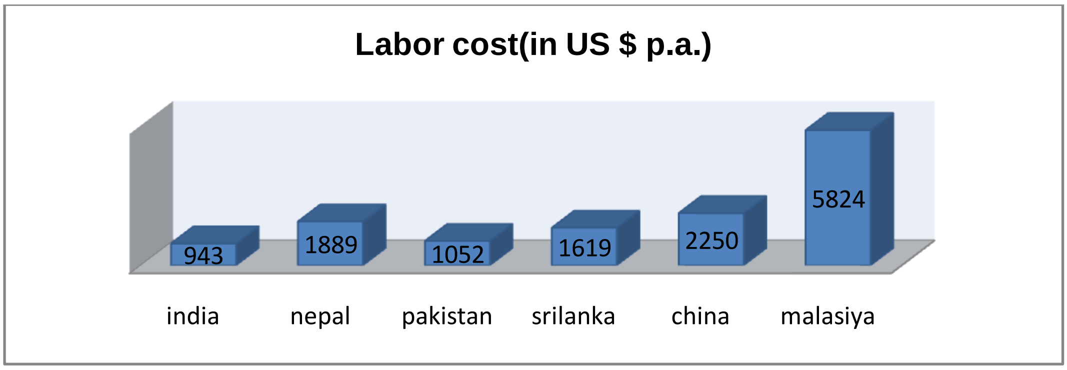
[32] http://www.dabur.com/default.aspx/Accessed on 11-1-2012

Dabur India is also a world leader in Ayurveda .Dabur's FMCG portfolio today includes **five flagship brands** with diverse brand identities -- **Dabur** as the major brand for natural healthcare products, **Vatika** for best personal care, **Real** for fruit juices and beverages, **Fem** for fairness bleaches and skin care products **Hajmola** for digestives.The company has a wide distribution network, cover over **2.8 million retail outlets** with a high dispersion in both urban and rural markets.

MAJOR SEGMENTS OF THE FMCG INDUSTRY:



- **COMPARATIVE POSITION OF LABOR COST OF DIFFERENT COUNTRY WITH INDIA AND NEPAL**

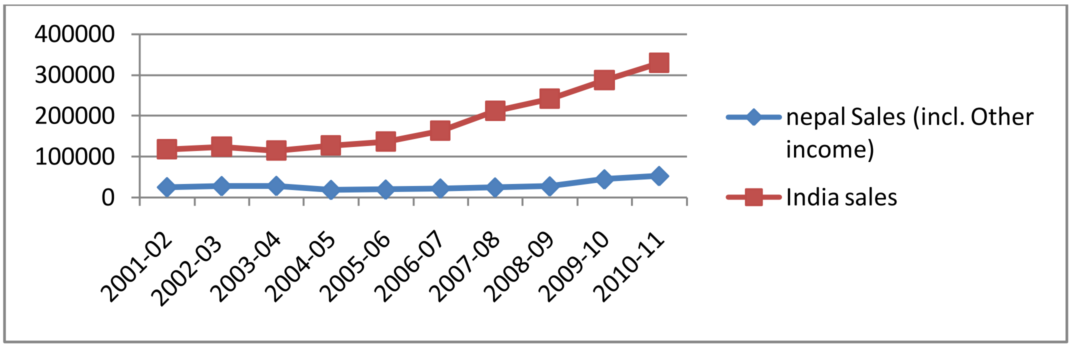


[33]

As can be seen from the above graph, In India labor cost is the lowest in emerging Asian countries. By comparison with Nepal, labor cost in India is lower than Nepal.

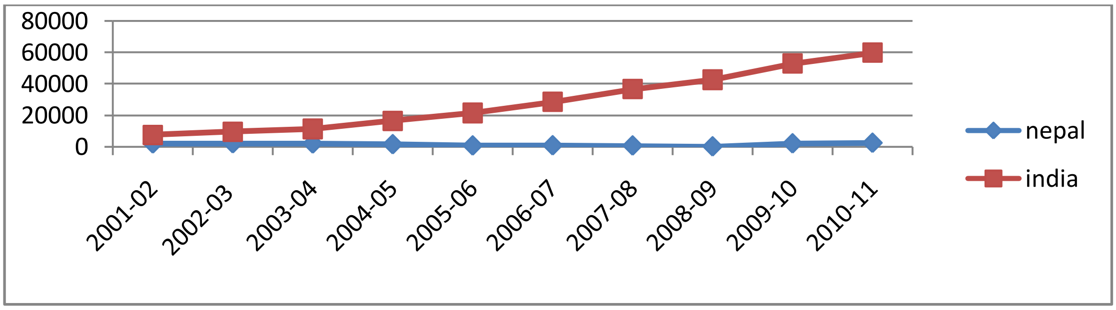
Sales of India and Nepal from 2001 to 2011

[33] www.iseindia.com/ResearchPDF/FMCG_Update1.pdf



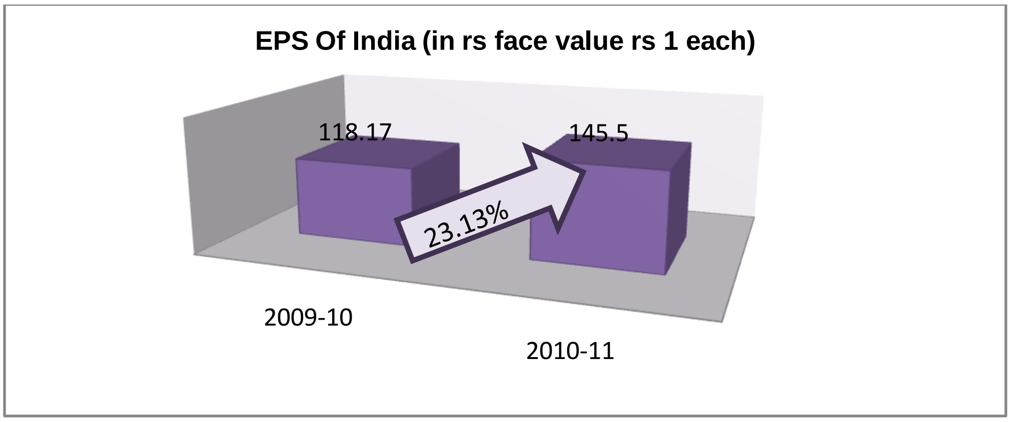
As can be seen from the above diagram, sales of India and Nepal from 2001 to 2011 are given. Dabur India sales are constantly growing than Nepal

Balancing being net profit before taxation



As can be seen from the above diagram, Dabor india Net profit before tax are constantly growing than Nepal.

EPS OF INDIA AND NEPAL FROM 2009 TO 2011



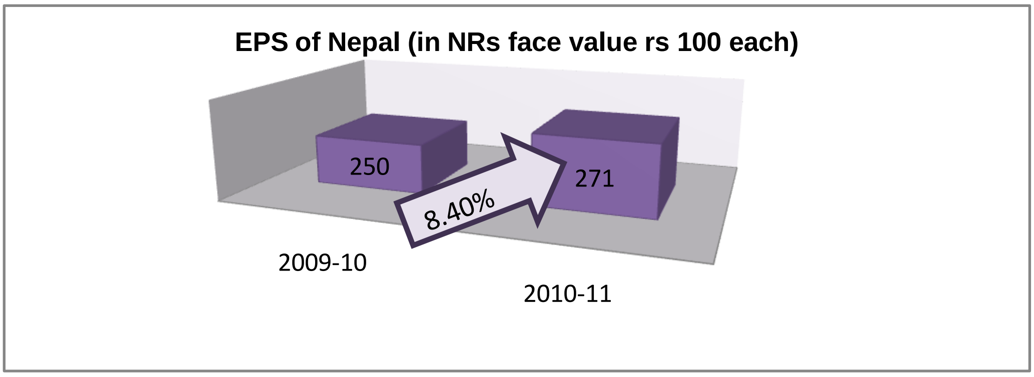
As can be seen from the above diagram, Dabur India EPS is growing at 23.13% from 2009 to 2011 but Dabur Nepal EPS is growing at 8.4% is lower than Dabur India.

Based on balance sheet of Dabur India and Nepal, capital and reserve in Dabur India is increase by 46.94% from 2010 to 2011 but in Nepal it is increase by 15.01%, as well as fixed asset in Dabur India is increase by 11.59% and that of Dabur Nepal is by 14.33%. Current Liabilities and Provisions of Dabur India are 103,164 lacs and in Nepal are 10,475.28 lacs in 2011[34]

Based on Profit and loss account of Dabur India and Nepal Profit of Dabur India is 71,422 lacs in 2011 is increase by 35.55% from 2010 and Dabur Nepal is 7489.18 lacs in 2011 is increase by 18.36% from 2010 so, it is conclude that Dabur India is higher profitable than Dabur Nepal.

3.2 PRESENT POSITION AND TREND OF BUSINESS (IMPORT/EXPORT) WITH INDIA

Economic relationship between India and Nepal has its own unique attribute due the ecological, societal, moral links between the natives of both of countries. The socio-ethical civilization and standards of the two nations



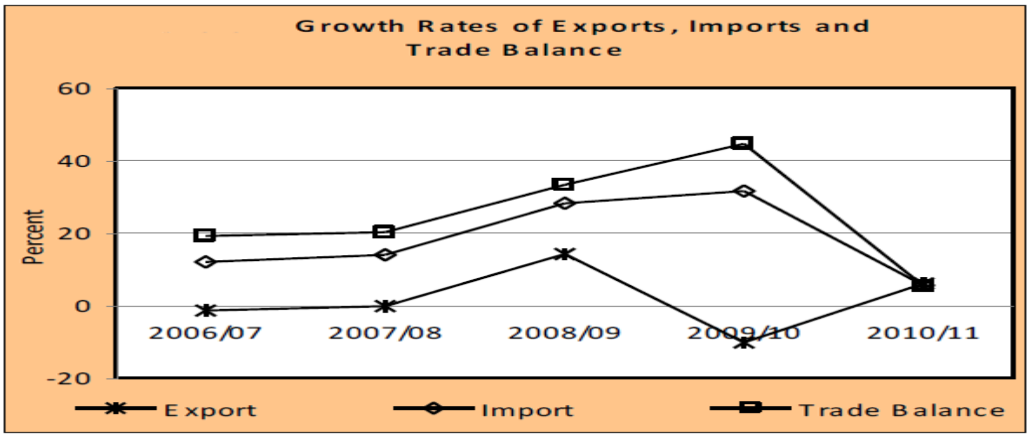
greatly influence the trade relations between them.

[34]http://www.dabur.com/en/Investors1/Annual_reports/2010-11/DirectorReport.pdf

Nepal’s foreign trade

In 2010/11, the growth rate of exports outpaced the growth of imports for the first time in ten years. The trade with India reached its peak, constitute two thirds of Nepal's total trade.

In 2010/11, imports increased by 5.5 percent to Rs. 394.90 billion, led by strong growth (43.9 percent) of petroleum product import. This imports had risen by 31.6 percent to Rs. 374.34 billion in the last year.Total imports increased by 28.2 percent to Rs. 284.57 billion in the year 2008/09in comparison to the growth of 14.0 percent in the year 2007/08.so there is continues increase in import from last five year.[35]



Export trade, which had decease by 10.2 percent in the year 2009-10, recorded a growth of 6.1 percent to Rs. 64.56 billion in the 2010-11.

Exports to India goes up by 8.4 percent during the review year in contrast to a drop by 2.5 % in the previous year. Exports to other countries rise by 1.8 percent in contrast to a fall by 22 % in a year ago.

The increase in the exports to India due to the increase in the exports of zinc pieces, jute products, juice /beverages, cardamom and thread. Exports to new countries increased due to an increase in the export of tanned skin ,woolen carpet, pashmina, and tea, among others.

[35] http://www.red.nrb.org.np/.../economic_reports/Economic_Reports--2008-09.pd...

In 2010/11, imports increased by 5.5 percent to Rs. 394.90 billion, led by strong growth (43.9 percent) of petroleum product import. This imports had risen by 31.5% .

Imports from India decline by 20.5 percent during 2010-11compared to a growth of 33.7 percent in the last year. Imports from other countries fall by 15.2% in contrast to a growth of 28.9% in a year ago. In the year 2010-11, the import of petroleum products, medicine, cold rolled sheet in coil and hot rolled sheet in coil, among others, increased from India while import of gold bars, readymade clothes, steel material and sheet, other machinery & parts and betel nuts decline from other countries. The share of India in Nepal's total trade stood at 66.5% in the year 2010-11as compared to 59% in a previous year. [36]

India- Nepal joint ventures in Nepal have contributed significantly to increase Nepal’s exports to India. Popular Indian joint ventures in Nepal covers: United Telecom, Unilever Nepal, LIC, ITC, SBI(State bank of India), Punjab National Bank, Manipal Group, CONCOR, Tata Power, GMR India, IL&FS, Asian Paints, and Dabur.Dabur India JV directly employs over 1000 people and indirectly it employes about 30,000. It has generated income of more than Indian Rs. 40 crore.[37]

Dabur india ltd.sales

sales	2011	2010	2009	2008	2007
Domestic Sales	315,207	275,393	230,163	201,293.09	156,482.96
Export sales	14,329	12,652	12,205	10,485.77	7,253.16

The above table clearly shows that There is a constant increase in export sale and domestic sales of dabur india ltd.

[36] http://red.nrb.org.np/publica.php?tp=economic_reports&&vw=15
[37] 1 http://articles.economictimes.indiatimes.com/2008-03-22/news/28457848_1_dabur-nepal-nepal-lever-nepal-government

Indian companies like Dabur have help in inspiring industries such as packaging, agro-based Industries, and transportation Industries whose goods and services are consumed by the Nepalese people on a regular basis. Indian industry has made a total investment of Rs. 1400 crore. Of this Dabur'share is Rs144 crore. Indian joint ventures have been a shining example of India-Nepal economic relationships.[38]

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[38] http://articles.economictimes.indiatimes.com/2008-03-22/news/28457848_1_dabur-nepal-nepal-lever-nepal-governmen

4.1 POLICIES AND NORMS OF NEPAL FOR FMCG INDUSTRY, IMPORT / EXPORT INCLUDING LICENSING / PERMISSION, TAXATION

- **Comparison of Taxation system between Nepal and India**

Tax rates	**Nepal**	**India**
Corporate tax	5%	33.2175%
Individual tax	10–25%	0–30% (+3% cess)
VAT/GST/Sales	13%	2%–12.5%
Tax Revenue Structure (% revenues)		
Revenues from Taxes on Goods and Services	45.5	39.6
Income Taxes Revenues	22.0	44.4
Trade Taxes Revenues	30.3	8.9
Tax Revenue Collections (% GDP)		
Total tax revenues	13.2	16.9
Revenues from Taxes on Goods and Services	6.0	6.7
Income Taxes Revenues	2.9	7.5
Trade Taxes Revenues	4.0	1.5

[39]

- **Import license, permit and Pre Shipment examination.**

Under the Plant Protection Act 1972 and the Plant Protection Rules 1975, import permit is obligatory for plant and plant products including fruits, seeds, and leaves.on the other hand, no permit is required for the import of packed

[39] http://www.imf.org/external/pubs/ft/scr/2011/cr11319.pdf

and tinned food, cocoa, processed food, dry fruits and vegetables, tobacco and tea .[40]

❖ **Documents required for import and export permission in Nepal**

Documents required for import	**Documents required for export**
1. Nepal custom import declaration form.	1. Customs Declaration Form
2. Latter of authority for clearing Agents to act on behalf of the importer.	2. Packing List.
3. Air way bill	3. Certificate of Origin.
4. Performa Invoice.	4. GSP Certificate if applicable
5. Packing list.	5. Copy of letter of credit or advance payment statement received from the bank.
6. Certificate of origin	6. Foreign Exchange declaration Form of Nepal Rastra Bank
7. Certificate of Insurance Policy.	7. Copy of Firm/company Registration Certificate.
8. Foreign Exchange Declaration Form of Nepal Rastra Bank.	8. Copy of income tax registration certificate or VAT registration
9. Certified copy of L/C.	9. Airway bill
10. Company Registration Certificate.	10. Letter of authority to clear the consignment
11. VAT/PAN registration certificate.	11. Clearance certificate of Department of Drug Management for medicines.
12. Permission from Plant Quarantine Section of Department of Agriculture for import of plants and plants products including fruits leaves & seeds.	12. Certificate of origin from local chamber of commerce
13. Import license if applicable.	

[41]

[40]http://nepal.smetoolkit.org/nepal/en/content/en/1676/A-Guide-on-Import-Procedure-and-Documentation

❖ **Tax rates applied to industries in Nepal**

Taxes	Industries
30%	• Bank, Finance Company, General InsuranceCompany, Petroleum entity • Cigarette, Tobacco, Beer and Alcohol Company
25%	• Private Limited Co., Limited Co.
20%	• Special Industries & IT Industries • Entities engaged in construction & process of Bridge, Tunnel, Ropeway, Road, Tram and Trolley Bus • Co-operative Institution registered under Co-operative legislative Act, 2048 • All Export Entities
5%	• Non-resident person Providing Shipping, Air Transport or Telecommunications Services in Nepal
2%	• Airline Services having office in and business in Nepal but not operating flights to and within Nepal

4.2 POLICIES AND NORMS OF INDIA FOR IMPORT OR EXPORT FOR NEPAL INCLUDING LICENSING, PERMISSION, TAXATION

The effective use of foreign exchange, economic needs of the country, and industrial as well as consumers requirements are three basic factors which influence India's import policy. Nepal relations with neighboring countries and in particular with India are significant for trade policy as the majority of import

[41] http://www.neffa.org.np/page_detail.php?page_id=20

http://www.neffa.org.np/page_detail.php?page_id=19 and export merchandises must be transited through India for its access to sea. A treaty of trade between Nepal and India was signed in 1991 and renewed every five years. [42]

❖ Import Approval

There is no formal approval required for Import in Nepal. The treaty of trade and transit between Nepal and India governs imports from India. Imports from overseas of all products are free except following products banned for import.

- Products injurious to health: (Narcotic drugs like opium and morphine, Liquor containing above 60 % alcohol)
- Beef and beef products. [43]

❖ Custom and excise duty

Customs duty on imported goods is assessed on the basis of their transaction price declared by the owner of the goods as per amendments to the Customs Act, 1962, in July 1997.Nepal, under bilateral trade agreements with India, has in past been afforded duty-free/preferential entry. However, the most recent India-Nepal Treaty of Trade which is signed in March 2002, while it continues to allow Nepali manufactures to enter the India market on a non-reciprocal, preferential basis, with rules of origin less restrict the international rules. Nepal's manufacturer can have equal to 70% foreign content instead of an international norm of less than 50%. [44]

Import of following Nepalese manufactured articles will be permitted in India for free of Customs duty on a fixed quota basis.

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[42] http://www.unescap.org/tid/publication/t&ipub2311_part2.pdf
[43] http://www.unescap.org/tid/publication/t&ipub2311_part2.pdf

24.http://www.nationsencyclopedia.com/Asia-and-Oceania/Nepal-CUSTOMS-AND-DUTIES.html#ixzz1kLt9SG6a

Sr.no.	Nepalese Article	Quantity in MT (Metric Ton) per year
1	Vegetable fats (Vanaspati)	100, 000 Metric ton
2	Acrylic Yarn	10, 000 Metric ton
3	Copper products	10,000 Metric ton
4	Zinc Oxide	2,500 Metric ton

Imports into India of the above four goods for quantities in excess of the fixed quota mentioned above will be permitted under normal Most Favored Nation rates of duty, not withstanding any grant in any other preferential arrangement.

Following are the Articles Which Will Not Be Allowed preferential Entry from Nepal to India.

- Alcoholic Liquors and Alcoholic Beverages and their concentrate except industrial spirits,
- cosmetics and Perfumes with non-Nepaleseor non-Indian Brand names,
- Cigarettes and Tobacco

Only Nepalese beers can be imported into India on payment of the relevant liquor excise duty equal to the effective excise duty as levied in India on Indian beers under the relevant rules and regulations of India.[45]

❖ India Nepal Tax Treaty

India and Nepal signed a revised Double Taxation Avoidance Agreement , with the goal of encouraging Indian investment in Nepal, and easing procedures for stakeholders with commercial interests in both countries. The treaty will replace the agreement on double taxation avoidance signed in 1987.

[45] http://commerce.nic.in/nepal.doc

“The revised DTAA will provide tax stability to the residents of India and Nepal and facilitate mutual economic cooperation as well as stimulate the flow of technology, services ,and investment between India and Nepal.”

Since tax rates were less in Nepal, investor who had paid tax in India would not have to paid again in Nepal and those who paid taxes in Nepal would only have to pay the differential amount back in India.[46]

4.3 PRESENT TRADE BARRIERS FOR EXPORT OF GOODS (HONEY)

Trade barriers are government-induced restrictions on foreigntrade. The restrictions can take many forms, which are as follow:

Tariffs	Non-tariff barriers to trade
▪ Import licenses, and quotas	▪ Export licenses
▪ Currency devaluation	▪ Subsidies
▪ Voluntary Export Restraints	▪ Local content requirements

Right of Nepal recognized by The Treaty of Trade and Commerce of 1950, to import and export commodities through Indian Territory and ports without customs levies. However, security concerns about Nepal’s relationship with China in 1989 led in India to freeze trade relations with Nepal for 15 months, which badly affected to the Nepalese economy. After restoration of trading relations with India, the India-Nepal Agreement of Cooperation 32 was established in 1991with the aim to ensure the free transfer of labor ,capital, and payments between the two countries. The India-Nepal Treaty which was executed under this Agreement been renewed every 5 years

Exports of Honey from Nepal and market entry / access barriers

Honey export potential

[46] http://www.thehindu.com/business/Economy/article2665281.ece

Honey is one of the leading export products of Nepal. It has a growing export market because honey is increasingly being used by food industries and also by pharmaceutical companies. The cosmetic producing companies are too using it as an ingredient for the purpose of shampoo & soaps. The hill mountain natural honey of Nepal is very popular for its unusual taste. The main export markets of honey are london, Hong Kong, Republic of Korea, Japan, Poland, and Germany, etc.

❖ **Market access barrier on Honey exports from Nepal**

Tariff barriers

Neighboring markets

Applied and bound tariff rates maintained by India, Bangladesh, Pakistan, Sri Lanka and China for exports of natural honey to these countries.

Neighboring **Markets**	**Natural Honey**	Applied Bound
Bangladesh (2003)*	15%	200%
India (2001–2002)	40.40%	100
Pakistan (2001)	30%	100%
Sri Lanka (2003)	25%	50%
China (2003)	17%	15%

From the table we can see that in India tariff rate is high as compared to other country so that it is the trade barrier for any country who want to export their product.

5.1 POTENTIAL FOR EXPORT AND IMPORT IN INDIA

The FMCG sector of India is the fourth largest sector in the economy which has an predicted size of Rs.1,300 billion. During the last ten years, this sector has shown an average yearly growth of about 11% per annum. FMCG market of India is highly fragmented and a important part of the market comprises of unorganized players which are selling unbranded and loose products. There are about 11 to13 million retail stores in India, and from them 10 million are FMCG kirana stores.

There are following reasons for export and import in India

• continuously Increase in disposable Income of people residents in India.

• Large domestic market with more population of median age 25.

• High consumer goods spending.

• less price and small size packaging are also likely to drive potential up trading for major FMCG products.

• Rural demand etc.

Potentiality of import is for following reasons

1] Lower labour cost in India

Country Name	Labour cost
Malasiya	5824
China	2250
Nepal	1619
Srilanka	1052
India	943

It can be seen from the above table, labor cost in India is the lowest amongst Asian countries. Because of easy availability of raw material and low labor costs cost of production is reduced. Many multi-nationals have set up large low cost production bases in India to outsource for domestic as well as export markets. So it is beneficial for any country to import from India at a lower price.[47]

2] Increase in consumer spending

India has 17% of the world's population and that half of these people are below the age of 25. There are increasing numbers of People with a median age of 25 years who are joining the Indian workforce. Share of India in world consumer spending is increasing from 1.9% in 2005 to 3.1% in 2020.

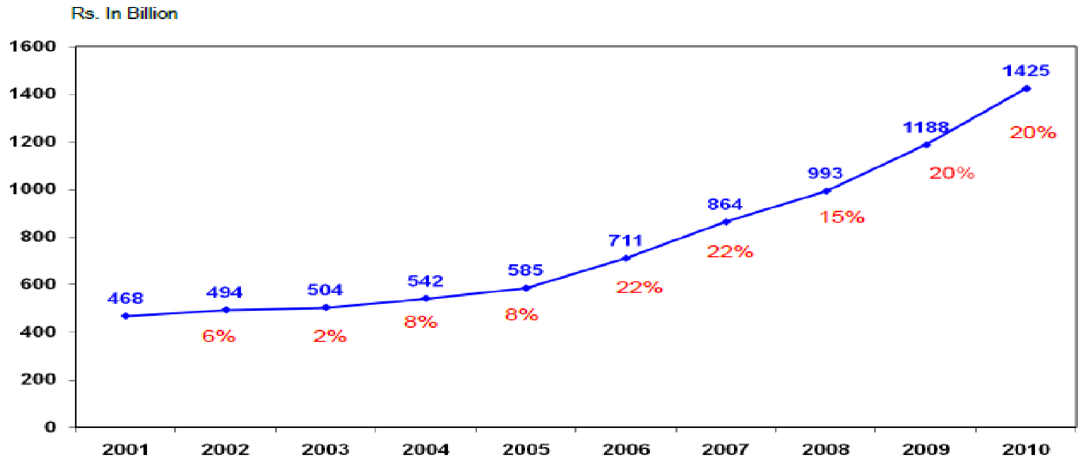
Increase in of younger consumers which indicate higher possibility to spend is providing optimism to the economy for opening up new categories in the FMCG space. India is under changing phase because of more and more women are joining India's personnel. FMCG companies are finding opportunities to introduce their products in the convenience and profitable foods segments.

While spending on women's personal care products is also becoming far more acceptable. Because of Distribution of smaller pack sizes, innovations like single use sachets it is easy to reach out to the rural and lower section of the economy. Innovative products to cater to regional or local tastes and the needs of niche consumers is also benefiting in growth of the industry.[48]

The chart shown below indicate increasing trend in consumer spending from 2001 to 2010.

[47] *www.iseindia.com/ResearchPDF/**FMCG**_Update1.pdf*

[48]www.iseindia.com/ResearchPDF/FMCG_Update1.pdf



5.2 BUSINESS OPPORTUNITIES IN FUTURE

Nepal is an best Investment destination for many reasons:

- laissez-faire Economic Policy of the Government that has formed investors-friendly environment.
- Favorable legal-institutional framework that guarantees investment protection, repatriation of Dividend and Capital and ensures their Ownerships.
- Different incentives and facilities offered to foreign investors, including Tax Holidays.
- plentiful supply of cheap labour force and market potentials both in domestic sector and in neighboring Countries
- Growing Infrastructure.[49]

Business Opportunities in Nepal

1. Export of Nepali Forest Product to China,India, and rest of the world

Bhutan has made good progress in exporting forest products like paper and furniture to two of our huge neighbors. Nepal with vast forest and variety of vegetation can tap this opportunity and can export forest products to India and China.

[49] http://intouchnepal9-.diytrade.com/sdp/885191/4/cp-6256234/0/Business_Opportunities.html

2. Back-office Pharmaceutical Production

Indian Pharmaceutical companies are doing well in the Global Pharmaceutical Market especially in generic segment. There are very less reasons why Nepali companies cannot tap that market. Nepal, a country between India and China is an ideal production base for multinational targeting these two countries.

3. Travel and Tourism

A country with diverse vegetation having as much as 8 National Parks, 5 Forest Reserves, 2 Conservation Area and 1 hunting area is clearly one of the best green tourism destination in the world. There are many holy hindu and Buddhist sites like Janaki Temple, Pashupati Nath, Swayambhu, etc. it's not possible to forget is Himalayas with Mount Everest.

4. Hotel and Hospitality, and Real Estate

The tourism potential explains the significance and potential of hotel and hospitality, real estate sector of Nepal. Nepal is certain to become a good economy in the years ahead as a fine tourism destination.

5. Infrastructure (Power)

Nepal has second biggest potential for Hydropower after Brazil. both of the neighbors i.e. India and China are starving for energy. So, there are the resources and there is market. It is onlyabout beating it at the initial and benefiting that is in waiting.

6. Healthcare

Sri Lanka has done much in the field of Ayurveda and now Kerala is follow it. Nepal has the cold climate and the herbs. It is the market awaiting investment. There is huge opportunity in forms of Healthcare services. Nepal can provide to the world at much more competitive price than Philippines or India.

7. FMCG sector

FMCG industry can easily start their manufacturing facility in Nepal as it is the country which give more focus on Herbal products and Ayurvedic products because today people want products which is made out of natural thing.[50]

5.3 CONCLUSION

Dabur India was established in 1884 in Calcutta by Dr.S.K.Burman. It is an ISO 9002 certified company. Dabur has 34,000 shareholders with market capitalization of more than Rs.1, 400 crores. The company provides employment over 4,000 employees with around1, 500 looking after sales and marketing functions. Dabur products are being exported to around 50 countries. Dabur portfolio is more than five hundred products of FMCG and health care products. In 2011, Dabur is the first Indian FMCG company to launch a dedicated online shopping portal for its beauty products range.

Comparison with Nepal, labor cost in India is lower than Nepal. Easy raw material availability and low labor costs have resulted in a lower cost of production. a lot of multi-nationals have developed large low cost production bases in India to outsource for domestic as well as export markets. Sales and net profit are also good position in India. Dabur India EPS is higher than Nepal capital and reserve in Dabur India is higher than Nepal by 46.94% from 2010 to 2011, as well as fixed asset in Dabur India is lower than Nepal. Dabur India is rising company than Nepal as technology, rawmatirial, infrastructure, communication are easily fulfilled.

Indian companies like Dabur have helped in stimulating industries such as , agro-based Industries, packaging and transportation Industries whose goods and services are consumed by the Nepalese people on a regular basis. Indian industry has made a total investment of of Indian RS. 1400 crore. Of this Dabur's share is Indian Rs. 143 crore. Indian joint ventures have been a good and motivating example of India-Nepal economic relationships.

[50] http://analyticsbhups.blogspot.in/2007/07/some-business-opportunities-in-nepal.html

The treaty of trade and transit between India and Nepal governs imports from India. India-Nepal Treaty of Trade which was signed March 2002 continues to allow Nepali manufactures to enter the India market on a non-reciprocal, preferential basis. Import of Zinc Oxide, Acrylic Yarn, Copper products, and Vegetable fats from Nepal will be permitted in India for free of Customs duty on a fix quota basis. Alcoholic Liquors and Alcoholic Beverages, Perfumes and cosmetics with non-Nepalese/non-Indian Brand names, Cigarettes and Tobacco not allowed preferential Entry from Nepal to India. India and Nepal signed a revised Double Taxation Avoidance Agreement with the aim of encouraging Indian investment in Nepal.

In Nepal there are trade barrier exist but have not affected more on trade of country. In every country trade barriers are exist in form of import and excise duty and some other government restriction.

In export and import side of Nepal and especially in FMCG sector it has potentiality for import/export in India. There are many reasons that are contributing into the easy availability of trade between the countries like location, cost, demand, education and purchasing power of people, etc.

Growing infrastructure, Liberal economic policies, Tax holidays are some of the factor that attracts foreign investors to invest in Nepal. Forest product, Travel and tourism, Hotel and real estate industry, Herbal products, FMCG industry especially products in FMCG that are Nature or Herbal based, power sector are some of the area where large opportunity for business is there in Nepal. As Dabur is one of the Company in FMCG industry which produced more herbal based world class product, so there is wide opportunity for Dabur to have expand their manufacturing plant in Nepal for developing and introducing new herbal based product.

Analysis of particular IT industry and INFOSYS company of NEPAL

Introduction to IT industry

The information technology (IT) industry has become of the most robust industries in the world. IT, more than any other industry or economic facet, has an increased productivity, particularly in the developed world, and therefore is a key driver of global economic growth. Economies of scale and insatiable demand from both consumers and enterprises characterize this rapidly growing sector.

The Information Technology Association of America (ITAA) explains 'information technology' as encompassing all possible aspects of information systems based on computers.

Both software development and the hardware involved in the IT industry include everything from computer systems, to the design, implementation, study and development of IT and management systems.

Owing to its easy accessibility and the wide range of IT products available, the demand for IT services has increased substantially over the years. The IT sector has emerged as a major global source of both growth and employment.

Features of the IT Industry at a Glance

- Economies of scale for the information technology industry are high. The marginal cost of each unit of additional software or hardware is insignificant compared to the value addition that results from it.
- Unlike other common industries, the IT industry is knowledge-based.
- Efficient utilization of skilled labor forces in the IT sector can help an economy achieve a rapid pace of economic growth.
- The IT industry helps many other sectors in the growth process of the economy including the services and manufacturing sectors.

The role of the IT Industry

The IT industry can serve as a medium of e-governance, as it assures easy accessibility to information. The use of information technology in the service sector improves operational efficiency and adds to transparency. It also serves as a medium of skill formation.

<u>MAJOR STEPS TAKEN FOR PROMTION OF IT INDUSTRY</u>

A wide variety of services come under the domain of the information technology industry. Some of these services are as follows:

- Systems architecture
- Database design and development
- Networking
- Application development
- Testing
- Documentation
- Maintenance and hosting
- Operational support
- Security services[51]

Introduction of INFOSYS

Infosys Limited formally Infosys Technologies is an Indian global technology services company headquartered in Bangalore, India. It is ranked #27 in the list of top companies of India in Fortune India 500 list in 2011.It has offices in 29 countries and development centers in India, US, China, Australia, UK, Canada, Japan and many other countries. The company provides business consulting, technology, engineering and outsourcing services to help clients in over 30 countries.

[51] http://www.economywatch.com/business-and-economy/information-technology-industry.html

Timeline

- 1981-Infosys was founded by N. R. Narayana Murthy, Nandan Nilekani, N. S. Raghavan, S. Gopalakrishnan, S. D. Shibulal, K. Dinesh and Ashok Arora.
- 1983-It moved to Bangalore in 1983 .
- 1987-Infosys got its first foreign client, Data Basics Corporation from the US, in 1987.
- 1992-It opened its first overseas sales office in Boston, US. This was followed by offices in Milton Keynes (1996), Toronto (1997), France and Hong Kong (2000), UAE and Argentina (2001), Netherlands, Singapore and Sweden (2002). Currently it has 64 offices and 68 development centers in India and abroad.
- Infosys has revenues of US$ 6.825 billion (LTM Q3-FY12).Infosys delivers IT-enabled business solutions to enable Global 2000 companies to build their enterprises of tomorrow. Infosys ranked among the most innovative companies in a Forbes survey, leading technology companies in a report by The Boston Consulting Group and top ten green companies in Newsweek's Green Rankings. Infosys was voted India's most admired company in The Wall Street Journal Asia 200 every year since 2000. The corporate governance practices were recognized by The Asset Platinum award and the IR Global Rankings.
- In 2001, it was rated by Today. Infosys was rated best employer to work for in 2000, 2001, and 2002 by Hewitt Associates. In 2007, Infosys received over 1.3 million applications and hired fewer than 3% of applicants.
- Infosys won the Global MAKE (Most Admired Knowledge Enterprises) award for the years 2003, 2004 and 2005, and is inducted into the Global Hall of Fame for the same.

- Infosys was also ranked as the 15th most trusted brand in India by The Brand Trust Report in 2011.Infosys is ranked #27 in the list of top companies of India in Fortune India 500.

Company History

- Infosys Technologies Ltd was started in 1981.
- Today, it is a global leader in the "next generation" of IT and consulting.
- Infosys defines designs and delivers technology-enabled business solutions that help global 2000 companies win in a flat world.
- Infosys serves the client globally and is one of the pioneers in strategic offshore outsourcing of software services.
- In 1987 Infosys got its first foreign client.
- In 1993, Infosys became a public limited company and received ISO 9001/TickIT certification.
- In 1999, Infosys crossed $100 Million and was listed on NASDAQ.
- In 2006, Infosys completed 25 years of its existence and its revenue crossed $ 2 billion.
- Today Infosys has more than 50000 employees and has presence in more than 20 countries across the world. Its corporate headquarters is in Banglore.[52]

Founder and Leaders

N. R. Narayana Murthy is the Founder of Infosys Limited, a global software consulting company headquartered in Bangalore, India. He founded Infosys in 1981, served as the CEO during 1981-2002, and as the Chairman and Chief Mentor during 1981-2011. Under his leadership, Infosys was listed on NASDAQ in 1999. He is currently the Chairman Emeritus of Infosys.

Mr. Murthy articulated, designed and implemented the Global Delivery Model which has become the foundation for the huge success in IT services outsourcing from India. He has led key corporate governance initiatives in India. He is an IT advisor to several Asian countries.

[52] http://en.wikipedia.org/wiki/Infosys

He serves on the boards of HSBC, Ford Foundation and the UN Foundation. He served as a member of the Unilever board between 2007 and 2010. He also serves on the boards of Wharton School; Indian School of Business, Hyderabad; Rhodes Trust, and International Institute of Information Technology, Bangalore.

Mr. Murthy is one among the "12 greatest entrepreneurs of our age" listed by the Fortune magazine in 2012. The Economist ranked him among the ten most-admired global business leaders in 2005. He topped the Economic Times list of India's most powerful CEOs for three consecutive years: 2004 to 2006. He has been awarded the Padma Vibhushan by the Government of India, the Légion d'honneur by the Government of France, and the CBE by the British government. He is the first Indian winner of Ernst and Young World Entrepreneur of the Year award and the Max Schmidheiny Liberty prize, and has appeared in the rankings of businessmen and innovators published by India Today, Business Standard, Forbes, Business Week, Time, CNN, Fortune and Financial Times. He is a Fellow of the Indian National Academy of Engineering and a foreign member of the US National Academy of Engineering. He has about 25 honorary doctorates from universities in India and abroad.

INFOSYS and its role in the economy of Nepal

INFOSYS NEPAL is one of the leading player in the Nepalese IT market, with its origin in 1999 with the group of expertise who strive to lead in the creation, development and trading of the most advance information technologies. We are the Nepal's premier information enabling Company.

INFOSYS NEPAL is the one-stop-shop for your requirements of products and services in the area of servers, workstations, heavy-duty printers, networking solutions etc. This is back by INFOSYS NEPAL's service support infrastructure-the widest in the country. We have developed and implemented solutions for multiple market segments, across a range of technologies in Nepal. We have been in the forefront in introducing new technologies and solutions. Therefore INFOSYS NEPAL offers fully IT base solutions. We have been handling the major requirements from business houses and industries. We have handled the supply and support contracts of Banks, Foreign Projects, Schools, Hotels etc providing them with Servers, Desktops, Laptops, Printers, Copiers, Networking equipment, Backup systems etc.

VISION

To be the most unique, versatile and leading information and communications technology solution and service provider in the industry.

MISSION

Achieve excellence by DELIGHTING our customers, providing them with quality and innovative IT products, services and solutions which are of highest levels of efficiency and effectiveness, while maintaining a competitive edge and ensuring acceptable returns to the stake holders and paying special attention to rewards and continuous improvement of our team.

QUALITY POLICY

"We deliver defect-free products, services and solutions to meet the requirements of our external and internal customers, the first time, every time"

FUTURE PLANS

We have been able to pursue our vision in a very short period of time, but we have never stopped building new ambitions. We now dream to expand our reach in the Wireless communication and Internet service as well. We believe that we can provide our customers more than that we are giving them right now.

OUR MANAGEMENT OBJECTIVES

To fuel initiative and foster activity by allowing individuals freedom of action and innovation in attaining defined objectives.

OUR PEOPLE OBJECTIVES

To help people in INFOSYS NEPAL. Share in the company's successes, which they make possible; to provide job security based on their performance; to recognize their individual achievements; and help them gain a sense of satisfaction and accomplishment from their work?

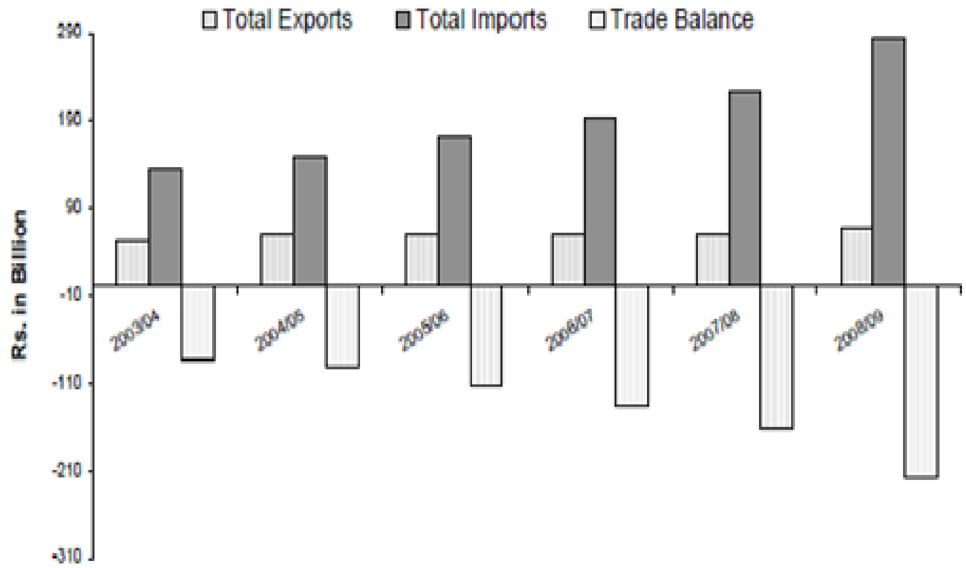
CORE VALUES

We shall uphold the dignity

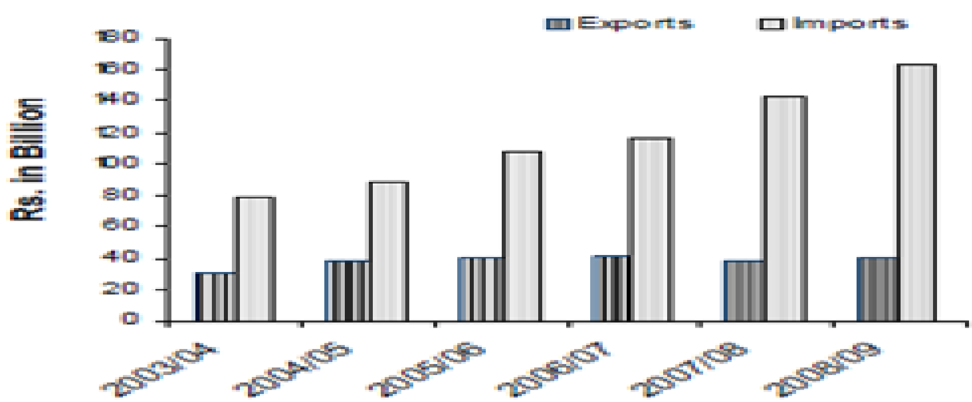
PRESENT POSITION AND TREND OF BUSINESS (IMPORT/EXPORT) WITH INDIA

- of the individual
- We shall honor all commitments
- We shall be committed to Quality, Innovation and Growth in every endeavor. We shall be responsible corporate citizens[53]
- Economic relationship between India and Nepal has its own distinctive attribute due the geographical, social, ethical links between the natives of both the countries. The socio-ethical customs and ideals of the two nations greatly influence the trade relations between them.
- **Total foreign trade of Nepal**:

[53] http://infosysnepal.com.np/index.php?page=aboutus

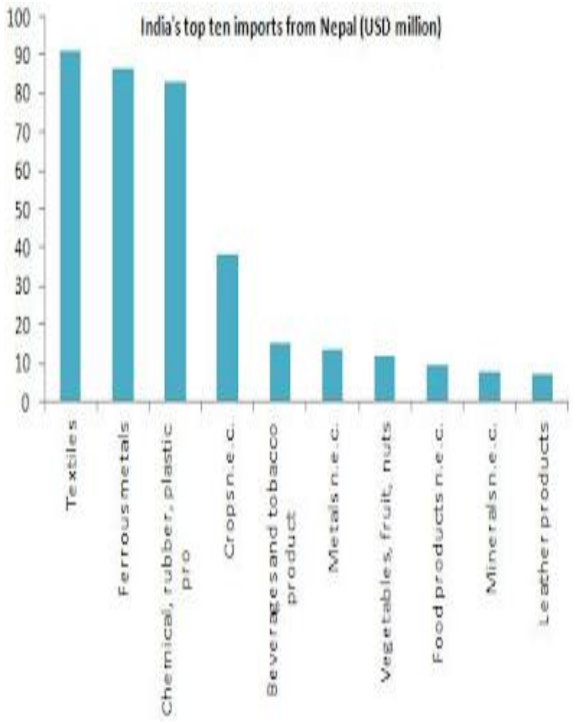


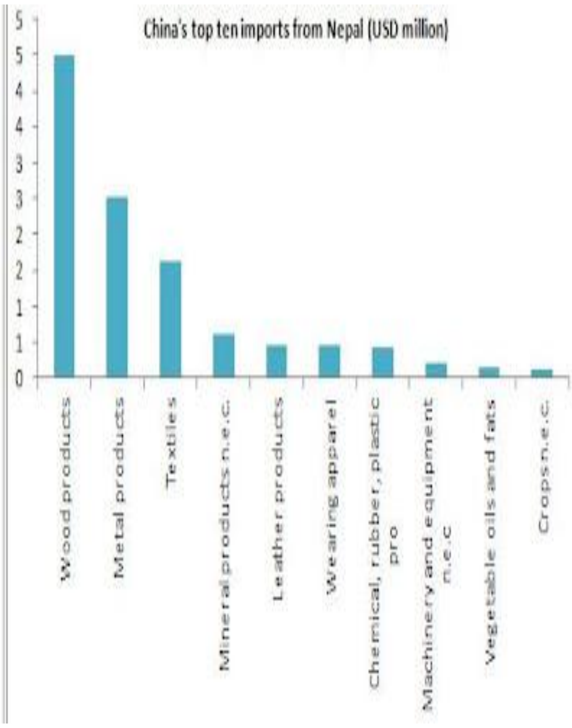
- Trade in nominal value increased by 25.1 percent to Rs.351.8billion in 2008/09 in comparison to the lower growth of 10.7 percent in the previous year Similarly, on the basis of US dollars, total trade registered a growth of 5.8 percent which maintained the previous year's growth of 5.8 percent.
- Total imports increased by 28.2 percent to Rs. 284.57 billion in the year 2008/09 in comparison to the growth of 14.0 percent in the year 2007/08.



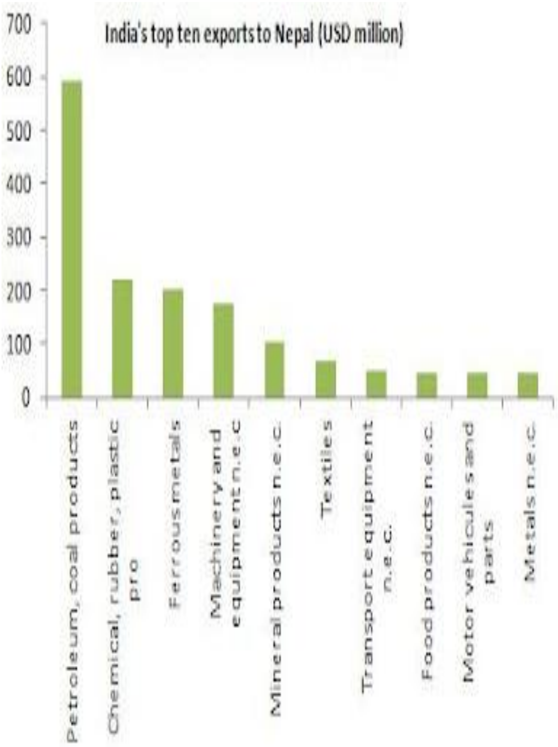
Nepal's Trade with India

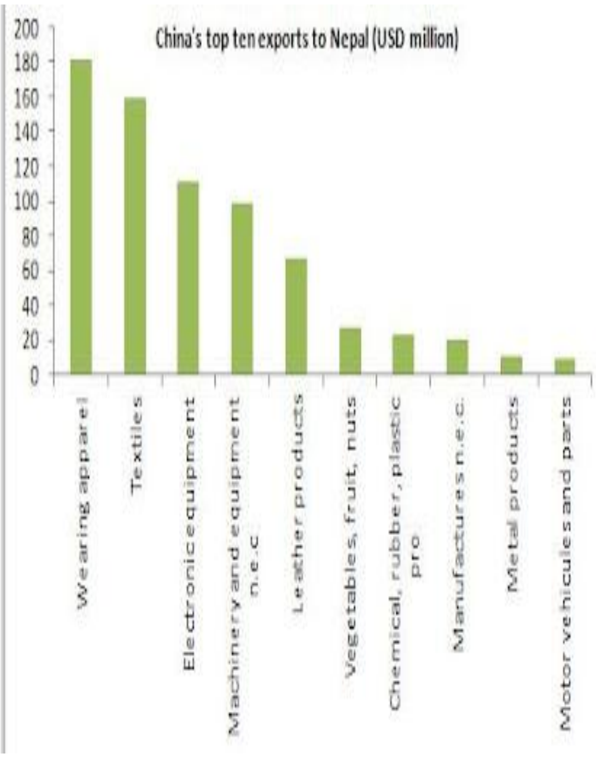
- In 2008/09, total exports increased by 13.5 percent to Rs. 67.25 billion as against a decline of 0.2 percent in the year2007/08. While exports to India increased by 6.2 percent in the year 2008/09 in contrast to decline of 7.6 percent in the preceding year.
- The exports of readymade garments, shoes and sandals, tooth paste, G.I. pipe and noodles to India took an upward trend while the exports of vegetable ghee, thread, zinc sheet, jute goods and wire declined significantly. Similarly, while there was an increase in the exports of pulses followed by pashmina, woolen carpets, handicraft and herbs to other countries, there was a decline in the exports of silverware and jewelleries and Niger seeds.
- Commodity-wise, the principal imports from India that experienced an increase in2008/09 included vehicles and spare parts, other machinery and parts, cold-rolled sheet in coil, cement and medicine. Likewise, the major imports from India that declined included MS billet, wire products, MS wire rod, vegetables and thread.
- In 2010, the top ten exports of Nepal to India were textiles; ferrous metals; chemical, rubber, plastic; crops; beverages and tobacco product; metals; vegetables, fruits, nuts; food products; minerals; and leather products. Basically, its primary commodities. Meanwhile, the top ten exports of Nepal to China were wood products; metal products; textiles; mineral products; leather products; wearing apparel; chemical, rubber, plastic; machinery and equipment; vegetable oils an fats; and crops. Basically, no high value added products.



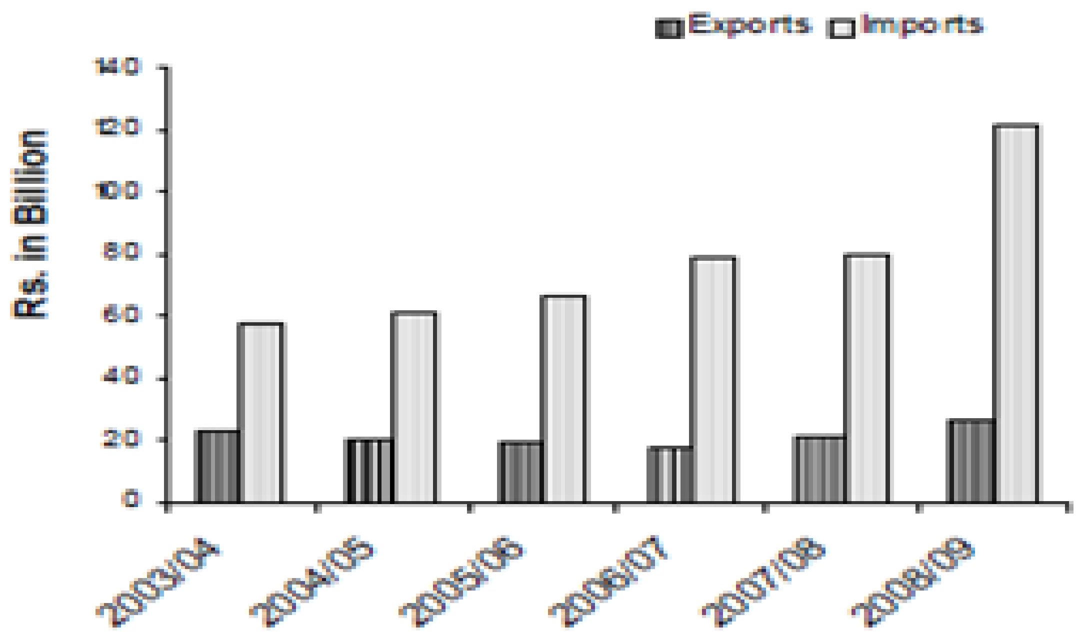


- In 2010, the top ten imports of Nepal from India were petroleum, coal products; chemical, rubber, plastic; ferrous metals; machinery and equipment; mineral products; textiles; transport equipment; food products; motor vehicles and parts; and metals. Basically, the imports (demand) from India are pretty much price inelastic. Hence, the widening trade deficit, no matter what happens to the economy! Meanwhile, the top ten imports of Nepal from China were wearing apparel; textiles; electronic equipment; machinery and equipment; leather products; vegetables, fruits, nuts; chemical, rubber, plastic; manufacturers; metal products; and motor vehicles and parts. Basically, most of these are price elastic. The problem is that Nepal cannot produce them as competitively as the Chinese producers do because of the industrial ills and high cost of labor.

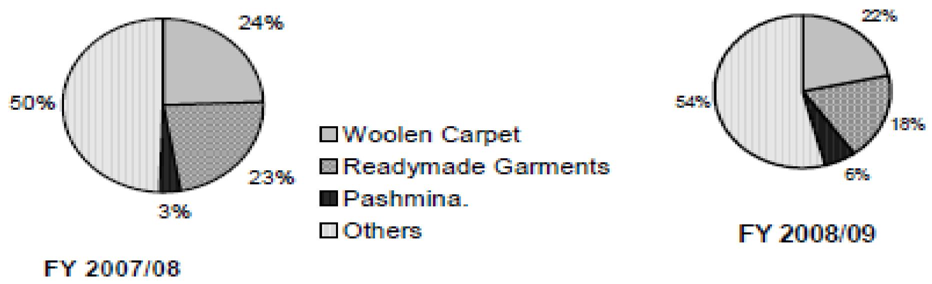




Nepal's Trade with other countries:



Major Exports to Other Countries



- Exports to other countries, on the other hand, went up by 7.3 percent in the year 2008/09 in comparison to the growth of 27.2 percent in the year 2007/08
- With regard to imports from other countries, the major goods that posted a rise included gold, electrical goods, crude soybean oil, MS billet and other machinery and parts. The major imports that declined from third countries were crude palm oil, raw wool, telecommunication equipment and parts, textile dye and readymade garments.
- Indian joint ventures in Nepal have contributed significantly to increase Nepal's exports to India. Some of the prominent Indian joint ventures in Nepal include: ITC, Unilever Nepal, United Telecom, State Bank of India, Punjab National Bank, Manipal Group, SJVN Ltd.,Tata Power, GMR India, IL&FS, Asian Paints, LIC, CONCOR and Dabur.
- Indian companies have made a significant contribution to the Nepalese economy both in terms of employment generation and by way of generation of revenue to the Nepalese exchequer. Specifically, Dabur India JV directly employs over 1000 people and indirectly about 30,000. It has generated revenue of over NRs. 40 crore to the exchequer, aided industrial development and conservation of rare, endangered and threatened species of herbs in a state-of-the-art greenhouse in Banepa.
- Indian companies like Dabur have helped in stimulating industries such as packaging, agro-based Industries, and transportation Industries whose

goods and services are consumed by the Nepalese people on a regular basis.[54]

Business Opportunities in Future

- The IT industry in India, despite the need for an improvement in business infrastructure, is a key sector in the continued growth of the Indian economy.
- UK Trade and Investment (UKTI), describe India's role in the global information market as one of leadership. The UK government's trade and investment arm said, "India has entered into a global leadership position by transforming a £2bn sunrise industry into a £30bn IT powerhouse over the last decade." UKTI points to exceptional sector growth figures, within the IT industry in India, of around 11% year on year over the past ten years.
- In India, information and communications technology is growing faster than anywhere else in the world and is expected, say UKTI, to grow to be the second (to China) biggest telecoms market by the end of 2011. A quick dip into telecom industry statistics shows a forecast of 560 million mobile phone users by 2012, with a further 15 million being added each subsequent month.

Business Opportunities in future for Infosys

- Infosys is investing in a products and platforms business that will help it break its dependence on its traditional "time and materials" model, under which contracts are priced on the basis of the duration of a project and the number of staff working on it.
- IDG News Service — Infosys (INFY) is investing in a products and platforms business that will help it break its dependence on its traditional "time and materials" model, under which contracts are priced on the basis of the duration of a project and the number of staff working on it.

[54] http://www.red.nrb.org.np/.../economic_reports/Economic_Reports--2008-09.pd

http://www.red.nrb.org.np/.../economic_reports/Economic_Reports--2008-09.pd

- The new business focuses on creating products and platforms, and then offering them to customers in return for a license fee, payment per transaction, or royalties, said Ashok Vemuri, member of the board and head of Americas at Infosys, in a telephone interview on Tuesday.
- The potential of the new business was a key focus of executives at the Indian outsourcer while discussing on Tuesday the financial results of the company for the quarter ended June 30.
- Infosys has to work on new businesses that are less directly linked to the number of staff it employs, such as business transformation deals, and business consultancy, said analyst Amneet Singh, vice president for global sourcing at Everest Group. Focusing on platforms and products is an extension of this strategy, but will take time to contribute significantly to Infosys revenue, he added.
- Infosys experimented with its products and platform strategy in 2009 when it introduced Flypp, a white-label platform for delivery of mobile applications that it is marketing to mobile operators who want to set up their own branded app stores. It also introduced iEngage Digital Consumer Platform in a SaaS (software-as-a-service) model for enterprises to engage with consumers across the marketing, sales and service lifecycle.
- It also sells a banking product called Finacle, an offshoot of its earlier bid in the 1990s to get into large enterprise products.
- The company now plans to develop small products that are customizable for multiple industries, and modular and flexible ones that can be deployed into the existing IT infrastructure of its customers, Vemuri said. The technologies will also be designed to target various industry segments, he added.
- Its iTransform product suite, for example, helps companies in the healthcare industry meet compliance requirements.
- Revenue from this business was about 8.3 percent of total revenue in the quarter ended June 30, including from an iPad application for video streaming for an undisclosed cable multiple system operator in the U.S.
- The new business is expected to show significant revenue in about a year, and will reduce Infosys' dependence on more hiring to keep its revenue

growing, Vemuri said. It will coexist with the company's services business which will still be the dominant source of revenue, because customers will require both the new products and the services, he added.

Present Trade barriers for import / Export of selected goods (if any)

Trade barriers are government-induced restrictions on international trade. The barriers can take many forms, including the following:

- Tariffs
- Non-tariff barriers to trade
- Import licenses
- Export licenses
- Import quotas
- Subsidies
- Voluntary Export Restraints
- Local content requirements
- Currency devaluation

The Treaty of Trade and Commerce of 1950, recognized Nepal's right to import and export commodities through Indian territory and ports without customs levies. However, security concerns over Nepal’s relationship with China in 1989 led in India to freeze trade relations with Nepal for 15 months, with devastating effects on the Nepalese economy. After trading relations with India were restored, the India-Nepal Agreement of Cooperation 32 was established in 1991 to ensure the free movement of capital, labor and payments between the two countries. The India-Nepal Treaty that was implemented under this Agreement been renewed every 5 years and the current agreement will remain in force until March 5, 2007.

Conclusions and Suggestions

Nepal is situated in the lap of the Himalayas. Nepal is the world's 93rd largest country by land mass. Population of Nepal is 29.39 corers in July 2011 increase by 1.5 rate yearly. More than 60% of people are between ages of 15-

64 year. Birth rate and Death rate are 22.17 and 6.81 per 1000 population respectively. Urbanization is 19% of total population. Sex ratio of the total population is 0.96 male per female in Nepal. more than 80.6% of the people are Hindu.47.8% of the people speak Napali. Literacy in mail are more than female i.e. is 62.7%. Education expenditure in Nepal is 4.6% of GDP. life Expectancy at birth female are greater than male i.e. is 67.44 years. Total fertility rate is 2.47 children born per woman.

Nepal ranks among the world's poorest countries, with a per capita income of around $470 in 2009.31% of the population is below the poverty line. Agriculture remains Nepal's principal economic activity, employing over 71% of the population and providing 32.12% of GDP. Nepal is a tourist destination for hikers and mountain climbers. However, the decade-long insurgency and a global economic slowdown threatened the tourism industry.

Agriculture dominates Nepal’s economy. Most of the energy consumed in Nepal comes from traditional sources such as fuel wood, the use of which contributes to deforestation. Tremendous potential exists for hydroelectric power development, but growth is inhibited by terrain, lack of infrastructure, and insufficient capital investment. The country is heavily reliant on India for imported, nonrenewable sources of power such as oil and kerosene. Nepal has a relatively underdeveloped network of roads. Nepal’s monetary unit is the Nepalese rupee, 1 Indian rupee=1.6nepalese rupees. Nepal has limited telecommunication services like Postal, own telephones, Radio, newspapers.

Nepal's gross domestic product for 2008 was estimated at over $12 billion, making it the 115th-largest economy in the world. Agriculture contribute about 40%, services comprise 41% and industry 22%.in GDP of Nepal. Agriculture employs 76% of the workforce, services 18% and manufacturing/craft-based industry 6%. Agricultural produced in Nepal includes tea, rice, corn, wheat, sugarcane. Major manufacturing industries produced jute, sugar, cigarettes, beer, matches, shoes, chemicals, cement, and bricks.

Industries producing fertilizers and petroleum products have good chance to take the opportunities in Nepal. Nepal has been more successful in expanding its exports with countries such as the United States, Britain, Germany, and Japan, the value of which rose from 14.4 million rupees in 1965 to over 16 billion rupees in 1996. In 1998, Nepal imported US$1.2 billion in goods while exporting just US$474 million. From this information it can be concluded that Nepal has been grown from time to time and increase its business. For the promotion of export, exports will be free from all charges except the service charge. No license will be required and no quantitative restriction will be imposed on the imports of the raw materials (except stipulated) required for the export-oriented and import-substituting industries. Income tax on income from exports will be fully exempted. It can be concluded that Nepal is believe in maintaining its culture and also takes care of its nation people health. So its prohibited goods to be imported which are injurious to human health.

The signing of the India-Nepal Treaty of Peace and Friendship in 1950 established the framework for the unique ties between the two countries. There has been strong growth in bilateral trade since the revised Trade Treaty was signed in 1996. Since the 1996 Treaty, India’s share in Nepal’s export has grown from 18.5% in 1995-96 to 65% by January 2005. India’s share in Nepal’s imports has also reached nearly 63% by January 2005, from 32.8 % in 1995-96. Nepal's main import from India is petroleum products (25.8%). Nepal's export basket to India mainly comprises Jute goods (9.3%), Vanaspati (14.1%). It can be concluded that Nepal has largest volume of trade with India.

The rate of unemployment and underemployment approaches half of the working-age population. Nepal's law establishes a minimum age for employment of children at 14 years. The Industrial Enterprises Act, 1992 ,It is mentioned in the Act that the Industrial Promotion Board, will give guidelines in attaining the objectives of liberal, open and competitive economic policies pursued by the country so as to make the industrial sector competitive.

2.1 Introduction of the coca cola company and its role in the economy of Nepal.

➢ **History of coca cola:**

- Coca-Cola Enterprises, established in 1986, is a young company by the standards of the Coca-Cola system. Yet each of its franchises has a strong heritage in the traditions of Coca-Cola that is the foundation for this Company.
- The Coca-Cola Company traces it’s beginning to 1886, when an Atlanta pharmacist, Dr. John Pemberton, began to produce Coca-Cola syrup for sale in fountain drinks.
- The Coca-Cola bottling system continued to operate as independent, local businesses until the early 1980s when bottling franchises began to consolidate.
- In 1986, The Coca-Cola Company merged some of its company-owned operations with two large ownership groups that were for sale, the John T. Lupton franchises and BCI Holding Corporation's bottling holdings, to form Coca-Cola Enterprises Inc.
- The Company offered its stock to the public on November 21, 1986, at a split-adjusted price of $5.50 a share. On an annual basis, total unit case sales were 880,000 in 1986.

The Coca Cola Company	
Type	Public
Industry	Beverage
Founded	1892
Founder(s)	Asa Candler
Headquarters	Coca-Cola headquarters, Atlanta, Georgia, U.S.
Area served	Worldwide
Key people	Muhtar Kent (Chairman & CEO)
Revenue	US$ 35.119 billion (2010)
Operating income	US$ 8.449 billion (2010)
Net income	US$ 11.809 billion (2010)
Total assets	US$ 72.921 billion (2010)
Total equity	US$ 31.317 billion (2010)
Employees	139,600 (2010)

Table-2.1

➢ Introduction Of Coca Cola Company:

- **Coca-Cola** (also known as **Coke**) is a popular carbonated soft drink sold in stores, restaurants and vending machines in over two hundred countries. It is produced by The Coca-Cola Company, which is also occasionally referred to as **Coca-Cola** or **Coke**.

- It is one of the world's most recognizable and widely sold commercial brands. Coke's major rival is Pepsi. About its safety and the ethics of the company that produces it, it is widely accepted as the most dominant soft drink in the world today.
- Coca cola is a truly global company that our products meet the varied taste preferences of consumers everywhere. The Coca-Cola Company operates in more than 200 countries and markets more than 450 brands and 2,800 beverage products. Coca cola have four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Sprite and Fanta.

❖ **BRANDS**

Globally, the Coca-Cola Company owns or licenses nearly 450 brands in the nonalcoholic beverage business. Some of these include:

- Carbonated soft drinks

Such as Coca-Cola, Diet Coke, Fanta, Sprite and Fresca

- Juices and juice drinks

Such as Minute Maid, Qoo, Fruitopia, Maaza and Bibo

- Sports drinks

Such as POWER ade and Aquarius

- Water products

Such as Ciel, Dasani and Bonaqua

- Teas

Such as Sokenbicha and Maroch

- Coffee

Such as Georgia coffee, the best-selling noncarbonated beverage in Japan.

➢ **Coca cola in Nepal:**

❖ Introduction

- The Coca-Cola Company is a global company with some of the world's most widely recognized brands, the Coca-Cola business in Nepal has completed its 50 years of operation. The beverages are produced locally, employing Nepali citizens. And their product range and marketing reflects Nepali tastes and lifestyles, and they are deeply involved in the life of the local communities in which they operate.

❖ History

- Coca-Cola was first introduced into Nepal in 1973, when it was imported from India, but local production would only begin in 1979, with the establishment of Bottlers Nepal Limited (BNL). Coca-Cola Sabco acquired bottling rights from The Coca-Cola Company for Nepal in 2004. BNL, which has two plants in the capital Kathmandu and Bharatpur, is the only bottler of Coca-Cola products in Nepal.

❖ Brands

- Coca-Cola®, Fanta®, Sprite®

❖ Plant Information:

• Plant location:	Kathmandu, Bharatpur
• Employees:	456 employees 2 bottling plants
• Job creation multiplier:	50000

➢ <u>Role in economy of Nepal:</u>

- Coca cola is also committed to strengthening the community through various programmes, particularly in the health sector, as the country has the lowest per capita public health expenditure in the world. In association with the local community, Coca cola assists by supporting a Free Health Check-up Clinic at Bharatpur.
- Coca cola global business stimulates job creation throughout their value cycle. Coca cola contribute to the economic success of each community by employing local people; paying taxes to governments; paying suppliers for goods, services and capital equipment; and supporting community investment programs.

2.2 Structure, Functions and Business Activities of Coca Cola Company

- **Business activities of Coca cola:**

Vision

"Coca cola will be the Best Coca-Cola bottler in the World"

Coca-Cola Bottler:

A consumer driven, customer oriented, manufacturer, sales & Distribution Company that markets the products & brands of The Coca-Cola Company.

In the World:

Coca cola measure themselves against the best Coca-Cola bottlers in the World.

Purpose

To create value for everyone touched by our business by providing, with passion and focus, the right refreshment, at the right price, in the right place.

Values

Coca cola will create an environment where our people are passionate about performance.

- **The Coca-Cola System:**

  - Coca cola are able to create global reach with local focus because of the strength of the Coca-Cola system, which comprises our Company and our bottling partners—more than 300 worldwide.
  - Coca cola bottling partners manufacture, package, merchandise and distribute the final branded beverages to their customers and vending partners, who then sell their products to consumers.
  - All bottling partners work closely with customers—grocery stores, restaurants, street vendors, convenience stores, movie theaters and amusement parks, among many others—to execute localized strategies developed in partnership with their Company. Customers then sell their products to consumers at a rate of 1.5 billion servings a day.

- The Marketing, Sales and Distribution strategy for Coca cola is titled 'Refresh the Marketplace' and includes a robust Consumer Response System to address any consumer concerns, ideas and suggestions.
- The Nepalese enjoy Coca-Cola, Fanta and Sprite.

❖ **Methods of Doing Business**

  - Coca Cola Company is doing its business all over the world they hire locals wherever they do business and take their suggestions in designing their strategies. Because company is very much well aware of the fact that local know their social culture very well and help company to design effective and efficient strategies.

➢ **<u>Function of coca cola:</u>**

- Coca cola offer a variety of career choices all within an exciting, performance-driven workplace. Coca cola is looking for individuals with a desire to learn, grow and explore every ounce of their potential.
- Coca cola will have access to attractive advantages—including a range of job opportunities, rewarding benefits, visionary leadership and empowering teamwork.
- Coca cola value your insight as part of their long-standing approach to think globally and act locally.
- Coca cola have career opportunities available in the following global business functions:
  - **Administrative**
  - **Finance and Procurement**
  - **General Management**
  - **Human Resources**
  - **Information Technology**
  - **Legal**
  - **Public Affairs and Communications**

❖ **Customer market**

Preference for Specific Benefits

  - Coca-Cola Corporation has maintained a tradition of producing only the Quality drinking beverages. That is why it continues to be a familiar and trusted household name in Nepal. Today, Coca-Cola's lives up to its well earned reputation as market leader by insuring that consumers get the best carbonating drink. The best of nature, technology and human resource have together contributed to Coca-Cola's reputation for unparalleled quality- a standard now recognized internationally.

3.1 Comparative Position of selected Industry / Sector / Specific Company / Product with India and Gujarat

➢ Soft drink market in India:

- Population and potential market are two major reasons for major multinational companies of entering India Soft drink market. Another increase in the sale of soft drinks in the scorching heat and the climate of India, which is suitable for high sale of soft drinks. All these factors together have contributed to a 30% growth in the soft drinks industry. If the demand continues growing at the same rate, within two years the volume could touch 1 billion cases.
- The soft drinks market consists of retail sale of bottled water, carbonates, concentrates, functional drinks, juices, RTD tea and coffee, and smoothies.
- The Indian soft drinks market generated total revenues of $3.8 billion in 2010, representing a compound annual growth rate (CAGR) of 11% for the period spanning 2006-2010. Carbonates sales proved the most lucrative for the Indian soft drinks market in 2010, generating total revenues of $1.9 billion, equivalent to 50.5% of the market's overall value. The soft drinks industry in India comprises over 100 plants across all states. It provides direct and indirect employment for over 125.000 employees. Soft drinks constitute the third largest packaged food segment in India. The market size for soft drinks in India has been estimated at 3.108 US $ million in 2010. With an annual growth rate of 16.5 percent volume sales of bottled water will increase rapidly within the next five years. The volume sales of carbonated soft drinks will increase by 8.6 percent per year.

- **Sales volume of non alcoholic drinks in India (Annual Growth Rate):**

Litres mn	2011	2012	2013	2014	2015
Bottled water	4.754	5.647	6.647	7.692	8.753
Carbonated softdrinks	1.809	2.000	2.187	2.361	2.514
Juice (fruit/vegetable)	734	9.001	1.100	1.334	1.608

Table-3.1

- **<u>Comparative position of coca cola in India:</u>**

- The beginning of 1980's saw the birth of another cola drink, Thums up, Parle the Gold spot people, launched it in 1978-79, as "Refreshing Cola". in 1978 Parle, Indian soft drinks market (share 33%) with its gold spot and Limca brands. Later Thums Up also started. At the same time the threat to the Indian soft drinks was that of fruit drinks. In 1988, fruit drinks market was valued at Rs. 40 crores and grew at the rate 20%.
- Total soft drink segment is growing at the rate of 10% per year. So with kind of a market potential coke entered in India in 1991.
- Coca-Cola entered Indian by buying up to 69% of the 1,800 crore soft drink market { i.e. 5 Parle Export brands of Thums Up's, Limca, Gold spot, Citra & Maaza }.Today the scene has changed making it a direct battle between two giant Coca-Cola and Pepsi. These two giants Pepsi and Coca-Cola, themselves share 96% of the soft drink market share.
- On the 24th October 1993 in order to a strong hold in the Indian market, it signed a pact with Mr. Ramesh Chauhan of Parle exports. Thumps Up, Limca, Gold Spot, Citra, Maaza, Bisleri Club Soda etc. at a cost of $40 million by doing so they gripped the Indian market of soft drinks and captured 65% of the entire soft drinks so that the competition was tougher.

- The Fruit drink segment is estimated at Rs.250-300 crores, while the Juice market (Branded & Packaged) is estimated at Rs 150 crores. Nectar is a small category of around Rs 35-50 crores.
- The two key national level players in the juice segment are Tropicana and Real. Real is the market leader with 55-60% market share. Tropicana has an estimated share of 30-35%. Several local / regional brands also exist, besides a huge unorganized sector.
- The Juice category is the fastest growing segment at present, estimated to be growing by 20-25% p.a. The fruit drinks category has also been witnessing growth of around 5% p.a.
- The main reason for this growth in the NCSD Category is the change of the consumer preference from the carbonated to the non-carbonated soft drink sector mainly due to increasing Health Awareness among consumers and the Pesticide issue relating to Coke.

- In the Fruit Drink segment, Frooti is the clear market leader with around 85% market share.
- Coca-Cola being 11 years older than Pepsi has dominated the scene in most of the soft drink markets in the world and enjoying leadership in terms of market share.
- Coca-cola has been penetrating the market through its wide product range with a determination to change consumption pattern of soft drink in India. Firstly, they upgraded the whole industry by introduction 300 ml bottles, which in turn had given the industry a booming growth of 20% as compared to the earlier 5%. They want to develop a coca culture here and are working on a strategy to offer soft drink in every possible package.
- Coca-cola has been working on the saying slow and steady wins the race’s side by retailing to every more of its competitor. They have procured the shield of thumps up with a handsome market share in Indian soft drink market.

➢ **India’s relationship with coca-cola**

- Just after independence, the maharaja of patiala oversaw his coca-cola hoarding from his huge, ornate palace, coca-cola export representative frank harrold, was awed by the maharaja's opulent life style.
- In 1993 after coca-cola returned to india after a 16 year absence (george fernandes threw the company out of the country in 1977 on the pre text that it had refuse to divalge its formula to indian officials), ceo of the coca-cola company, robesto boirueta "salivated over a virtually untapped market of 840 million people".

Market Structure

Product Variation	
Company	**Share (%)**
Cola Drinks:	
Thums Up	29
Coca Cola	25
Pepsi	18
Non Cola Drinks:	
Gold Spot	2
Fanta	9
Mirinda	8
Limca	9
Overall Colas	62
Lemon:	
Cloudy	7
Clear	3

Orange	17
Mango	3
Soda	8

Table-3.2

3.2 Present Position and Trend of Business

➢ **Comparative position of Coca-Cola in Nepal:**

- Bottlers Nepal Limited, the sole bottler of multinational brand Coca Cola in Nepal, has announced to invest $10 million in the next three years for expanding its bottling plant and introducing Kinley brand of mineral water.
- Managing director of BNL informed that the company will soon start manufacturing Kinley brand of mineral water following standards prescribed by World Health Organization (WHO).
- Bottlers Nepal enjoyed 20 percent growth in 2009. "We have managed to record double digit compounded annual growth rates in the past five years," Bhattacharya added.
- Coca Cola Sabco Limited has invested more than $45 million in the last five years. The company is annually producing one million bottles of carbonated soft drinks.
- "We have worked out a big and ambitious plan for Nepal," Bhattacharya said, adding that they will continue to increase their investment in the future as well.
- Coca Cola enjoys 67.8 percent share in Nepal´s carbonated soft drinks market, according to a global marketing research firm. The multinational brand valued at $70 billion has presence in 200 countries.
- Bhattacharya said the stiff competition in the market is helping strengthen the carbonated soft drink giant´s presence in the market. He, however, said power cuts and poor infrastructure are the major constraints in the company´s expansion plan.

- Bottlers Nepal is in the front line when it comes to Corporate Social Responsibility (CSR), Bhattacharya said. The company has been supporting UN Habitat for potable water project and is actively involved in programs organized to commemorated World Health Day and World Environment Day. It is also helping build schools in different places across the country.
- The company is directly employing 470 persons and providing indirect employment to as many as 30,000 persons.

❖ **"Country of the Year" Award**

  - Bottlers Nepal has been honored with ´Country of the Year´ award in the Coca Cola Sabco conference held recently in Colombo, Sri Lanka. The conference saw the participation of Coca Cola bottlers from Africa and Asia.
  - "Bottlers Nepal was adjudged the best bottler on the basis of criteria including production, distribution, sales, CSR and quality assurance," the company said in a statement.

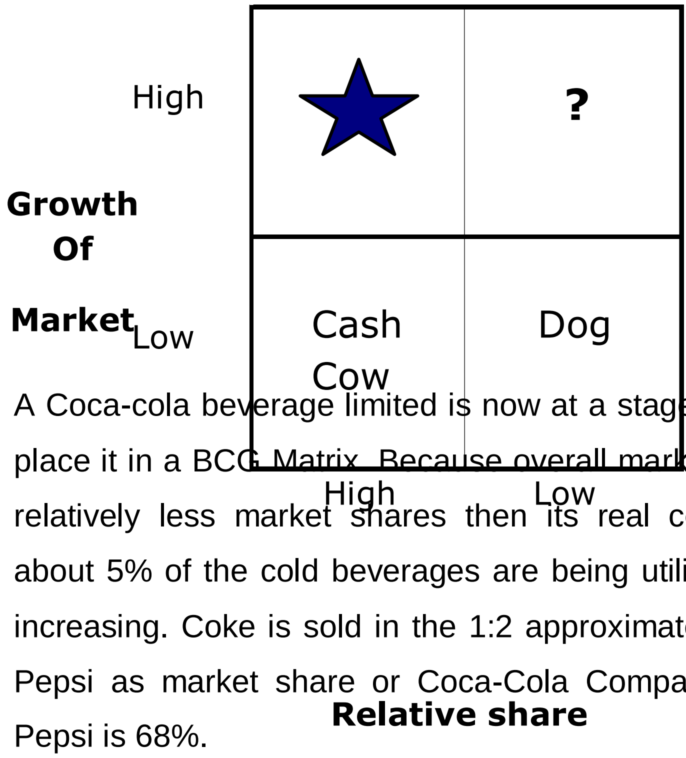
➢ **<u>The present position coke in India:</u>**

- Coke is a households name and is the lips of every one. In present time every person knows the name of coca cola since India is one of biggest market and sultry summer from March the end of October and huge population has immensely helped in the sales of coke in India and its making it more economical.
- Last years, the market share of coca cola was not specific. In this year company's top management adopted new policy and decreased the rate of all brands of coke. By this decision top management determined the rate of 300 ml / 7rs. And they made a new brand of 200 ml determine the rate of this brand 5rs. By which medium size family and lower level family can be taken they enjoy of coke. By this decision company's marketing share has been increased.

- In present time coke is captured approximate 70% market share in cold dinks line. Now coke has defeated all the soft drinks company. According to service and according to advertising coke has appropriate position.
- Consider this: Due to the high level of excise duty and resultant prices, the per capita consumption of soft drinks in India is 6 bottles (same as Nepal's), compared to Pakistan's 17 bottles, Sri Lanka's 21, Thailand's 73, the Philippines'' 173 and Mexico's 605.
- To drive home its contribution to the economy, a Soft Drink Manufacturers Association paper said that the industry contributes over Rs 1,200 crore to the exchequer and exports goods worth Rs 700 crore.
- It has now emerged as the winner and has a good image in the market. Coke has even sponsored the wills cricket world cup 96 at an estimated cost of 26 crores.
- Coca-Cola India claimed to have captured 58.4 per cent share of the carbonated soft drink market and announced appointment of 6 regional directors. The company also claimed that following regional consolidation, Fanta grew by 30 per cent in Tamil Nadu, Limca grew by 28 per cent in Punjab, Maaza by 30 per cent in Mumbai and Thums Up became the leading brand in Andhra Pradesh and Kolkata.
- The year has been particularly a good one for Coca-Cola. In Brand Equity's Most Trusted Brands survey 2011 Coca-Cola has moved up from 23rd position(overall rank in MTB 2010) to 11th position this year. In the beverage (cold) category, it has emerged as the winner followed by Thums Up (overall -16, last year - 20), Mirinda (overall -19, last year - 56), Pepsi (overall - 21, last year - 15) and 7 Up (overall - 25, last year - 52) as the Top 5 players.
- Coca-Cola's second quarter volumes in India, a market with "immense potential" according to the company's chief Muhtar Kent, grew 8%, its 20th consecutive quarter of growth there. However, PepsiCo saw 17% beverage growth in India in the same quarter.

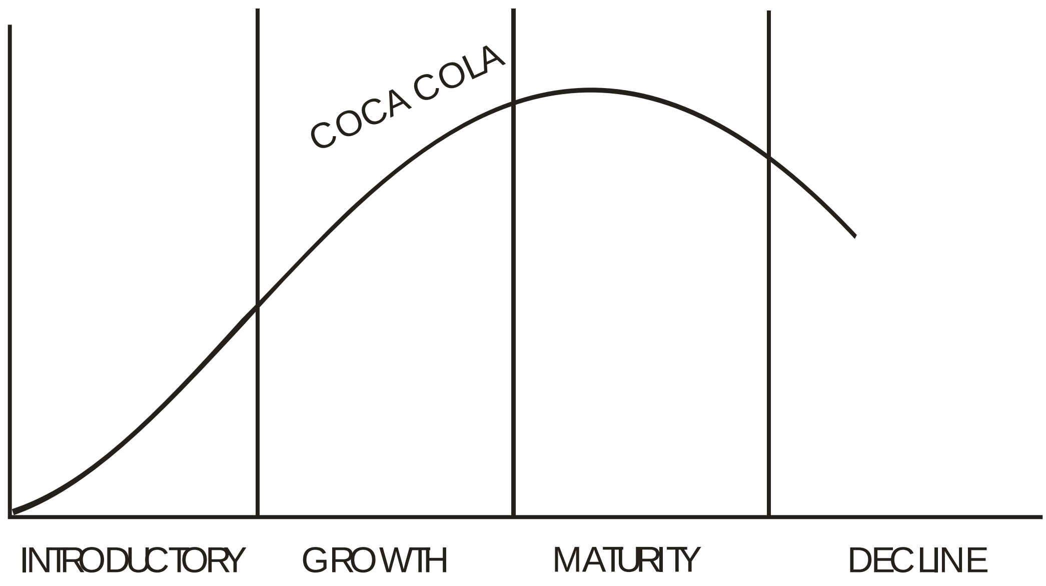
- Coca-Cola said its slower growth in India was due to its 2020 vision which sets out that retail prices need to rise to meet growing commodity costs and raise value share as well as volume, India's ***Economic Times*** reported, adding that Coke says its prices have gone up in India by 9-15% in the past 6-7 months.

BCG MATRIX



- A Coca-cola beverage limited is now at a stage of question mark if we place it in a BCG Matrix. Because overall market is growing and it has relatively less market shares then its real competitor PEPSI. Only about 5% of the cold beverages are being utilized and this number is increasing. Coke is sold in the 1:2 approximately ratio with respect to Pepsi as market share or Coca-Cola Company is 27% and that of Pepsi is 68%.

PRODUCT LIFE CYCLE



- Coca-cola is in a stage of growth according to a product life cycle analysis. It is recovering its market share very quickly which it had lost in previous years although there is good competition in market but it is still recovering and enjoying healthy profits. There are no barriers for new entrants, and many companies are entering in this industry because of healthy growth.

4.1 Policies and Norms of Nepal for Beverage Industry for Import / Export Including Licensing / Permission, Taxation Etc.

➢ **Environmental Considerations in Trade in Beverage Industries in Nepal**

- A total of 3,850 cottage and small industries were registered with a total investment 2.65 billion Nepalese Rupees (Rs.). **Table** gives the principal indicators of major food manufacturers. The food and beverages industries employed 32,338 people, with employment of 24,129 people in the food processing industry and 8,209 people in the beverages industry.

Industrial Products	Unit	Approved Capacity of Industries in (A)	Production (B)	Capacity Utilization (%) (B/A × 100)	No. of Industries +	Total Employment
Soft Drinks	Kl	89,800	44,376	49.42	3	982
Beer	Kl	45,000	29,078	64.64	5	715

Table-4.1

- **Imports and Exports of Beverage Products**
  - **Table** shows the import and export scenario for beverage products in Nepal. Exports of agricultural commodities, mainly comprised of food products, animals, tobacco and beverages, amounted to Rs. 4.33 billion as compared to exports of these items totaling Rs. 4.15 billion.

Import/Export of beverage Products

Value in thousand Rupees (US$ 1 - Rs. 71)

Commodity	Overseas		India		Total	
	Export	Import	Export	Import	Export	Import
Soft drink concentrate		301,900				301,900
Juice			1,091,300		109,1300	
Beer			21,700		21,700	

Table-4.2

- **Policies and Practices**
  - To up-date and review food legislation in Nepal taking into consideration the SPS and environment–related aspects and preventative compliance to improve food safety management;

- To build capacity in human capital, infrastructure and laboratories to take up the emerging challenges being presented in food trade;
- To implement a risk-based approach to manage microbiological safety, food contaminants and emerging risks, such as BSE, bird flu, dioxins and PCBs;
- To institutionalize a multidisciplinary approach to address the multi-faceted nature of food safety assurance throughout the entire food chain;
- To build the technical and financial capacity in SMEs to undertake pesticide residue analysis and obtain appropriate certification and labeling to ensure exports are not rejected at the border.

➢ **Taxation**

- The VAT was introduced in November 1997 as a reform designed to replace sales taxes and most excises. The "octroi," a traditional local tax on trade, was also eliminated at this time. Five years after its introduction, however, the VAT had yet to be completely implemented, as indicated by a finding that whereas net taxes from VAT have increased 65% over the first five years, refunds have increased by a factor of 23. The VAT rate is 10% collected at every stage of selling goods and services. Excise taxes are applied mainly to goods deemed hazardous to health, such as alcoholic beverages, cigarettes and soft drinks.

4.2 Policies and Norms of India for Import or export to the Nepal including licensing / permission, taxation etc

➢ **Customs and Duties**

- Customs and duties are a principle source of domestic revenue. Cigarettes and alcoholic beverages are charged at 100%, although alcoholic beverages with more that 60% alcohols are prohibited altogether. The export service charge is 0.5% India has refunded to Nepal the excise duties levied on its exports to Nepal. Goods imported from India are granted a rebate of the application of ad valorem of 10%

in tariff rates up to 40% and of 7% on rates above 40%.Efforts to combat smuggling appear to have at least changed the dominant mode from men driving trucks and buses to individuals, many women and children, driving bicycles.

➢ **Import approval**

- In general, imports require no formal approval. The treaty of trade and transit between Nepal and India governs imports from India. Importers may import goods if obtaining a letter of credit, with authorized bank approving payment following submission of the necessary documents. Imports from overseas of all products are free, except of those specified in the banned list. No permit is required for the import of processed food, packed and tinned food, dried fruit and vegetables, cocoa, tea and tobacco.

➢ **Licensing, quotas and prohibitions**

- No license is required for imports of soft drink beverages. The licensing system intends to protect public health, consumer and environment welfare as well as national security. There is no import quota in Nepal any more.

➢ ***Taxes and surcharges***

- Goods imported into Nepal are also liable for a sales tax of 15 per cent, levied on c.i.f. plus customs duty. A 1.5 per cent local development fee is levied on import at customs point. But special fee of 1 per cent will be levied on imported goods of up to 5 per cent customs duty.

5.1 Potential for import / export in India

- Share of Nepal's exports to and imports from India in fiscal year 2010/11 was 67.39 Percent and 66.11 percent respectively.
- Trade deficit with India is increasing at an alarming pace, reaching 65.87 percent of total Trade deficit of Rs 331.84 billion in 2010/11. As a percentage of GDP:

    - Total trade deficit: 25%
    - Trade deficit with India: 16%
- In South Asia, Bhutan, followed by Nepal, has the highest degree of trade intensity with India.
- Nepal's export basket is heavy with low-value products, including minerals and agriculture products (textiles, ferrous metals, chemicals, crops and food products).
- Nepal has not been able to diversify production into and exports of core manufacturing goods that yields relatively stable export earnings, employment creation, infrastructure development, backward and forward linkages, and development of new products in the same range of sectors.
- The low export penetration index, which is used to measure the extent to which a country is utilizing market available opportunities, of Nepal indicates that Nepal has been unable to exploit market opportunities for the existing set of export items.
- Items with relatively inelastic import demand such as petroleum and coal products, ferrous metals, chemical rubber and plastic, mineral products and food products weigh heavy on Nepal's import basket.

5.2 Business Opportunity of Beverage Industry and Coca-Cola Company in Nepal

- The beverage industries have good scopes and market within the country. The existing Beverage industries in Nepal are therefore in good position relative to other types of industries. The market of beverage industries in Nepal is day by day increasing. The investment on this sector is also found to be increasing day by day.
- Most of the bigger and renowned beverage industries in Nepal have foreign investment and are directly related to multinational company and these bigger industries have good factory setup, good management, and well-known fame and goodwill of their brands. These all factors have made them success to dominate the local

beverage industries of lower investment. In fact these factors have been the barriers to entry to the beverage industries.

- The government of Nepal has also tried some rules like IEE and EIA to manage the beverage industries. Anyway the beverage industries in Nepal have been an integral part of Nepalese economy.
- Coca-Cola Sabco is creating significant economic opportunities in Nepal by providing the option to create and operate Coca-Cola Manual Distribution Centers (MDCs). MDCs account for more than 95% of the company's sales in many areas, and they have helped it to achieve double-digit sales growth since the model was implemented.
- Coca-Cola is planning to continue growing its flexible and successful MDC model, as it has been accepted as a vital component in the growth strategy of the company. Wherever Coca-Cola faces distribution and access difficulties, the company plans to develop more MDCs.
- Coca-Cola is only beginning to realize the power of the distribution network created by MDCs. The company has used the network as a platform for various beneficial community services – for example, working with the US and Ethiopian governments as well as a local NGO, Positive Change, to provide economic opportunities for HIV/AIDS orphans – and has been approached by other organizations about similar projects. Coca-Cola Sabco is committed to finding ways to use its network strategically for community development.

5.3 Conclusion & suggestion

- The current population of Nepal is 26.6 million & growth rate is 1.60%. There are 11 different languages in Nepal. There are 5 major types of religions in Nepal. About two thirds of female adults and one third of male adults are illiterate. Nepal's flag is the only national flag in the world that is not rectangular in shape.

- The growth of GDP in 2010 is estimated to be 3%, due to the bad agricultural performance, lower remittances and more difficult monetary conditions. The economy depends highly on the trade with India. Nepal remains a poor country with a high rate of unemployment. Nepal ranked 32nd in poorest countries.

- Industrial production growth rate is 1.8% in 2011. There are major industries of which export is done such as tea, leather, herbs, ITC, tourism, etc.

- The Coca-Cola Company operates in more than 200 countries and markets more than 450 brands and 2,800 beverage products. The Coca-Cola business in Nepal has completed its 50 years of operation. Coca cola has two plants in the capital Kathmandu and Bharatpur.

- Coca cola contribute to the economic success of each community by employing local people; paying taxes to governments; paying suppliers for goods, services and capital equipment; and supporting community investment programs.

- Coca cola is also committed to strengthening the community through various programs, particularly in the health sector, as the country has the lowest per capita public health expenditure in the world. In association with the local community, Coca cola assists by supporting a Free Health Check-up Clinic at Bharatpur.

- Because of Indian population & hot weather people prefers soft drinks, so that Indian market growing at the rate of 10% per year. The current revenue generated by soft drink industry in India is 3.8 billion. Soft drinks constitute the third largest packaged food segment in India.

- Coca-Cola entered Indian by buying up to 69% of the 1,800 crore soft drink market. These two giants Pepsi and Coca-Cola, themselves share 96% of the soft drink market share.

- Thumps Up, Limca, Gold Spot, Citra, Maaza, Bisleri Club Soda etc. at a cost of $40 million by doing so they gripped the Indian market of soft drinks and captured 65% of the entire soft drinks so that the competition was tougher.

- Coca-cola has been working on the saying slow and steady wins the race’s side by retailing to every more of its competitor. They have procured the shield of thumps up with a handsome market share in Indian soft drink market.
- Coca Cola in Nepal, has announced to invest $10 million in the next three years for expanding its bottling plant and introducing Kinley brand of mineral water.
- Coca Cola enjoys 67.8 percent share in Nepal´s carbonated soft drinks market, according to a global marketing research firm.
- Coca cola has been supporting UN Habitat for potable water project and is actively involved in programs organized to commemorated World Health Day and World Environment Day. It is also helping build schools in different places across the country.
- Nepal's foreign trade was limited to Tibet and India. Up until 1989, treaty agreements between India and Nepal allowed for unrestricted commerce across 21 customs posts along the border, and duty-free transit of Nepalese goods intended for third-party countries through India.
- The most recent India-Nepal Treaty of Trade, signed in March 2002, continues to allow Nepali manufactures to enter the Indian market on a nonreciprocal, preferential, or duty-free basis, with rules of origin less restrictive than the international norm.

PART-2

1. ANALYSIS OF TEXTILE INDUSTRY OF NEPAL

Textile industry is one of the oldest industries in Nepal established in the eve of World War II. But informally, textile industry was in existence from the time immemorial in the form of family based cottage industry, the clothes produced are still called gharbuna. Organized form of textile industry has become a sick industry with almost no possibility of revival because of easy & heavy import of textile from neighbourhood countries – India and China. Textile industry of the country has become extremely sick also because of the direct import of readymade garments at very cheap prices. It has become sick also because of no improvement in the quality of production. Fourthly, the government policy has been defective. Government even could not operate and ultimately decided in the year 2000 to close the only one Public Enterprise of textile sector – the Hetauda Textile Industries.

On the other hand garment industry is a newer one. The history of garment industry in Nepal starts basically from 1985. Its growth have been very fast and it has become the second largest item of export in Nepal after the woollen carpet as the first item of export with viewpoint of foreign exchange earning in Nepal.

Textile Industry in Nepal

2.3.1 Market size

According to estimates the market size of textile and clothing industry in Nepal was EUR 0.6bn in 2008. Over 90 % of textile and clothing products are exported and less than 10 % stay in the domestic market. Domestic market based industries are traditional and fragmented unlike export oriented industries. Nepalese textile and clothing industry consists mainly of carpet industry, ready-made garment industry and pashmina goods industry. Carpets and clothing constituted an important portion of Nepal's officially recorded exports, and are mostly exported to Germany and the United States.

2.3.2 Market growth

After the preferential treatment of Nepali garments by the US ended from Jan. 1, 2005, exports of Nepali ready-made garments have been decreasing every year. According to data, the exports declined by 45 percent in 2008 and 48 percent in 2007. Since the Nepalese clothing industry is basically dependent on the US market, it has had serious difficulties in 2009 due to economic meltdown in the US. Clothing exports to the US declined by 56 per cent in the first seven months of 2009. Nepalese textile industry has not experienced a similar decline in recent years but the economic crisis is taking a heavy toll on it in 2009. In one year 250 of the 400 carpet factories have been forced to cease operation leaving 400 000 workers unemployed. However, most of the production can be set up again quickly if needed in textile industry as well as in garment industry. The near years in the future will be especially difficult for the Nepalese garment industry and it is anticipated to decline further in value. Textile industry will hold up a bit better but will experience probably significant decline in 2009 and in 2010 as well. The total value of textile and clothing exports of Nepal is anticipated to decline up to 37 percents in 2009.

2.3.3 Central government initiatives

The Nepali government has been passive in its recent support to textile and clothing industry which is one reason to the industry's present difficulties. However, the government has lobbied for duty free entry of Nepali garments to US and in 2009 US senators have tabled a bill that promises duty-free market access for 14 least developed countries, including Nepal. The matter is not yet resolved. Nepalese government is also negotiating with India to abolish the special duty on carpets which would make Nepalese carpets competitive on Indian markets. The government also has supported the program that registered recently an international trade-mark for Nepalese pashmina products and a similar program is on the way for Nepalese carpets.

The Nepalese government is planning the following incentives:

• 10 Export Promotion Zones to be established in the future.

• No Duty levied on raw materials and auxiliaries imported by industries in EPZ.

Currently following incentives are in action:

Industries exporting more than 90 percent of the production are entitled to import duty free machinery, tools and raw materials that are used for manufacturing of export products.

• Export oriented industries may also enjoy the benefits of bonded warehouse facilities.

• Exporters allowed retaining their export earnings in their own foreign currency account.
• Export is generally free of custom duty.
• Profits from exports are taxed at 20 percent.
• Tax incentives for industries locating outside Kathmandu Valley due to pollution and overpopulation in the Valley.

It is to be noted that Nepal is one of Finland's eight long term development cooperation partners. The Finnish embassy in Nepal is well connected and can even give small scale financial support to some Finnish projects. In 2009 as investment protection agreement was signed between the Finnish and Nepalese governments. According to Finnish foreign ministry, the goal is to increase the development cooperation with Nepal in the future.

2.3.4 Environmental issues

The environmental waste by Nepalese textile and clothing industry is mainly caused by the carpet industry. Synthetic dyes used to color carpets flow usually untreated to the surface waters of Kathmandu Valley where most of the carpet industry is situated. One of the areas where Nepal does development cooperation with Finland is the waste management.

2.3.5 Social responsibility

Child labor is a major economic and social phenomenon in Nepal and textile and clothing industries are part of the phenomenon. However, child labor free certification RugMark for carpets has been adopted by a number of Nepalese carpet factories and the situation has improved significantly in the carpet industry. Other major problems for workers in textile and clothing industry include: poor implementation of labor laws, hazardous working environment, harassment and low wages. Government recently almost doubled the minimum wage of workers which according to industry representatives raised manufacturing costs too much in the country.

2.3.6 Availability of raw materials

For the most part Nepalese textile and clothing industry have to import the raw materials needed in production. In carpet industry wool is mostly imported from Tibet, New Zealand and Britain. The main raw materials used for producing pashmina products are Pashmina Yarn and Silk Yarn which are imported to Nepal. Pashmina and Silk Yarns are imported from China and India. Nepal doesn't have a sufficient cotton production to supply ready-made garment industry and cotton is imported from neighboring countries such as India.

Nepal does produce a significant amount of jute which has supported the growth of jute industry in the country. In leather industry as many as 65 % and 15% of the total raw materials needed for producing the leather shoes and other leather goods are respectively supplied from within the country. The overall capacity of leather industry is however rather modest.

2.3.7 Primary production categories in textile and clothing industry

Nepali textile industry is well known for its hand-knotted woolen carpets. In addition to this well known sector, country produces home textiles such as woolen blankets bed linen, table linen, kitchen linen textile based interior furnishing articles, cotton bags, tents and tarpaulins. Another sector that Nepal is known of, is pashmina industry. Pashmina industry produces e.g. shawls, stoles mufflers, scarves, blankets and ready-made garments partly cotton. Nepal's readymade garment industry is today very small but still produces articles such as coats, jackets, jumpers, jump suits, shirts and blouses, skirts and trousers, slacks and shorts, quilted jackets & waistcoats etc. of cotton and rayon**.** Knitted products include pullovers, socks, caps, gloves, mufflers, scarves and shawls. A small but notable leather industry manufactures leather clothes, shoes and sandals (leather and plastic).

Nepal produces also a variety of fabrics and yarns for domestic industry as well as for export. These include silk cocoon (for reeling), raw silk, raw jute, jute yarn, jute fabrics, cotton yarn, hand loom cloth, synthetic yarn, woolen yarn and hemp cloth.

Textile & garment industries have been known to kick-start industrialization in many an emerging economy. They have been known for providing the impetus for transforming strategic industrial policies of import substitution to export promotion. These industries, due to their labor intensive character are also known for their large employment generation capacity. In other words, the industry has the potential to give a turnaround to the stagnant industrial atmosphere if opportunities are rightly exploited.

The history of the garment industry in Nepal is a little over a decade and half years old. Before that, garments in Nepal meant traditional Nepalese garments that were exported to a limited number of countries in limited quantities.

The meteoric rise of the garment industry was brought about by the interplay of various factors, both domestic and foreign. The much needed boost came at a time when garment exporting industries in Asia were hit by the quota system imposed by importers in Europe and America. This coincided with rising labour costs in garment exporting countries undermining their low cost advantage. Producers were forced to look for alternative, cheaper locations. Hence, Nepal emerged as a relocation site, especially for Indian producers who had already hit the quota ceiling. They began pouring into Nepal to evade the quota constraint imposed by the US Government during the late 1970s. It was then, in 1984/85, that the ready-made garments can be said to have entered the take off stage in Nepal. The Garment industry in Nepal has grown significantly in just last decade.

This young industry's initiation was very haphazard and with no set policies by the government, though this scenario has changed quite a lot during the years. The government has set some policies which are deemed friendly to this industry. As a matter of fact, the garment industries flourished during the only due to the continuous efforts made by the industrialist albeit government policies aimed at developing this sector appeared once in a while. Signals are being noticed in the country's export industries following the change in the world trade and global shift to liberalized economic policy. Since the garment industries being export based and have to compete with any countries, especially with the neighbouring countries in the international market, the policies adopted by these countries are bound to have direct impact in the garment export of Nepal.

Income and Employment Generation

Employment in the textile industry has decreased sharply from 20633 in 1996/97 to 6000 in 2000/01. This is due to the closing down of 60 per cent of the factories. It is reported that the majority of workers who lost their jobs due to shut down of the factories are engaged in family farming and civil construction works. Due to low demand of handloom textile, income and employment in the cottage and informal sector has also decreased.

Details of income and employment generation in the textile sector are presented in Table 4. As per the 1996/97 census of manufacturing units (with 10 or more workers), 15258 workers were engaged in the spinning weaving, finishing and textile made up manufacturing activities. Of the total, 4.21 per cent workers were owner and owner family (without salary and wages), 81.15 percent were contract workers, 9.39 percent were administrative and 5.25 per cent were technical workers.

As per the census, the textile sector had generated Rs. 378.33 million in wages and salaries. 73.18 per cent of the total wages and salaries were paid to contract workers where as salaries paid to administrative workers and technical workers were 14.24 per cent and 12.58 per cent of the total respectively. Details are presented in Tables 4 and 5.

Employment in Textile Sector

Sector	No. of Estds.	Employment in Number			Employment in Number	Employment in Number
		Contract	Admin	Technical		
Spinning & weaving	134	352	6134	554	402	7442

Finishing	89	240	5457	803	383	6883
Made-up textile	19	51	790	76	16	933
Total	242	643	12381	1433	801	15258
Per cent share in total		4.21	81.15	9.39	5.25	100

1. Present Relationship with Indian Trade and Commerce

Commercial and Economic Relations: India is Nepal's largest trade partner and source of foreign investment; India is also the only transit providing country for Nepal.

Trends in trade and investment:

Bilateral trade was US$ 2.23 billion during Nepalese fiscal year 2006-07 (July 16 – July 15). Nepal's import from India amounted to US$ 1643.8 million and exports to India aggregated US$ 591.9 million. During fiscal year 2007-08, Nepal's total trade with India was about US$ 2.81 billion; Nepal's exports to India were about US$ 594.0 million; and imports from India were about US$ 2222.7 million.

Since 1996, Nepal's exports to India have grown more than ten times and bilateral trade more than six times; the bilateral trade that was 29.8% of total external trade of Nepal in year 1995-96 has increased to 63.8% in the year 2007-08. Since 1995-96, the total external trade of Nepal has increased from NRs. 9433 crores (IRs.5895 crores) to NRs. 28690 crores (IRs. 17931 crores). 81% of this increase is on account of increase in the bilateral trade between India and Nepal, which grew from NRs. 2808 crores (IRs. 1755 crores) in 1995-96 to NRs. 18315 crores (IRs. 11446 crores) in 2007-08. Nepal's exports also increased from NRs.1988 crores (IRs. 1242 crores) in

1995-96 to NRs. 6078 crores (IRs. 3799 crores) in 2007-08. 86% of this increase was on account of increase in Nepal's exports to India.

Nepal's main imports from India are petroleum products (28.2%), motor vehicles and spare parts (8.2%), M. S. billet (5.6%), medicines (3.7%), machinery and spares (3.2%), coldrolled sheet incoil, and chemicals. Nepal's export basket to India mainly comprises G.I sheet (11.4%), Threads (10.7%), Polyster yarn (6.7%), Jute goods (6.6%), vanaspati ghee (6.1%), textiles (5.4%), Juice (4.7%), GI Wire (4%), large cardamom (2.6%) and range of other semi-processed and processed food products. G. I. sheets and wire, processed from raw materials imported from India have emerged as major export items from Nepal to India.

Indian firms are the biggest investors in Nepal, accounting for about 44% of total approved foreign direct investment of IRs 31.51 billion (approx. US $ 660 million) and 25.2% of 1741 approved ventures with foreign investment.

Indian ventures in Nepal are engaged in manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries. Some large Indian investors include, ITC, Dabur India, Hindustan Unilever, VSNL, TCIL, MTNL, State Bank of India, Punjab National Bank, Life Insurance Corporation of India, Asian Paints, CONCOR, GMR India, IL&FS , Manipal Group, MIT Group Holdings, Nupur International, Transworld Group, Patel Engineering, Bhilwara Energy, Bhushan Group, Birla Corporation, etc.

Nepal's transit trade is routed through fifteen designated routes from India-Nepal border to the port of Kolkatta/Haldia. In addition, Nepal's trade with and through Bangladesh also transits through India.

Government of India is providing assistance for development of cross-border trade related infrastructure. It includes upgradation of four major custom checkpoints at Birgunj-Raxaul, Biratnagar-Jogbani, Bhairahawa-Sunauli and Nepalgunj-Rupediya to international standards; laying an oil pipeline from Raxaul to Amlekhgunj, through a joint venture between Indian Oil Corporation and Nepal Oil Corporation; upgrading approach highways to the border on the

Indian side; upgrading and expanding the road network in the Terai region of Nepal; and, broad gauging and extending rail links to Nepal.

Bilateral Framework: The bilateral framework for trade and transit is provided by the India-Nepal Treaties of Trade, of Transit, and Agreement of Co-operation to Control Unauthorised Trade signed in 1991. The Trade Treaty, valid for five years was modified and renewed through exchange of letters on December 3, 1996 and March 5, 2002. The Treaty was renewed automatically, without any change, in March 2007. The key features of the treaty are:

- Duty free access to each other's primary products;
- Nepalese manufactured products are allowed access to the Indian market, free of basic customs duty, on the basis of Certificate of Origin issued by a GoN designated authority – FNCCI, if the goods are manufactured in Nepal with Nepalese and/or Indian inputs; or, with at least 30% local value addition, if third country inputs are used; and, involves substantial manufacturing process leading to change in HS classification at four-digit level;
- Annual quotas have been prescribed for duty free access in respect of four items – vegetable fats (100,000 tonnes) acrylic yarn (10,000 tonnes), copper products (10,000 tonnes) and zinc oxide (2,500 tonnes);
- The MFN list for Nepal has three items – cigarettes, alcohol (excluding beer) and cosmetics with non-Nepalese and non-Indian brands;
- Nepalese goods attract Countervailing Duty equal to excise duty on similar products in India;
- Goods manufactured by small scale units in Nepal enjoy the same benefits as SSIs in India with regard to tax exemption;
- Nepal provides a small rebate of 7% in the customs duty for imports from India upto a duty rate of 25% and rebate of 5% for duty rates above 25%;

- The Treaty provides duty-free access to primary products, but Nepal levies an Agriculture Development Fee (ADF) of 5% on imports from India.
- Twenty two designated points on India-Nepal border have been notified for conducting bilateral trade.
- The exports and imports of goods not subject to prohibitions or duties are also allowed to move through the traditional routes on common border.

Bilateral trade takes place either in Indian rupees or convertible currency. Nepal's central bank (Nepal Rashtra Bank) maintains a list of items that can be imported from India in convertible currency. Currently, 135 items are in the list. Since 1993, the Nepal Rastra Bank maintains a fixed exchange rate with Indian Rupee (1 INR = 1.6 NPR).

India and Nepal have a treaty of transit, which confers transit rights through each other’s territory through mutually agreed routes and modalities. The treaty was last renewed for seven years in March 2006. The key features are:

- India offers 15 transit routes from Kolkata/Haldia to Nepal for its third country trade.
- Goods can move by road or rail. The creation of ICD in Birgunj and extension of railway line from Raxaul to Birgunj has facilitated direct movement of goods in transit by rail to Nepal.
- A simple customs procedure has been put in place for Nepal’s third country traffic.
- Since 1993, India also allows movement of goods from one part of Nepal to another through a simple process of customs undertaking. Nepal has agreed to extend similar facility to India in the course of renewal of the transit treaty in March 2006.
- India has extended Nepal direct transit routes to Bangladesh for bilateral and third country traffic. One road route and one rail route have been notified. The road route is through Kakarbitta-Panitanki-

Phulbari-Banglabandha corridor. The rail route is through Radhikapur-Birol interchange point on India - Bangladesh border.

The **Agreement of Cooperation between India and Nepal to Control Unauthorised Trade** was automatically renewed for five years in March 2007.

The two countries have been engaged in consultations to revise the Trade Treaty and Agreement on Cooperation to Control Unauthorized Trade, since August 2006. The revised Treaty and Agreement have been finalized and were initiated on August 22, 2009. The two governments are negotiating a **Bilateral Investment Protection and Promotion Agreement**. The last round of negotiations was held in January 2007

2. Present Relationship With Indian Import - Export

The Multi-Fiber Arrangement (MFA) has governed international trade in textiles and clothing since 1974. The MFA enabled developed nations, mainly the USA, European Union and Canada to restrict imports from developing countries through a system of quotas.

The Agreement on Textiles and Clothing (ATC) to abolish MFA quotas marked a significant turnaround in the global textile trade. The ATC mandated progressive phase out of import quotas established under MFA, and the integration of textiles and clothing into the multilateral trading system before January 2005.

The Agreement on Textiles and Clothing

ATC is a transitory regime between the MFA and the integration of trading in textiles and clothing in the multilateral trading system. The ATC provided for a stage-wise integration process to be completed within a period of ten years (1995-2004), divided into four stages starting with the implementation of the agreement in 1995. The product groups from which products were to be integrated at each stage of the integration included (I) tops and yarns; (ii) fabrics; (iii) made-up textile products; and (iv) clothing.

The ATC mandated that importing countries must integrate a specified minimum portion of their textile and garment exports based on total volume of trade in 1990, at the start of each phase of integration. In the first stage, each country was required to integrate 16 percent of the total volume of imports of 1990, followed by a further 17 percent at the end of first three year and another 18 percent at the end of third stage. The fourth stage would see the final integration of the remaining 49 percent of trade.

Import / export potential in India

India imports and exports goods on a grand scale, and that trend is growing every year as their population and level of technological sophistication increases. Every country engages in the importation of products that they need and want from other nations and they in turn export the products and raw materials that they have in abundance for financial gain.

India Imports at a Glance

The nation of India is the seventh largest in the world in land mass, number ten in the world for the size of their economy by GDP, and the fourth largest international economy in purchasing power parity. India has the second largest labor force in the world and abundant natural resources. India's economy has grown by about 7.5% yearly since 2000, and that rate is predicted to increase. It is also the fifteenth largest nation in imports and the eighteenth largest in exports worldwide in 2009. This means that India imports and exports are a huge potential market.

Indian Market Particulars

As with all other nations, India imports are subject to taxation by the national government. Tariffs, or customs duties, are an important part of any nation's economy, and help curb over-dependence on foreign products.

Indian customs duties are 5-40%, depending on the method of entry (land, air or sea) and product type. The country of origin matters too, due to trade agreements with individual nations for lower tariffs. Indian exports are generally free of export tariffs, but some are price regulated, such as basmati rice, which has a minimum foreign sale price.

India Imports and Exportation Rules

Indian export regulations are much more liberal, but, similar to India imports rules, they are designed to protect the national economy. Many types of finished products such as clothing, textiles and jewelry, are exported freely, but raw materials such as wood, metals and minerals, as well as agricultural and animal products, are restricted. The reasoning behind this is that the government wants to keep cheaper national resources and raw products available to their own people, rather than becoming dependent upon foreign resources.

India Imports

More than 78% of India imports into other countries are manufactured goods, such as clothing, textiles and jewelry and have low entry duties into most other countries, such as the US, due to trade agreements. However, a smaller importer might do better to tap into the small but vital markets for unique Indian products such as spices, certain textiles, teas, carpets, and handicrafts. There is even a substantial demand for “Bollywood” films, Indian music, and food products, as the Indian emigrant populations in other countries increase.

In all, India is a burgeoning market of consumers and a vital source of natural and finished products. Their economy is growing and maturing every year; their purchasing parity will equal that of Japan by 2011, and that of the US by 2045. India imports and exports sell well on the world market, and money can be made on both sides of the market

Potential for import / export in Gujarat

Gujarat, at present, is on the cusp of an industrial boom. New projects are being identified; slew of investments of over INR 150,000 across 12 sectors are made by the Gujarat Government over the next few years, aiming at an annual growth of 12-13 per cent by 2015. For all these investments to be realized, it is important to focus on turning this potential to be supported by growth accelerators that could sustain the existing momentum and build new focus areas. For better analysis of the growth, we focused on some key growth accelerators to have over time given any economy the desired push in their growth journey. The identified accelerators were trade, infrastructure, policy, demographics and technology. Here, we have very briefly elaborated on the growth ramifications of these accelerators: Historically trade is, driven by traditional comparative advantage, provided as key growth accelerator for economic expansion and national differentiation. As economies advance and diversify internally, trade helps to bring economies of scale, better market access and well integrated supply chain for various economic agents of any nation. Singapore is a good example of a nation State to have fully leveraged its geography and made trade as the basis of its growth and development.

Textiles Background

The textile Industry is one of the oldest and the most important sectors of the Indian economy. Gujarat's textile industry contributes in a big way to the industrialization of the State. About 33 percent of cotton production in the country is from Gujarat and the State contributes to about 35 percent of the woven fabrics from the organized sector in India. The city of Surat alone contributes to 40 percent of art silk fabric produced in India and is the largest production base for man-made fabrics. Further, 23 percent of the State GDP comes from textiles. Gujarat contributes around 20 percent of textile exports from India and 6 percent of garments export in India. In the early 1990s, Gujarat saw a dramatic change in the textile industry scenario with the entry of denim manufacturing. Arvind Mills, Soma Textiles, Modern Denim started manufacturing denim in Gujarat, and soon the State was known as 'India's land of denim'.

Enablers

Large availability of raw material like cotton has significantly contributed to the growth of textile sector in Gujarat. Proximity to ports and other mode of transport, liberal labour policies, cheap raw material and well developed textile machinery industry is attracting companies to set up units in Gujarat. In recent times there has been a shift of the textile hub from Mumbai to Gujarat, largely due to lower cost of real estate in Gujarat. The State is also supporting development of SEZs by giving tax incentives.

Constraints

Even though the textile industry is among the largest sectors in the State, it is highly unorganized and fragmented. The unorganized industry dominated by small traders and merchants serve as hindrances in the growth of the retail sector and industry exports. Although, Gujarat houses some of the leading organizations like Arvind Mills and Soma Textiles the apparel segment is not well developed. The State contributes to only 6 percent of garments export in India.

Imperatives

Technology is the key to success in the textile industry. Thus, the Government must aim to develop processing capacity and encourage technology up gradation funds. This will give more opportunities to the existing players and encourage new players to start their venture in the State. The retail boom is catching on fast across the country. The State should, thus focus on building retail opportunities in textiles & garments to meet the growing demand in the country. Gujarat has large availability of both natural and man-made fibers as basic raw materials and non-woven fabric manufacturing base, which is the key for developing technical textiles. Thus, the State must leverage on available resources and should focus on expanding the portfolio of technical textiles.

2. **<u>Identification of possibilities/ new opportunities of business with Nepal</u>**

1. **Introduction** for export to Nepal, a different procedure has to be followed considering that the rebate is granted to the His Majesty's Government of Nepal based on Indo-Nepal Treaty. Currently, the procedure is specified only for exports through specified Land Customs Stations. There is no rebate procedure for Bhutan.
2. **Conditions of export** the conditions of export are similar to export to other countries. For clarity, these are explained below: -
    1. It is essential that the excisable goods shall be exported after payment of duty, directly from a factory or warehouse. The condition of "payment of duty" is satisfied once the exporter records the details of removals in the Daily Stock Account maintained under rule 10 of the Central Excise (No.2) Rules, 2001 (hereinafter referred to as the said Rules), whereas the duty may be discharged in the manner specified under rule 8 of the said Rules, i.e. on fortnightly or monthly basis, as the case may be.
    2. In certain cases, the CBEC may issue instructions/procedures for exporting the duty paid goods from a place other than the factory or the warehouse.
    3. The excisable goods shall be exported within six months from the date on which they were cleared for export from the factory of manufacture or warehouse. This date will be indicated on the Nepal Invoice issued for the purpose. However, the Commissioner of Central Excise has powers to extend this period, for reasons to be recorded in writing in any particular case. The exporter will be required to submit written request to the Commissioner specifying the reasons why they could not export within the stipulated six months' period. The Commissioner should give his decision within seven working days of the receipt of the request. It should also be noted that such permissions should not given in a routine manner.

4. The market price of the excisable goods at the time of exportation should not be less than the amount of rebate of duty claimed.
5. The rebate claim will be admissible only if the amount of rebate of duty admissible is five hundred rupees or more.
6. The rebate of duty paid on those excisable goods export of which is prohibited under any law for the time being in force, shall not be made.
7. The whole or that part of duty as is granted as rebate to the exporter is not allowed as rebate to His Majesty's Government of Nepal.
8. The goods can only be exported by land through any of the following land customs stations, namely, Sukhiapokhri, Panitanki, Jogbani, Jayanagar, Bairgania, Bhimnagar, Bitamore (Sursand), Raxaul, Sonauli, Barhni, Nepalganj Road, Shohratgar (Khunwa), Jarwa, Katarniaghat, Gauriphanta, Banbasa, Jhulaghat, Dharchula, Naxalbari, Galgalia, Kunauli, Sonabarsa, Tikonia, or such other check-post as may be specified by the CBEC.

3. **Nepal Invoice** The Format of 'Nepal Invoice' has been specified in the notification no. 40/2001-Central Excise (N.T.) dated 26.6.2001 (Annexure-21It is similar to the erstwhile form except minor modifications such as incorporating "duty paid or payable" in place of "duty paid" so as to attune it with the Fortnightly Payment System.
4. **Procedure for export to Nepal** The exporter is required to prepare five copies of Nepal Invoice. The goods shall be assessed to duty in the same manner as the goods for home consumption. The classification and rate of duty should be in terms of Central Excise Tariff Act, 1985 read with any exemption notification and/or the said Rules. The value shall be the "transaction value" and should conform to section 4 or section 4A, as the case may be, of the Central Excise Act, 1944. It is clarified that this value may be less than, equal to or

more than the F.O.B. value indicated by the exporter on the Bill of Export.

4.2 The duty payable shall be determined on the Nepal Invoice and recorded in the Daily Stock Account it should be paid in the manner Rules.

4.3 The exporter may request the Superintendent or Inspector of Central Excise having jurisdiction over the factory of production or manufacture, warehouse or approved premises for examination and sealing at the place of despatch 24 hours in advance, or such shorter period as may be mutually agreed upon, about the intended time of removal so that arrangements can be made for necessary examination andsealing.

4.4 In case of exports under Duty Exemption Entitlement Certificate Scheme (DEEC), Duty Exemption Pass Book Scheme (DEPB) and claim for Drawback, the Superintendent of Central Excise shall also examine and seal the consignment and sign the documents in token of having done so. In exceptional cases, where the exporter has unblemished track record of compliance (Central Excise) and where there is non-availability of Superintendent of Central Excise due to leave, vacant post or other reasonable causes, the jurisdictional Assistant/Deputy Commissioner of Central Excise may permit examination and sealing by Inspector. Other types of export may be examined and sealed by the Inspector of Central Excise.

4.5 The Superintendent or Inspector of Central Excise, as the case may be, will verify the identity of goods mentioned in the application and the particulars of the duty paid or payable. If he finds that the declaration in Nepal Invoice are correct from the point of view of identity of goods and its assessment to duty, and that the exporter has recorded the duty payable in Daily Stock Account, he shall seal each package or the container ensuring that the goods cannot be tampered with after the examination. Normally, individual packages should be sealed by using wire and lead seals and an all-sides-closed container by using numbered One time Lock/Bottle seals or in such other manner as may be specified by the Commissioner of Central Excise by a special or general written order. Thereafter, the said officer shall endorse and sign each copy of the application in token of having such examination done;

4.6 The distribution of the Nepal invoice shall be, as follows:

Original (First copy)	Hand over to the Exporter or his agent along with the goods, packages or container after sealing it.
Duplicate (Second Copy)	To be put in a sealed cover and given to the exporter or his agent by the Central Excise Officer for being handed over to the officer of Customs In-Charge of the concerned land customs station
Triplicate (Third Copy)	To be put in a sealed cover and given to the exporter or his agent by the Central Excise Officer for being handed over to the officer of Customs In-Charge of the concerned land customs station
Quadruplicate (Fourth Copy)	To be retained by the Central Excise Officer;

4.7 The exporter or his agent shall then be free to remove the goods for export to Nepal, through the specified land customs stations.

5. **Procedure at the land customs station** The exporter or his agent shall present the goods to the officer of Customs in-charge of the land customs station along with the original copy of invoice and the sealed cover containing duplicate and triplicate copies;

5.2 The said officer shall examine the goods with reference to the declarations in the Nepal Invoice. Where the contents of all the copies of invoices tally and the packages, goods or container are satisfactorily identified with their seals intact, the said customs officer shall make necessary entries in the register maintained at the land customs station and allow the goods to cross into the territory of Nepal. He may, to satisfy himself as to the identity of the packages, goods or containers from the particulars shown on the invoice, open container or packages and examine the goods, especially where the seals are broken;

5.3 He will also certify on each of the three copies of the invoice to this effect and simultaneously indicate the running serial number in red ink prominently visible and encircled against Item 3 on all the three copies of the invoice.

5.4 The customs officer, then deliver the original copy of the invoice duly endorsed to the exporter or his agent along with the goods for presentation to the Nepalese Customs Officer.

5.5 He shall also send, directly the duplicate and triplicate copies of the invoice to the Nepalese Customs Officer in-charge of the check post through which the goods are to be imported into Nepal;

5.6 The goods will then be produced before the Nepalese Customs Officer at the corresponding border check post along with the original copy of the invoice. The Nepalese Customs Officer, shall deal with the original copy as directed by His Majesty's Government of Nepal and return the duplicate copy, after endorsing his certificate of receipt of goods in Nepal directly to the officer of customs in-charge of the land customs station;

5.7 the officer in-charge of the land customs station shall forward the duplicate copy to the Deputy Director of Inspection, Customs and Central Excise, Nepal Refund Wing, New Delhi. For this purpose, the said officer in-charge of the land customs station should keep a note of the return of duplicate copies from the Nepalese Customs Officer and remind the exporter for such copies as have not been received.

6. **Procedure to be followed by the Directorate General of Inspection, Customs and Central Excise (Nepal Refund Wing), New Delhi**

6.1 The Directorate General of Inspection, Customs and Central Excise (Nepal Refund Wing), New Delhi [hereinafter referred to as "the Directorate"] shall maintain separate registers for each Indian Border Customs Check Post.

6.2 The duplicate invoice will be entered in the respective registers showing the running serial number in the recapitulation statement register prescribed for the purpose.

6.3 At the end of every month he shall calculate the amount of rebate due in respect of all certificates of exports received during that month and shall prepare a consolidated statement to arrive at the amount of rebate due to His Majesty's Government of Nepal.

6.4 One copy of the recapitulation statement shall be forwarded to the Commissioner of Central Excise concerned for verifying the payment of rebate to Nepal Government and for issue of a post audit certificate in respect of the amount allowed as rebate against each invoice passed in that bill. In order to detect errors in the duty amount and quantity indicated. Internal Audit Department of the Commissionerate concerned should check this factor by comparison with the recapitulation statement forwarded by the Directorate and the monthly return of the factories concerned.

6.5 Where any over payment is noticed the fact should be brought to the notice of the Directorate for making necessary adjustment.

6.6 One copy of the recapitulation statement shall be forwarded to His Majesty's Government of Nepal.

6.7 One copy of the recapitulation statement shall remain as office copy with the Directorate.

6.8 After receiving the recapitulation statement, the Commissioner will get a verification conducted that the concerned factories have actually paid the duty of excise against which the rebate is to be given and the

Commissioner/PAO of that Commissionerate shall furnish a certificate to the Directorate to the effect that all the concerned factories have paid the amounts of duty as indicated in the Annexure to the recapitulation statement.

6.9 In case the Directorate does not receive the duplicate copy of the invoice from the Officer in-charge of the Indian Land Customs Station and the triplicate copy is not received by the Nepal Government, necessary check should be made with the officer in-charge of the Indian Land Customs Station concerned as to the whereabouts of the particular invoice

New Opportunities of Business

The global Indian Diaspora has grown tremendously in numbers, stature, wealth and influence over the past decade. It will be in India's best interest to engage with her diaspora. Doing so in an effective and relevant manner will enable members of this dynamic group to capitalize upon the emerging business and investment opportunities in India and thereby to contribute towards India's future growth and development.

Today, the diaspora is not courted for its wealth only, but also for its knowledge, technology as well as political and economic influence. The diaspora also finds that there are many reasons to engage with India with much pride. Examples of NRIs and PIOs returning to India, to invest their savings and generate employment or to take up leading positions in industry/society and transfer their know-how, is now a common feature. Similarly, Indian corporations, leveraging off the expertise of the diaspora, to tap international markets and expand their global footprints, are also no longer rare testimonials.

Given this scenario, it is said that we have barely touched the tip of the iceberg and there is much more that needs to be done, for India and her diaspora to proclaim that the engagement has been consummated. This requires that India must increasingly open its market to the diaspora and tap their cohesiveness and synergies to develop prospective business opportunities.

Indian diaspora with its unique knowledge and networks can help to deepen mutual understanding, forge productive business partnerships and promote trade and investment flows all over the world. This will further help in deepening of the ties between India and world economies and thus help in developing a more competitive, industrious and vibrant relationship.

In its efforts towards deepening India's engagement with its diaspora, the Indian Government has fostered a host of initiatives in philanthropy, development, education and investment. The Ministry of Overseas Indians has taken up many initiatives not only to help interaction with Indian communities around the world but also help them find their roots. The past year has been significant for the Ministry of Overseas Indian Affairs with a host of landmark initiatives aimed at the welfare of the millions of overseas Indian workers. Other key initiatives seek to involve the diaspora in India's destiny and development. The four important initiatives announced by the Prime Minister at the Pravasi Bharatiya Divas 2008:-

- Establishing the 'India Development Foundation' (IDF), a not for profit trust to serve as the focal point for diasporic philanthropy in India. Philanthropy is an ideal area where a number of new partnerships can be built, existing ones strengthened and the range and reach scaled up. To give impetus to these partnerships, the IDF trust will serve as a credible institutional mechanism to lead overseas Indian philanthropic propensities into human development efforts in India. The foundation will assist overseas Indians to contribute to the cause of education, health and rural development in their erstwhile home villages, districts or states. It will also partner with credible NGOs and philanthropic organizations actively engaged in social development, thus providing a strong public-private partnership bridge between overseas Indians and their target beneficiaries.

- Proposal to set up a PIO University gained momentum after the government approved the basic policy framework for the University. The university, being established in Bangalore on a public-private partnership model, will have autonomy and flexibility both in academic disciplines and governance.
- To enable the government to draw upon the best overseas Indian knowledge and expertise, the Ministry proposes to establish a global advisory council of overseas Indians chaired by the Prime Minister. This high-level platform will bring together some of the best minds wherever they reside and serve as a policy `think tank' in all matters relating to India' s engagement with the overseas Indian community.
- A 'Pravasi Bharatiya Kendra (PBK)', to serve as a state of the art centre for overseas Indians. It will be a modern, environment friendly facility that will provide an exhibition centre, a library cum documentation centre, an auditorium, a business centre and myriad other facilities and will constitute the hub of overseas Indian activity in India.

Indian Diaspora is a pluralistic community just as India. It holds within its fold people of different languages, faiths and regions. In this increasingly inter-dependent and inter-connected world, overseas Indians are becoming "Global Citizens" and the overarching idea of a shared culture and shared values bonds all of us together.

There are plenty of exciting business opportunities in India. We have started a list of business ideas for those entrepreneurs who are interested in Internet ventures, outsourcing technology, e-commerce opportunities, and software development opportunities, business trends and other business ideas. We hope to add to this list as we find case studies in Bangalore, India.

- Online Customer Support From India
- E-Commerce Export Opportunities In India
- E-Commerce Business Opportunities Within India

1. ONLINE CUSTOMER SUPPORT FROM INDIA

There is a company in Bangalore that has pioneered this idea. Aditi (www.aditi.com) provides email customer support for Real Media. The customer in America who needs support will have his problem solved via email by a team of Indians. The Internet has opened the door for this type of opportunity. It really is true that the geographic barriers are coming down.

The Potential: The business potential in this type venture is the cost savings of running a business in India. There is a huge labor pool of good quality English speakers who can easily handle customer support for web sites like Real Media. The cost to hire someone to do this is about US $150-$200 per month. You can expect to hire a very nice English speaker who has had some computer training. Furthermore he or she will have a pleasant attitude, as most Indians are warm and friendly.

The Downside: The risk is that the customers will not be served well if the Indian staff is not trained properly. The staff needs to understand the mindset of the American customer. This can easily be overcome as long as the potential problem is recognized.

2. E-COMMERCE EXPORT OPPORTUNITIES IN INDIA

There are plenty of things that can be purchased and exported. One young man has sought out unusual coffee and spices and now has an e-commerce site where he sells these items through the mail. Perhaps it is not even necessary to purchase and warehouse anything. Partnering and establishing joint ventures with Indian companies would give you the opportunity to handle a variety of products without the risk and cost. You could simply create a website that sells the products. This is not much different than Amazon.com. Do you realize they don't publish books? They just sell others. Often they have the book sent to the customer directly from the publisher eliminating the shipping and storage.

The Potential: The potential is to find a niche market. Perhaps this could be in the area of health care products, herbs or plants that are only found in India.

The Downside: The risk is that the product may not sell. Fortunately the Internet can be used to test the market before taking much risk. It is much easier to find the demand for items and then meet that demand than to start with the product. India has plenty of products that can be tested on the market.

3. E-COMMERCE BUSINESS OPPORTUNITIES WITHIN INDIA

The consumer market is huge and expanding. It is not only growing by sheer population growth but also because the improving economy is producing a growing class of people with disposable income. Furthermore this potential market is relatively untouched. It is only in the past few years that many consumer products have become available in India.

The Potential: The potential is to get involved early in the e-commerce boom. As of now there are only a handful of companies involved. The potential is limited for the next year or two (see below). But keep in mind that China had only 600,000 Internet users in November 1997 and by October of 1999 China has about 4 million users (And the big advantage that India has over China is the common use of the English language.). The same growth of the Internet will happen in India.

The Downside: There are some serious obstacles in the way. Few people are used to the idea of mail order. It may take one or two years for the trust to be established between the customer and the company. Also the middle class is 50-70 million but only about 1 million have direct access to the Internet, only 1 in 36 Indians have a phone and most don't have a credit

3. Problems & Prospects of business/trade with Nepal

From 1947 to 1991, India's import and export policies were such that a vast majority of goods could be imported only under license from the Central government's Controller of Imports & Exports (CCI&E). In 1991, India initiated economic reforms to tide over the budget deficit, balance of payments problems and structural imbalances in several industry sectors of the economy. In successive years, India has made the trade regime increasingly more transparent. However, India's tariffs are still high by international standards, and many quantitative restrictions on imports still exist. These high tariffs and import restrictions have constrained U.S. firms from selling in this market and U.S. investors from importing competitive inputs in several industries.

India's policy relating to the general provisions regarding exports and imports is guided by the Export Import (EXIM) Policy of 2002-2007. Imports are now permitted in most of the cases without a license. Exceptions to this arise where items are prohibited or restricted (import permitted under license) or where imports are allowed only through a state-owned enterprise. A new 8-digit commodity classification based on ITC- Harmonized System of coding for imports was adopted in April 2002. The common classification to be used by DGFT and Customs will eliminate the classification disputes and hence reduce transaction costs and time. Since April 2001, India removed quantitative restrictions (QR) on a final batch of 715 items, completing the process of phased trade policy liberalization that was started in 1991. Out of these 715 items 342 are textile products, 147 are agricultural products including alcoholic beverages and 226 are other manufactured products including automobiles. While India has removed some tariff barriers, it has introduced other curbs such as adjustment of tariffs and anti dumping duties. Approximately 300 items comprise a 'sensitive' list of imports that the Government monitors. A 'war room' group has been created to closely monitor the import trends for these items. India has appealed to the Appellate Body of the World Trade Organization against the recommendations of a WTO panel report on its quantitative restrictions on import of agricultural, textile and industrial products. India has challenged the panel's authority to determine whether the balance of payments can be used to justify imposition of import restrictions and the overall compatibility of regional trade agreements with WTO norms. The removal of QR's and the prospect of further reduction in tariffs to the Asian levels within a span of two years are likely to lead to a high degree of import competition.

Trade Barriers

Any restriction imposed on the free flow of trade is a trade barrier. Trade barriers can either be tariff barriers (the levy of ordinary negotiated customs duties in accordance with Article II of the GATT) or non-tariff barriers, which are any trade barriers other than tariff barriers.

Import Licensing: One of the most common non-tariff barriers is the prohibition or restrictions on imports maintained through import licensing requirements. Though India has eliminated its import licensing requirements for most consumer goods, certain products face licensing related trade barriers. For example, the Indian government requires a special import license for motorcycles and vehicles that is very restrictive. Import licenses for motorcycles are provided to only foreign nationals permanently residing in India, working in India for foreign firms that hold greater than 30 percent equity or to foreign nations working at embassies and foreign missions. Some domestic importers are allowed to import vehicles without a license provided the imports are counterbalanced by exports attributable to the same importer.

Anti-dumping and countervailing measures:

Anti-dumping and countervailing measures are permitted by the WTO Agreements in specified situations to protect the domestic industry from serious injury arising from dumped or subsidized imports. India imposes these from time-to-time to protect domestic manufacturers from dumping. India's implementation of its antidumping policy has, in some cases, raised concerns regarding transparency and due process. In recent years, India seems to have aggressively increased its application of the antidumping law. In the first half of the calendar year 2006 India topped the list of countries initiating new anti-dumping investigations with 20 new initiations.

Export subsidies and domestic support: Several export subsidies and other domestic support is provided to several industries to make them competitive internationally. Export earnings are exempt from taxes and exporters are not subject to local manufacturing tax. While export subsidies tend to displace exports from other countries into third country markets, the domestic support acts as a direct barrier against access to the domestic market.

Procurement: The Indian government allows a price preference for local suppliers in government contracts and generally discriminates against foreign suppliers. In international purchases and International Competitive Bids (ICB's) domestic companies gets a price preference in government contract and purchases.

Other barriers: Equity restrictions and other trade-related investment measures are in place to give an unfair advantage to domestic companies. The GOI continues to limit or prohibit FDI in sensitive sectors such as retail trade and agriculture. Additionally there is an unpublished policy that favors counter trade. Several Indian companies, both government-owned and private, conduct a small amount of counter trade

4. <u>Suggestions for Trade and Business in India</u>

➔It is important Cost competitiveness in Indian garments sector has been controlled by limited scale operation, obsolete technology and reservation under SSI policies.

➔Efficient use of production unit and scale operations is a way to retain the traditional cost advantage of home grown cotton and low cost labour, this are better advantage to stand in competitive position in the world trade

➔As fallout to the quota regime, there would be consolidation of production and restriction on supplying countries, which would necessarily mean improved scale operations.

➔Indian players should also put together to attain working power and exhibit high bargain power.

➔To stay in a vast competitive in quota free globe the organized players would need large amount of money and they need to set up latest technologies.

➔To lap the possible export opportunity of us $70billion the industry would need Rs. 1.5 trillion new wealth investments.

➔The progress of quality and production level in the weaving and processing is depending on the technology. Innovation is also done in this sector as many countries would make novel invention machineries which will make low physical interface and reduce power cost

➔To achieve the benefits of scale operation and quality in Indian textile business should move towards latest technology.

➔Retail firms are holding the huge part of worldwide trade in textile and garment segment and are also looking for vendors for mass orders.

➔With the help of design capability, textile knowledge and management ability Indian players should progress their skill.

➔It would be difficult for the players to keep the labour force complete time in garment business, even in lean time.

➔For achievement in global trade logistics and supply chain would also play a main role to attain main requirements. Indian textile firm were fairly weak in supply chain and logistics management and needs upgrading and efficiency

➔The capacity to obtain the benefit of part phase out would depend on their capability to boost largely competitiveness through growth of economies of scale in supply chain and industry sector.

PART – II INDUSTRY / SECTOR / COMPANY / PRODUCT/ SERVICE/ NEW VENTURE SPECIFIC STUDY

INTRODUCTION OF THE SELECTED COMPANY / INDUSTRY / SECTOR AND ITS ROLE IN THE ECONOMY OF SPECIFIED COUNTRY.

HONDA MOTOR COMPANY LTD. is a Japanese public multinational corporation primarily known as a manufacturer of automobiles and motorcycles.

Honda is the sixth largest automobile manufacturer in the world. Honda was the first Japanese automobile manufacturer to release a dedicated luxury brand, Acura, in 1986. Aside from their core automobile and motorcycle businesses, Honda also manufactures garden equipment, marine engines, personal watercraft and power generators, amongst others. Since 1986, Honda has been involved with artificial intelligence/robotics research and released their ASIMO robot in 2000.

Company Profile:

Type:	Public company
Industry:	Automotive and Aviation
Founded:	24 September 1948
Founders:	Soichiro Honda, Tokyo Fujisawa
Headquarters:	Minaco, Tokyo, Japan
Area Served:	Worldwide
Products:	Automobiles, Motorcycles, Scooters, Multi purpose utility vehicle, Electrical Generators, Water pumps, Lawn and Garden Equipments, Tillers, Trimmers, Outboard motors, Personal Watercrafts, Robotics, Jets, Jet Engines, Thin-film solar cells, Pumps, Snow blowers.
Chief Products:	Motorcycles, automobiles, power products
Revenue:	US$ 107.82 billion (2011)
Employees:	Consolidated: 179,060 (as of March 31, 2011) Unconsolidated: 25,673 (as of March 31, 2011)
Website:	World.honda.com

Honda official slogan is “THE POWER OF DREAM”. Honda has never used its slogan to sell its product but it was Mr. Honda’s belief that well built product sell themselves.

HONDA
The Power of Dreams

Honda in Nepal

Syakar Company Ltd. Is the authorized dealer of Honda in Nepal

- **Syakar Company Ltd.**
  P.B. No-133 Jyoti Bhawan Kantipath
  Kathmandu,Nepal,
- **Business Description**
  Hero Honda Motors Dealer - Two-Wheelers, Motorcycle, Bikes, Scooter, and Moped
- **Brands:** Honda

Syakar Company has been handling Honda motorcycles quite well in Nepal. Honda have a market share of over 60 percent in Nepal which is almost 70,000 units annually. A new segment of motorcycles is being created now apart from the segment for commuting purposes. There is a new segment for youngsters which promote by introducing a sporty model by Honda Company. Syakar is keen to meet the global Honda standard. Syakar Company also has Syakar's safety school. The effort of Syakar to launch safe riding is very creditable. Honda owes its success in Nepal through Syakar Company.

Honda product in Nepal

Honda Motorcycle

			
Honda Activa	**Honda Wave**	**Honda CB Twister**	**Honda CB Shine**
NRs 154,900	**NRs 128,900**	**NRs 163,900**	**NRs 171,900**

			
Honda CBF Stunner PGM FI	**Honda CBF Stunner**	**Honda CB600F Hornet**	**Honda XR250 Tornado**
NRs 178,900	**NRs 168,900**	**NRs 1,700,000**	**NRs 650,000**
			
Honda CBR600RR	**Honda CB1000R**	**Honda Bros NXR 150**	**Honda CBR 250R (Non ABS)**
NRs 1,850,000	**NRs 2,350,000**	**NRs 525,000**	**NRs 449,900**
			
Honda CBR 250R (with ABS)			
NRs 514,900			

Honda Car in Nepal

				
Honda Jazz	**Honda City**	**Honda Civic**	**Honda CR-V**	**Honda Accord**
NRs 3,450,000	**NRs 3,650,000**	**NRs 5,200,000**	**NRs**	**NRs 7,850,000**

7,100,000

Honda power product in Nepal

Honda Generators

Handy Series

Silent Series

LPG Series

Inverter Generators

Honda Engines

Brush Cutter

Honda pump set

Engine Lawn Mower



STRUCTURE, FUNCTIONS AND BUSINESS ACTIVITIES OF SELECTED INDUSTRY / SECTOR / COMPANY

Honda Motor Co., on the other hand, is a company that has developed a multinational strategy and a decentralized organizational structure. Due to recent technological advancements and continued business expansion, the variety and complexity of technological components and the number of vehicles under development at Honda R&D have increased dramatically. The new structure will be launched both in response to this situation and to prepare for further expansion of business in the future. The new structure will enable each associate to demonstrate a high level of initiative, with more clear definition of roles and responsibilities and bold delegation of authority. Moreover, the new structure is designed to achieve smoother communication to help accelerate decision making within the organization. The key elements of the new structure are as follows:

Outline of the New Structure

1) Existing R&D centers including Asaka R&D Center, Wako R&D Center, and Tochigi R&D Center, which are currently organized based on geographical location, will be reorganized into five centers based on specific functions. The names of the five centers will be Motorcycle Development Center, Automobile Development Center, Power Products

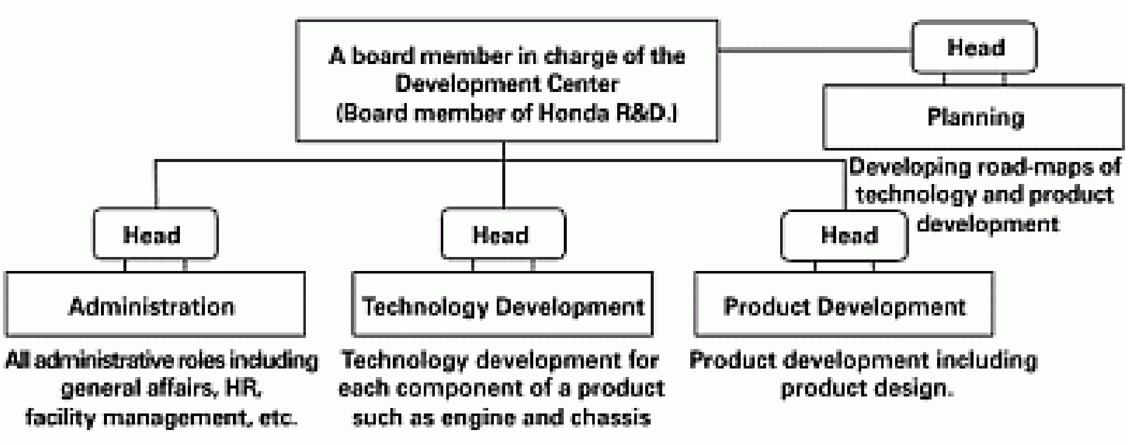
Development Center, Aero Engine Development Center, and Basic Technology Research Center.

2) Each center will have separate offices for planning, product development, technology development and administration with clearly defined roles.

3) Primary authority to make operational decisions, currently held by the head of each center, will be delegated to the head of each office within each center to achieve an autonomous operational structure through which each office can make more decisions.

4) A flat and less-layered organizational structure will be employed to ensure smooth and direct communications between the head of the office and each associate.

Structure:



Function and business activities

1. Syakar Company Limited, the sole authorized distributor of Honda Motorcycles in Nepal since 1968, opened Syakar Safety Riding Training Center (SSRTC)

2. SSRTC is the first world-class motorcycle training center in the country, according to the company. It is spread across 30 ropanis of land at Gwarko, Lalitpur. Children from the age of six can join the training classes and get appropriate knowledge about safety requirements on the road.

3. The company plans to provide safety riding training throughout the country. It also plans to initiate traffic awareness programs in the near future.

4. Four points Agreement is signed between Nepal Auto-Mechanics Trade Union (NATU) and Syakar Company of Jyoti Group , one of the biggest business house in Nepal.

5. Per As Agreement, Now Company will provide the training for mechanics on new technology.NATU, the only union of its kind, is dedicated to the workshop workers, who repair automobiles and motorbikes. It came into existence by merging two separate national federations related to automobile sector as well as motorbike repairing workshop. It was established in April 1993 and is registered as a National Federation at labour Department

6. The two-wheeler market has been accelerating steadily with dealers rolling out diverse models to the joy of customers. The traders are keeping no stone unturned to lure customers, not only are they competing in the mass segment but also in the high-end segment.

7. According to Syakar Company, the showroom is the first of its kind in Nepal. Honda Wing World is the first exclusive showroom in Nepal with an international range of Honda motorcycles, said the company in a statement.

8. The showroom at present will offer customers the Honda NXR 150, XR Tornado 250, Honda CBR 600 RR, Honda CBF Hornet and Honda CB 1000R, said Saurav Jyoti, director of Syakar Company. The motorcycles cost from Rs 350,000 to Rs 2.7 million. Besides selling bikes, the showroom will also provide service and spare parts.

9. Nepal Automobile Dealers' Association (NADA) is a national automobile trade association, representing the interests of the automobile dealers with their business openings within the Kingdom of Nepal.

10. NADA's mission is to protect the economic viability and represent the business interests of automobile dealerss by educating lawmakers, policy makers and the public at large about the positive impact our members have on their local, regional and national economy.

COMPARATIVE POSITION OF AUTOMOBILE INDUSTRY /HONDA HONDA PRODUCT WITH INDIA AND GUJARAT

Automobile Industry in India

Today, the Indian automobile industry presents a galaxy of varieties and models meeting all possible expectations and globally established industry standards. Some of the leading names echoing in the Indian automobile industry include Maruti Suzuki, Tata Motors, Mahindra and Mahindra, Hyundai Motors, Hero Motocrop, Honda and Hindustan Motors in addition to a number of others.

At present, India is the worlds

- Largest tractor and three-wheel vehicle producer.
- Second largest two-wheel vehicle producer.
- Fourth largest commercial vehicle producer.
- Eleventh largest passenger car producer.

Automobile Production Trends

(Number of Vehicles)

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Passenger Vehicles	1,209,876	1,309,300	1,545,223	1,777,583	1,838,593	2,357,411	2,987,296
Commercial Vehicles	353,703	391,083	519,982	549,006	416,870	567,556	752,735
Three	374,445	434,423	556,126	500,660	497,020	619,194	799,553

Wheelers							
Two Wheelers	6,529,829	7,608,697	8,466,666	8,026,681	8,419,792	10,512,903	13,376,451
Grand Total	**8,467,853**	**9,743,503**	**11,087,997**	**10,853,930**	**11,172,275**	**14,057,064**	**17,916,035**

The Industry's Challenge:

Even though the automotive industry is robust, car manufacturers are complaining that the government's frequent change in policies is not encouraging the industry. Changing the policies and guidelines frequently severely hurts the companies' plans. It also affects investment decisions in the country.

Automobile Sector in Nepal:

The automobile sector, one of government's major sources of revenue, is currently struggling. Sales are down, auto loans are hard to get and buying passion among consumers is low. The sector experienced a slump in the last fiscal year with both sales and import plunging after a historic growth of 2009-10 Registration of new vehicles in the country declined by 18.90 percent to 163,640 units in the last fiscal year—down from 201,787 units of 2009-10.

Vehicle Registration in the Last Ten Fiscal Years:

FY	Vehicles Registered	Change
2010-11	163,640	-18.90 percent
2009-10	201,787	96.73 percent
2008-09	102,570	21.04 percent
2007-08	84,740	-4.50 percent
2006-07	88,735	61.40 percent
2005-06	54,975	35.03 percent

2004-05	40,711	2.54 percent
2003-04	39,699	5.38 percent
2002-03	37,670	-20.12 percent
2001-02	47,160	15 percent

Honda Products

Honda products which are available in India are also available in Nepal with same features. Honda products available in India and Nepal are bikes, cars, and power products. From India these products are exporting to Nepal.

List of Countries By Vehicles Per Capita:

Rank	Country	Motor Vehicle Per 1000 people
1	 Monaco	863
2	 United States	808
127	 India	15
130	 Pakistan	11
131	 Nepal	9

Honda Network in India

Honda Motorcycle & Scooter India (Private) Ltd. 
Manufacture and distribution of motorcycles

Honda Motor India (Private) Ltd.

The wholesale of service parts and accessories for Honda products

Honda R&D (India) Private Limited 

The research and development of motorcycles and power products in India.

Honda Siel Cars India Ltd. 

Manufacture and distribution of automobiles

Honda Siel Power Products Ltd. 

Manufacture and distribution of power products

Honda network in Nepal

Syakar Trading Co PVT Ltd. 

The import and sales of motorcycles, automobiles and power products

PRESENT POSITION AND TREND OF BUSINESS (IMPORT / EXPORT) WITH INDIA / GUJARAT DURING LAST 3 TO 5 YEARS

The following table shows the volume of Nepal's annual trade with India.

	2003-4	2004-5	2005-6	2006-7	2007-8	2008-9	2009-10
Export	3077.71	3891.69	4071.47	4172.88	3855.57	4100.59	3999.37
Import	7873.95	8867.55	10714.31	11587.23	14237.65	16243.76	21711.43
Balance	4796.24	4975.86	6642.84	7414.35	10382.08	12143.17	17712.06
Volume	10951.66	12759.24	14785.78	15760.11	18093.22	20344.35	25710.80
Share in %	57.58	61.29	63.18	62.03	64.34	57.77	59.08

Tightening of auto loans by banks and financial institutions and a slowdown in the realty sector has severely hit sales of two-wheelers in the Kathmandu valley. Dealers said the two-wheeler segment, which was growing strongly till one and a half years ago, is currently down around 25 percent.

“While the interest rate on automobile loans has gone up significantly, the down payment too has been increased from 30 percent to 50 percent.” Apart from sales of new bikes, exchanges too have gone down drastically. According to Dinesh Ratna Bajracharya, manager of Syakar Company, the authorized distributor of Honda in Nepal, rumors about a possible price cut have hit sales.

Normally, sales remain comparatively low during the winter; but this time, a change in the duty structure coincided with the cold season, hitting the overall business, said Rajan Raj Puri, manager imports and sales administration at syakar.

Syakar Company, authorized dealer of Honda products in Nepal, said sales of Honda motorcycle have fallen by 20 percent. According to Puri, monthly sales of Honda motorcycle have dropped from 3,000 to around 2,400 units. Despite the slumps, demand for the CB Unicorn and Dio Scooter is still good. We have not been able to fulfill demand.

Sales of Honda (in Units)

	2009	2010	
	Jan.-Dec. Result	Jan.-Dec. Result	% Change
Global Sales	**15,047**	**17,952***	**119%**
Domestic	181	196	108%
Overseas	14,865	17,755*	119%
North America	210	192	92%
South America	1,387	1,640	118%
Europe, the Middle & Near East and Africa	261	258	99%
Asia and Oceania	11,702*	14,378*	123%
China	1,303	1,285	99%

Global Production	**14,847**	**18,111***	**122%**
Domestic	189	190	100%
Overseas	14,657	17,921*	122%

***New Record – All Units are in Thousands**

- **Asia Unit sales**

Unit sales : (thousand)	FY2007	FY2008	FY2009	FY2010	FY2011
Motorcycle business	7,895	6,633	7,523	7,628	9,178
Asia Automobile business	620	755	793	950	1,008
Power product and other businesses	760	915	970	1,069	1,325

POLICIES AND NORMS OF NEPAL FOR AUTOMOBILE INDUSTRY/HONDA FOR IMPORT / EXPORT INCLUDING LICENSING / PERMISSION, TAXATION ETC

Nepal Automobile Dealers' Association (NADA) is a national automobile trade association which representing the interests of the automobile dealers when they want to open the business in Nepal. The mission of NADA is to protect the economic viability and represent the business interests of automobile dealers by educating lawmakers, policy makers and the public at large about the positive impact our members have on their local, regional and national economy. NADA believes that the automobile sector in Nepal is definitely a driving force in the economy: It provide hundreds of thousands of jobs, contribute to the local economies through taxes and charitable contributions, and, perhaps most importantly, as a result of our products and services, several hundreds of them have met their transportation needs each day.

Nepal Automobile Dealers' Association (NADA) is a national automobile trade association which representing the interests of the automobile dealers when they want to open the business in Nepal. Nepal Automobile Dealer's Association, also known as NADA, which is an organization established for the primary objective of contributing towards the automobile sector through an organized channel. NADA is a not-for-profit organization and that seeks to bring all legitimate automobile professionals under one roof to further strengthen the sector for its own members' benefit within the territory of the Kingdom of Nepal.

Scale Wise

a. Cottage Industries:

The traditional industries utilizing specific skill or local raw materials and resources, and labor intensive and related with national tradition, art and culture as mentioned over leaf.

b. Small Industries:

Industries with fixed assets of up to an amount of thirty million rupees.

c. Medium Industries:

Industries with fixed assets between thirty million rupees and one hundred million rupees.

d. Large Industries:

Industries with a fixed asset of more than one hundred million rupees.

Trade Policy

- Public sector works as a catalyst and facilitator to expand the role of private sector.
- No Licenses required for exports and import of any products other than banned or quantitatively restricted items, Banned and quantitatively restricted items.

- The duty drawback scheme available for the refund of import duty paid on imported raw materials and intermediate goods required for the production of exportable products.
- Export Promotion Zone (EPZ) and Special Economic Zone (SEZ) are being established in different location.
- No Duty levied on raw materials and auxiliaries imported by industries in EPZ./SEZ.
- Foreign currency required for import will be made available by the commercial banks at the market rate.
- Exporters allowed retaining their export earnings in their own foreign currency account.
- No quantitative restrictions on the exportable products carried by tourists while returning from Nepal.

Import

- Almost all goods are in OGL
- The customs value is calculated on CIF basis (Cost Insurance and Freight) on import.
- Nepal has adopted General Agreement on Tariff and Trade (GATT) valuation system.
- Principle of lower rate of customs duty on the import of raw materials compared to finished goods is in use.
- Goods imported from India into Nepal are granted a rebate in the chargeable advalorem (except specific) rate of customs duty by 5% ad-volorem duty in above than 30 percent custom duty and 7 % below than 30 percent .
- Goods produced in China and imported from Tibet are granted a rebate in the chargeable advalorem (except specific) rate of customs duty by 4%.

Fees on Import

- Agriculture Development fee of 5% is levied on import value on imported agricultural goods.

- NRs.600 as customs service fee is charged per custom declaration form on export and Rs 500 on import at custom point.

Export

- Export is generally free of custom duty.
- Custom duty on export is levied on the basis of FOB price determined by calculating the cost incurred including in transporting the goods up to custom point when exporting the goods.
- No licensees required for exports of any product other than banned or quantitatively restricted items
- Generalized System of Preferences (GSP) is available to Nepal's export as a Least Developed Country

POLICIES AND NORMS OF INDIA FOR IMPORT OR EXPORT TO THE NEPAL COUNTRY INCLUDING LICENSING / PERMISSION, TAXATION ETC.

Export to Nepal

1. Introduction

For export to Nepal, a different procedure has to be followed considering that the rebate is granted to the His Majesty's Government of Nepal based on Indo-Nepal Treaty. Currently, the procedure is specified only for exports through specified Land Customs Stations. There is no rebate procedure for Bhutan.

2. Conditions of Export

The conditions of export are similar to export to other countries. For clarity, these are explained below: -

a. It is essential that the excisable goods shall be exported after payment of duty, directly from a factory or warehouse. The condition of "payment of duty" is satisfied once the exporter records the details of removals in the Daily Stock Account maintained under rule 10 of the Central Excise (No.2) Rules, 2001 (hereinafter referred to as the said Rules), whereas the duty may be discharged in the manner specified under rule 8 of the said Rules, i.e. on fortnightly or monthly basis, as the case may be.

b. In certain cases, the CBEC may issue instructions/procedures for exporting the duty paid goods from a place other than the factory or the warehouse.

c. The excisable goods shall be exported within six months from the date on which they were cleared for export from the factory of manufacture or warehouse. This date will be indicated on the Nepal Invoice issued for the purpose. However, the Commissioner of Central Excise has powers to extend this period, for reasons to be recorded in writing in any particular case. The exporter will be required to submit written request to the Commissioner specifying the reasons why they could not export within the stipulated six months' period. The Commissioner should give his decision within seven working days of the receipt of the request. It should also be noted that such permissions should not given in a routine manner.

d. The market price of the excisable goods at the time of exportation should not be less than the amount of rebate of duty claimed.

e. The rebate claim will be admissible only if the amount of rebate of duty admissible is five hundred rupees or more.

f. The rebate of duty paid on those excisable goods export of which is prohibited under any law for the time being in force, shall not be made.

g. The whole or that part of duty as is granted as rebate to the exporter is not allowed as rebate to His Majesty's Government of Nepal.

h. The goods can only be exported by land through any of the following land customs stations, namely, Sukhiapokhri, Panitanki, Jogbani, Jayanagar, Bairgania, Bhimnagar, Bitamore (Sursand), Raxaul, Sonauli, Barhni, Nepalganj Road, Shohratgar (Khunwa), Jarwa, Katarniaghat, Gauriphanta, Banbasa, Jhulaghat, Dharchula, Naxalbari, Galgalia, Kunauli, Sonabarsa, Tikonia, or such other check-post as may be specified by the CBEC.

3. Procedure for Export To Nepal

The exporter is required to prepare five copies of Nepal Invoice. The goods shall be assessed to duty in the same manner as the goods for home consumption. The classification and rate of duty should be in terms of Central Excise Tariff Act, 1985 read with any exemption notification and/or the said Rules. The value shall be the "transaction value" and should conform to section 4 or section 4A, as the case may be, of the Central Excise Act, 1944. It is clarified that this value may be less than, equal to or more than the F.O.B. value indicated by the exporter on the Bill of Export.

Customs and duties are a principle source of domestic revenue. Import tariffs are generally assessed on an ad valorem basis, with duties ranging from 0% to 140%. Most primary products, including live animals and fish, enter duty-free. Machinery and goods related to basic needs are charged 5%. Duties on agricultural imports were fixed in 2003 at 10%. Cigarettes and alcoholic beverages are charged at 100%, although alcoholic beverages with more that 60% alcohol are prohibited altogether. Other prohibited imports include narcotic drugs and beef and beef products. Products that may be imported only under special licenses include arms, ammunition, and explosives; and communication equipment, including computers, TVs, VCRs, and walkie-talkies. Valuable metals and jewelry are prohibited except under bag and baggage regulations.

The export service charge is 0.5% and there are export duties on vegetable ghee and plastic goods of 2 to 10%. Prohibited exports include archeological and religious artifacts; controlled wildlife; narcotics; arms, ammunition and explosives; industrial raw materials; imported raw materials, parts and capital goods; and timber and logs. Since 1960, under the duty refund procedure (DRP), India has refunded to Nepal the excise duties levied on its exports to Nepal. Goods imported from India are granted a rebate of the application of ad valorem of 10% in tariff rates up to 40% and of 7% on rates above 40%.

Nepal, under bilateral trade agreements with India, has in past been afforded duty-free or preferential entry. However, the most recent India-Nepal Treaty of Trade, signed March 2002, while it continues to allow Nepali manufactures to enter the India market on a non-reciprocal, preferential or duty-free basis, with rules of origin less restrictive than the international norm (Nepal's manufacturers can have up to 70% foreign content instead of a international norm of less than 50%), India placed quotas on four sensitive imports: vegetable fats, acrylic yarn, copper products, and ferro oxide, all at volumes lower than recent Nepali exports to India.

Nepal has applied for accession to the World Trade Organization and submitted the required memorandum on its foreign trade regime in June 1998. The first meeting of the Working Party was in May 2000 and market access negotiations began in September 2000. A second meeting of the Working Party was held in September 2002, but expectations for accession to the WTO by the end of 2002 have not been realized.

Smuggling is substantial across the Indian border, especially on lumber goods, labor, construction equipment, currency and weapons. Gold smuggling is thought to be particularly large.

PRESENT TRADE BARRIERS FOR IMPORT / EXPORT OF HONDA GOODS (IF ANY)

- **Maoists Disrupt Honda Sales in Nepal:**

Nepal has been under the rule of the Communist Maoist party for 10 years now, and the party tightly controls the amounts of imports that the country receives. Now, a trade group associated with the party has stopped the influx of Honda **vehicles into the country, in an attempt to get Honda's Nepal dealer to keep the jobs of nine people.**

- **Minimum import price limits.:**

In Nepal another trade barrier is minimum import price. One import product from outside of the country to limited amount only. This create problem to import maximum products.

- **Import** Licensing **requirements.:**

In Nepal who wants to import goods from foreign country compulsorily require import license. This is good for the trade but this also put barrier on import of Nepal.

- **The heavy excise duty and lack of confidence among bankers regarding auto loan:**

In Nepal the automobile products Price are very high due to the heavy excise duty and lack of confidence among bankers regarding auto loan. These are major reasons behind the long-standing setback in domestic automobile industry.

- **Environment including different national policies, business customs, and practices:**

The basic problem which arises in managing the world market is environment including different national policies, business customs, and practices along with different political and legal formalities and practices, different monetary units, different levels of technology, different cultural and social practices (Shrestha 1994). Therefore, quite different from that of the United States, Japan, and European markets, the plan and programs that Nepal prepares, may be ineffective to cope with the different levels of uncertainly encountered in foreign market.

- **Several factors:**

Nepalese foreign trade performance has so far been poor. Several factors seem to be responsible, and of these, its land lockedness is one of the major causes for Nepal's weak production base, which is eventually linked with the growth of exports and imports of technology and raw material. Not only the open border with India but also the limited transit facilities in one or other way have constrained its trade with overseas countries. Since transit through china is virtually impractical, India is only economically viable for all commercial flows. Indeed, no country in the world (excluding Bhutan) is so hopeless dependent on the availability of transit facilities from a single country as Nepal (Poudyal 1998). Historically, it is evidenced from almost all trade and transit treaties between these two countries that the transit facilities had in the past always been provided by India in exchange for Nepal's acceptance in giving incentives to Indian goods in Nepalese territories. For this reason, Nepal's trade, especially import trade, in the past virtually had confined to India. Trade with only one partner leaving the options on the basis of comparative advantage virtually obstruct the flow of benefits which is expected to accrue from free trade (Poudyal 98). Naturally, in such a situation, neither foreign trade nor the economy can be expected to have speedy growth.

POTENTIAL FOR IMPORT / EXPORT IN INDIA / GUJARAT MARKET

Japanese auto major Honda Motor Co will commence exporting bikes by next year from India, a country which it sees as a future global hub, particularly for mass market models.

The company is also building a global procurement centre for large-sized motorcycles as well as commuter bikes in India as it looks to enhance exports from the country along with components.

Last year, Honda and the Hero Group decided to end their 26-year-old joint venture Hero Honda and the Indian partner bought out the Japanese firm’s entire 26 per cent stake for Rs 3,841.83 crore.

Indian motorcycle market has high potential and Honda believes that India will eventually become number one in terms of motorcycle market.

Honda Motor's component exports from India to its Asian facilities is set to grow 10 times to Rs 112 crore this fiscal from last year. This is part of a strategy to develop its domestic operations as a major parts exports hub for the region, even as it prepares for higher volume sales on the back of its new small car Brio.

In 2011-12, to Japanese car maker will export engine parts for the City sedan and Jazz hatch to Indonesia, Malaysia, apart from kits comprising of Brio engine able transmission parts to Thailand. Parts exports in 2010-11 stood at Rs 11.3 crore.

"Quality and cost-competitiveness is high in India. The main idea was to get away from the exchange rate problem. Derisking (from concentrating production in Japan) is a spinoff benefit," said Mr Jnaneswar Sen, Senior Vice President, Sales and Marketing, Honda Siel Cars India.

BUSINESS OPPORTUNITIES IN FUTURE

There is good opportunity for Honda to develop its business not only in develop country like US, or UK or any other country but also in Nepal, Bangladesh and other Asian country also. Honda co. can do this through exporting its product from India to Nepal.

In Nepal there is a big market for small cars. So Honda company has a good opportunity to introduce their small car in Nepal market. Syakar Company, which markets Honda cars in Nepal, has resumed distribution of the Honda Brio, which was launched in Nepal in mid-October 2011 the most economical car from the Japanese auto maker.

Honda Company also has opportunities to make more fuel efficient model of Honda bikes and cars to satisfy the demand of market and for growing in future in Neapl. Time when the demand for vehicles with high fuel efficiency is at its peak, Honda has some plans to launch some more fuel efficient models in the near future.

Honda Company also has opportunities to target the luxurious and powerful segment of bikes, whereas also eying the basic segments of bikes from 100 cc to 125 cc in Nepal. So there is a wide choice for bikers and this will increase the profit for Honda company. Honda company also has opportunity to expand their market in Nepal.

For Honda future business opportunity is the creation of production hubs in Nepal to service local and sub-regional markets demands with knowledge of resources available in Nepal in terms of raw materials, utilities, infra-structural facilities, existing and/ or potential for development, human resources, market potential, products with relatively higher competitive edge etc.

Honda Company is set to boost their exports from India in near future. Honda Motor Company is planning to set up export hub in India and export their bikes to Nepal and Bangladesh. Mr. Tatsuhiro Oyama, Chief Operations Officer of Honda Motor Company said that the company was looking to set up base in India from where they would take care of their exports. He also said that India has potential to attain a numero uno status when it comes to sales of two wheelers.

CONCLUSIONS AND SUGGESTION:

Conclusion

Nepal is one of the poorest and least developed countries in the world with about one-third of its population living below the poverty line. GDP (PPP) is $39.9 billion; GDP (PPP) per capital is $1,400 of Nepal. GDP by sector are agriculture 38 %, industry 21%, services 41%. Nepal and India signed the revised 2009 India-Nepal Treaty of Trade and Agreement of Cooperation to Control Unauthorized Trade today in Kathmandu.

The automobile sector of Nepal, one of government's major sources of revenue, is currently struggling. Sales are down, auto loans are hard to get and buying passion among consumers is low. Although busy roads, poor traffic management and low-grade quality of fuel stand as three major challenges facing the automobile sector in Nepal. As the government has imposed one of the world's highest import duties — 240 per cent — on automobiles, it is no wonder that Nepal's auto industry is suffering from a terrible decline in sales. Two other reasons behind deceleration of auto transactions are difficulty in accessing auto loans and high interest rates on available ones. This has resulted in a slump in the registration of vehicles in the country. Although the festive season generated some positive vibes in the auto market, it was not up to the mark when compared to the previous year.

The automobile sector of India is the seventh largest in the world. Even though the automotive industry is robust, car manufacturers are complaining that the government's frequent change in policies is not encouraging the industry. Changing the policies and guidelines frequently severely hurts the companies' plans. It also affects investment decisions in the country.

Honda is world's sixth largest automobile manufacturer. Maintaining a global viewpoint, Honda is dedicated to supply products of the highest quality, yet at a reasonable price for worldwide customer Satisfaction. Honda also compliance with the law and regulation of the country in which Honda products are distribute and also play an important towards society.

Honda distributes their products in Nepal through Syakar Trading Co PVT Ltd. Which Import and sales of motorcycles, automobiles, and power products in Nepal. Syakar Company has been handling Honda motorcycles quite well in Nepal. Honda has a market share of over 60 percent in Nepal which is almost 70,000 units annually. Honda products which are available in India are also available in Nepal with same features but price are quite high because Honda products are exporting from India to Nepal.

For export to Nepal, a different procedure has to be followed considering that the rebate is granted to the Majesty's Government of Nepal based on Indo-Nepal Treaty. Currently, the procedure is specified only for exports through specified Land Customs Stations. It is essential that the excisable goods shall be exported after payment of duty, directly from a factory or warehouse. The excisable goods shall be exported within six months from the date on which they were cleared for export from the factory of manufacture or warehouse. The rebate claim will be acceptable only if the amount of rebate of duty allowable is five hundred rupees or more.

Some trade barriers are also available in Nepal which resists the growth of Honda but at the same time opportunities for small car segment, more fuel efficient cars, creating production hub and also boost profit by exporting their products from India to Nepal.

SUGGESTIONS

Syakar Company has been handling Honda motorcycles quite well in Nepal. Honda has a market share of over 60 percent in Nepal which is almost 70,000 units annually. Syakar Company also has Syakar's safety school. The effort of Syakar to launch safe riding is very creditable. Honda owes its success in Nepal through Syakar Company. In Nepal Syakar Trading Co PVT Ltd. Is only one main distributer of Honda products Nepal. So Honda required developing wide network in Nepal. So it can increase the sale of Honda product in Nepal. Honda has very small and limited market in Nepal. This increases the cost of products selling in the market. So Honda has to try to cover the large area of the market which will help the company for the growth.

Honda is considered a premium brand but Honda Cars are quite expensive in Nepal due to high taxation. If one is talk about pricing, then it is positioned in the higher segment. However, Honda effort is to add value. And those customers who recognize value, they like Honda. But most of the people give first priority to the price of the products so it might be the reason not to choose Honda products.

In Nepal people are poor and not find buying passion among customer. Honda has to make more practices to develop buying passion among customers in Nepal by making more advertising and told them that Honda supplying products of the highest quality, yet at a reasonable price for worldwide customer Satisfaction. This can improve Honda products sale and increase profit also.

Price hike of automobiles due to the heavy excise duty and lack of confidence among bankers regarding auto loan are major reasons behind the long-standing setback in domestic automobile industry. The government needs to be flexible with the auto-mobile industry to get it back on track. Of late, the progressive strengthening of the US dollar and Japanese yen against Nepali currency has made imported four-wheelers — especially those from third countries — much dearer. Vehicles imported from third countries (other than India) have become more expensive. So for Honda Company it become expensive to export its products to Nepal from Japan, because of that Honda Motor Company is planning to set up export hub in India and from India export their products to Nepal which gives benefits to Honda Company. Honda should held discussion with the government to provide some tax rebate on automobiles to revive it to normalcy.