

NepalUSA CHAMBER

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Ninth Annual General Meeting of NUSACCI Held

THE MCA PROMOTES SOUND ECONOMIC POLICIES



The Ninth Annual General Meeting of the Nepal-USA Chamber of Commerce and Industry was held on Jan. 07, 2004 in Kathmandu. Mr. Sunil Sakya, President, NUSACCI while presenting the opening remarks said that the General Meeting of the Chambers provides an opportunity to come together professionally in fellowship and friendship to meet the challenging times.

Our growing Chamber enjoys a membership of around 100 Companies—including industrial and trading houses, banks, tourism related industries, garment, carpet, consulting firms, law firms, renewable energy, handicrafts, IT and pharmaceuticals.

Despite political upheavals and uncertainty we've had a number of successful activities this year.

He said the Chamber has established itself as one of the major business related institutions advocating private sector economic issues and major reforms at the macro level of His Majesty's Government.

We have had two working sessions on Anti-trust or Competition Law, with the concerned authorities.

Trade with the USA

The USA as a major export trade partner exceeds US \$200 million a year. So far, Nepal has enjoyed a trade surplus which is increasing to over 13 billion rupees. The US continues to absorb almost 85% of Nepal's apparel exports and 22% of our woollen handmade carpets. Nepal ranks fifth in US sources for carpets. Nepal's position in the US in textile and clothing import is fairly good, particularly in the low end.

Unfortunately Nepal is predicted to lose a huge market for its garments in the US after the end of MFA (multi fiber agreement) in Dec. 2004. This quota system will produce adjustment problems for the Nepalese clothing sector. Previously Nepal has been able to retain the US market under guaranteed market access through quotas provisions. To retain this position,

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Development does not just happen, it requires economic growth that occurs when people and governments respond to economic incentives, says E. Anthony Wayne, Assistant Secretary of States for Economic and Business Affairs. But throwing money at problems without the foundation of sound government policies will not have lasting impact on people's lives, he says. That is why the Millennium Challenge Account [MAC] intends to promote and reward economic policies that work sound macroeconomic governance, an efficient regulatory system, an open trade regime and a healthy climate for business investment.

Wayne says economic freedom created by these policies is essential for mobilizing domestic assets and encouraging entrepreneurship, as well as boosting trade and attracting foreign investment. He cites agriculture as one of the areas where the MCA could have a higher return in countries that are committed to economic freedom. But the MCA initiative will succeed only if the United States selects countries really committed to pursuing pro-growth policies and addressing the main bottlenecks to development, he says.

In announcing the Millennium Challenge Account [MCA] initiative last March, President Bush reconfirmed the commitment of the United States to bring

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Nepal needs GSP preference in the apparel sector. This privilege grants about 18% duty advantage to Nepalese garment exports. This would indirectly compensate for Nepal's cost and delivery inefficiency attributed to our geographical disadvantage.

He added a seven member joint delegation, which included Mr. Purshotam Ojha, Joint Secretary, Ministry of Industry Commerce and Supplies; Mr. Narendra Kumar Basnyat, Immediate Past President NUSACCI; Mr. Kiran Saakha, President, Garment Association of Nepal, and Secretary General of NUSACCI; Mr. Uday Raj Pandey, Secretary General GAN; Mr. Narayan Bajaj, Chief WTO Cell and executive member of NUSACCI; Mr. Chandra Lal Joshi, General Manager NPEDC and myself visited the USA from Jan. 11th to Jan. 22nd, 2003. Our main objective was to lobby for Duty Free and

Quota Free access to Nepalese Readymade Garments.

The delegation attended a luncheon meeting hosted by the US Chamber of Commerce and coordinated by Dr. Herbert Davies, Executive Director. The meeting was attended by Senior Officials of various US Departments related to Trade, Commerce, and Textile including Mr. Donald Camp, Deputy Secretary of State, Department of State; and Ms. Carol Miller, Deputy Textile Negotiator; amongst others. We gave a power point presentation on why Nepal needs Duty free and Quota free access for Nepalese readymade garments in US market, followed by a question and answer session.

The delegations met with Senator Dianne Feinstein of California and Senator Ensign from Nevada. Members of the delegation presented Nepal's case and requested such a Bill be sponsored in the US Senate.

The Delegation met with various Congressional Staffers, the Bureau of

Economic and Business Affairs at the Department of State, and the United States Trade Representative Office.

With the assistance of H. E. Ambassador Mr. Jai Pratap Rana, who was kind enough to host a reception for us, we initiated the formation of a caucus—a small lobby group—in Washington. Some of the former US Ambassadors to Nepal—Mr. Carlton Coon and Ms. Julia Chang, Senior US government officials, the US Chambers of Commerce, and businessman were present.

In New York, Ambassador Mr. Frank Wisner, former US Ambassador to India and Senior Vice President, AIG, hosted a luncheon meeting where the Delegation made a power point presentation on the Garment industry of Nepal, and why should it be granted AGOA Facility. Former US Ambassador to Nepal Mr. Leon J. Well, permanent Representative of Nepal to UN Mr. Murari Raj Sharma, and other dignitaries were also present.

The delegations also met with Ambassador Richard T. McCormack, Counselor for the Center for Study of the Presidency, and former US Senator David E. Durenberger, and making a strong case for better trade access.

The Delegation held discussions with the Nepalese Community in Washington D.C., New York, and Boston, to apprise them of our mission objectives, seeking support in raising these issues wherever possible.

He further added that he attended the 2003 National Prayer Breakfast meeting hosted by the US Senate and the House of Representatives from Feb. 4th – 7th at the Hilton Washington Hotel and put forth a request to Senator Charles E. Grassley, Chairman of Senate Finance Committee, briefing him on Nepal's critical economy, political and social issues, and requesting support for the preferential treatment of Nepalese Readymade Garments.

He felt that the delegation made a very good impact. However, without strong follow up in Washington from our mission, this exercise will be futile. We need to empower our mission with improved resources to be effective in lobbying for our cause. Unfortunately our Ambassador has been in captivity because of his ill health and no one has replaced him so far. We strongly urge His Majesty's

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Work Pla of NUACCI For the Year 2003/2004

Programs	2003						Months						2004	
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.		
A. Advocacy and Promotional														
1. Workshop Seminar:														
a. Industrial Security														
b. WTO & Nepal														
c. Hydro Power														
2. Round Table Meeting Interface and Talk Program.*														
3. Industrial Exhibition (Himalayan Expo'2003)														
4. Bi-Monthly Newsletter														
B. Facilitation of Business Contact:														
1. Organization of Business Meeting for visiting US Official, Businessmen and Industrial.*														
2. Strengthening of Information and Documentation Center.*														
C. Trade & Investment:														
1. AMCHAM India Delegation														
2. NUSACCI & GAN Trade Delegation to the US														
3. NUSACCI - Delegation+ AMCHAM MDH meeting														
D. Miscellaneous:														

N.B. Resources to implement the above programs will be generated from both Internal and External source. External Source will constitute the consultancy services from the US Embassy/Kathmandu and USIS and HMG Export Promotion Committee. Ministry of Commerce.

* As required

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hope and opportunity to the world's poorest people and called for a new compact for development defined by greater accountability for rich and poor nations alike. To fulfill our part of the compact the United States, with congressional approval, will increase its core development assistance by \$5 billion through the MCA – an increase of 50 percent over the next three years. The President has submitted this new program to Congress for its authorization and appropriation of funds. These funds, the President said, will be devoted to projects in nations that govern justly, invest in their people and encourage economic freedom.

Aptly named, this initiative challenges developed and developing countries to work together as real partners to establish a new results based paradigm for economic development. It aims to tackle one of the most vexing problems of our times how to support lasting improvements in living standards and reduce poverty in the poorest nations of the developing world.

PROVIDING INCENTIVES AND SEEKING RESULTS

Development doesn't just happen no matter how much money you throw at it. From over 30 years of experience in attempting to spur development growth abroad, we have learned several simple lessons. Development requires economic growth. Economic growth occurs when people and their governments respond to economic incentives. Money is an incentive, certainly. But throwing money at problems without the foundation of sound government policies will not have lasting impact on people's lives. Government mismanagement or outright corruption is an even greater disincentive to development thwarting the fundamental entrepreneurial spirits of citizens and business alike. President Bush's Millennium Challenge Account puts incentives in place to encourage policies that work : first by setting policy and commitment based eligibility requirements

to qualify for the MCA program; second by providing additional funds, and third by insisting that MCA program show results by meeting mutually agreed benchmarks and development objectives.

We know that aid cannot lead to sustainable economic growth. Most of the developing world already possesses substantial assets that could be mobilized to promote their economic development. For a country to build on its wealth, however, that wealth must attract capital and put in place economic incentives to discourage capital flight. Estimates of sub-Saharan African country external assets, for example, exceed the stock of their external debt a sure indication of capital flight. The MCA will promote a sound investment climate that can help pull some of this capital back into Africa.

Trade and investment flows dwarf the MCA's \$5 billion and the \$50 Billion given by all donors in official development assistance each year. Developing countries exported close to \$2 trillion in goods and services in 2001. Foreign investment flows to and among developing countries amount to \$180 billion annually. And of course, the biggest source of capital are the hard-working people of developing countries themselves, who produce goods and services valued at over \$6 trillion dollars each year and saving amounting to over \$1 trillion. The MCA will provide incentives and practical support to promote the sound economic policies and build the capacity that developing countries need to tap productively these far greater sources of development finance.

ENCOURAGING ECONOMIC FREEDOM

The link between development progress and governments that support freer markets, individual liberties, and effective institutions is robust. Sustainable development also takes hold when good governance is joined with a dynamic private sector. A vibrant private sector gives free reign to human creativity fostering innovation and improving the living standard of everyday people. The most vital resources a country possesses

are the skills and entrepreneurial spirit of its citizens. Unfortunately, domestic economic resources and capital have all too often been squandered, sometimes by conflict, but also by economic policies that do not give individual families and firms the proper incentives to save and invest in their future and to innovate and engage in productive enterprise.

To qualify for the MCA each MCA candidate will need to encourage economic freedom through good macroeconomic governance an efficient regulatory system an open trade regime, and a healthy climate for business investment. The MCA will then help qualifying countries boost their economic growth by providing grants to productivity enhancing areas such as agricultural development and private enterprise building trade and investment capacity and investing in health and education.

Good Macroeconomic governance : Governments help set the stage for lasting economic development through their macroeconomic policies. The MCA recognizes this and assesses potential MCA countries on two indicators of macroeconomic health. It will give credit to countries whose inflation rate based on IMF data, is less than 20 percent and whose three-year budget deficit is less than most other peer countries.

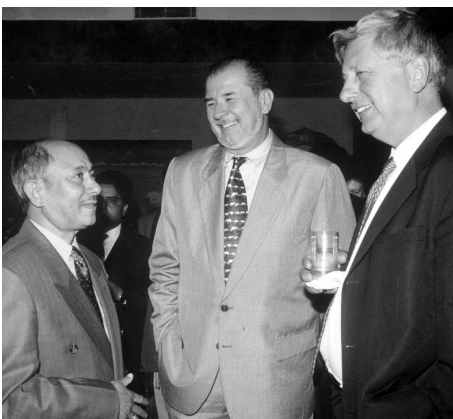
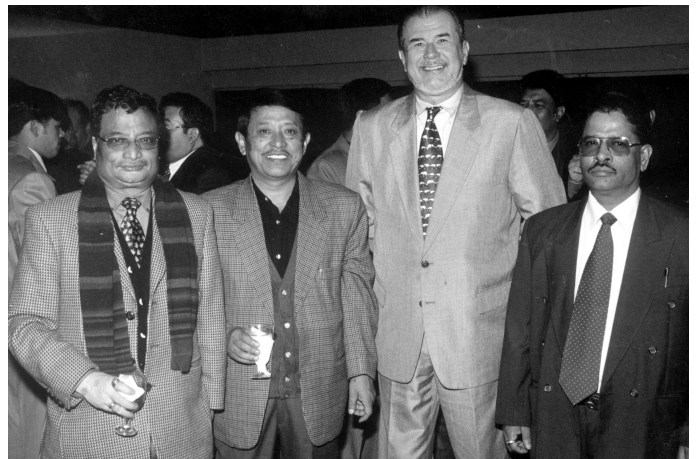
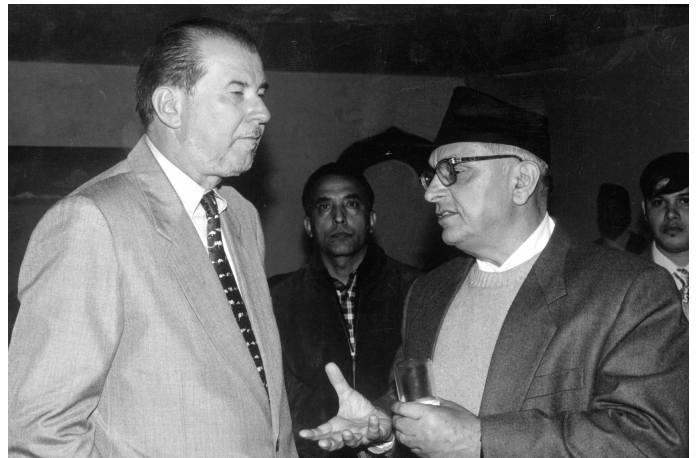
MCA recipient countries provide a supportive economic environment for their private sectors with prudent monetary and fiscal policies. Prudence in these areas reduces currency risk, helps attract foreign investment, and allows domestic enterprises to make long-term investments. There are few examples of long-term economic development by countries with persistent high inflation while there are many examples of economies falling prey to hyperinflation. Inflation disproportionately hurts the poor, who are less able to protect their assets. In addition the uncertainty caused by inflation discourages long-term financial contracts. These dangers argue for great care on the part of monetary authorities in the creation of domestic credit and printing of money

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Government to have a strong team in place as soon as possible.

The South Asian Regional Energy Coalition (SAREC) of the US Chamber of Commerce in cooperation with the Centre for International Private Enterprise held a two-day seminar on approaches to effective energy policy advocacy to promote greater participation by the private sector in the regional energy development. Mr. Narendra Basnyat, IPP of NUSACCI, and Dr. Sandip Shah, executive member of NUSACCI, attended this seminar held at New Delhi in March.

In April NUSACCI organized a Talk Program on Intellectual Property Rights, with Professor James P. Chandler, President of National Intellectual Property Law Institute, as our main speaker. He urged the private sector and the government to introduce IPR in Nepal, which would encourage FDI.

The NUSACCI and NBCCI have taken the initiative in collaboration with Indian, French, and German Bi-national Chambers, along with their respective Ambassadors, to address serious Security concerns. We have taken up the matter with the highest government officials several times, and we are continuing to follow up.

NUSACCI and the US Embassy twice jointly announced the dates for Himalayan Expo 2003, a major trade show, which unfortunately was cancelled for security reasons. The Chamber also interacted with the Executive Director of AMCHAM India, Ramesh Bajpai, to host a trade delegation of American investors doing business in India. We are tentatively looking at February to host this delegation.

NUSACCI brought out six issues of the Bi-monthly newsletter, the official media of the Chamber. It covers activities related to NUSACCI, and other areas of interest in industrial trade, and economic activities.

Strengthening of the Information and Documentation unit of NUSACCI is an on-going process. There has been the addition of few new publications, and the unit is regularly used by research students and others interested in doing business with the US.

We have formed several committees in the Chambers headed by...

1. Trade and Industry Committee.. Kiran Saakha
2. Membership Committee.. Moti Lal Duggar
3. Foreign Direct Investment.. Narayan Bajaj

We encourage you to actively join at least one, and increase our programs.

Support from the US Embassy Kathmandu continues as a key element in the Chamber's on-going efforts to promote investment and trade between Nepal and the USA. I sincerely give our appreciation and thanks to the US Embassy Kathmandu for their kind support.

He added that Annual General Meeting is one of the few occasions when all the members get to interact. Please give suggestions on how your Chamber can be more effective.

In closing, please consider this... Nepal is no longer the closed Kingdom it once was, surrounded and cut off by its giant neighbours China and India. The current insurgency as well as other problems are born out of poverty, corruption and poor governance. Each of us can play a pivotal role in educating the world about Nepal, in raising awareness of our issues, in reaching out to create our own new business opportunities. Commerce Health and Wealth will pay for education for our children, medical availability for our people, and numerous opportunities for all.

Have you done your market research? What new global alliance have you attempted from information on the internet? We no longer need a showroom in New York for our product. The world is literally at our fingertips—our keyboard. E-bay has shown us how a multi-million dollar business can be run successfully on-line. Each of us can create such an e-commerce business on-line to showcase and sell direct to the consumer our products, services, and goods.

Much shopping in the west today is done on-line. We can place our products and services with an already existing company on-line. For example, do you know that handmade Nepali bead jewellery is sold regularly in the US on a TV marketing show called QVC? A former Peace Corps Volunteer has organized Nepalese to make

this jewellery. His wife is a guest on this TV show and the jewellery is highlighted for an hour at a time on nationwide TV. This marketing program is on the air 24-hours a day, seven days a week. Thousands of pieces of jewellery are sold in this way. When not on TV, the products are for purchase on-line at the QVC web site where there is a picture and description of each item.

Thomas Paine once said during the early years and formation of America, 'These are the times that try men's souls.' Let our trying times test us, and in so doing unite us, and strengthen us. In his poem 'Invictus' William Ernest Henley wrote...

Out of the night that covers me
Black as a pit from pole to pole
I thank whatever gods may be
For my unconquerable soul.

It ends with this couplet...

I am the captain of my fate,
I am the master of my soul.

Dear Members. We can throw off this black night that currently covers us; we are unconquerable. We are the master of Nepal's soul, and through our business leadership, we can be the captain of her fate and usher in a bright new future.

I wish you a Happy New Year 2004—a time for celebrating new beginnings and fresh starts! Let us together create a New Year that will bring sweet peace and prosperity to all of Nepal.

Mr. Sakya's speech was later adopted unanimously. Following Mr. Sakya's speech the AGM took up other agendas of the meeting. Mr. P. P. Khetan Treasurer presented the audited balance sheet of the Chamber for the year 2002/03. Mr. Prasadha Bahadur Panday, Vice President presented proposed work plan of the year 2003/04. Mr. N. K. Basnyat Immediate Past President, presented the proposed amendment in the constitution of the Chamber, which were all approved by the meeting unanimously after deliberations. At the closing of the meeting Mr. Kiran Prakash Saakha, Secretary General, presented a vote of thanks.

The AGM concluded followed by Cocktail Dinner hosted by NUSACCI. ■

Thank you very much.

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to avoid soaring interest rates and flight of the capital so necessary for development. Sound fiscal policy management is also an essential part of an enabling environment that promotes income and job-creating economic activity of all types. The fundamental elements of good fiscal governance reflect transparency and accountability. They begin with the honest administration of public funds through a transparent budget process expenditures must be subject to public audit and accountability. Government deficits can lead to higher interest rates which crowd out private sector investment projects. Furthermore, high deficits often lead developing governments to pressure financial institutions to buy government debt, which can erode the stability of the financial system. Government policies are pro-growth when they have limited control of the economy and let the free market flourish in playing its essential role in signalling how to allocate resources.

A Fair and Transparent Regulatory System: the MCA will compare the regulatory environment for business in MCA candidate countries by looking to the World Bank Institute's indicator of Regulatory Quality. An overly onerous regulatory system, especially one that is exercised arbitrarily can encourage corruption. Furthermore, this can encourage firms to stay small to avoid regulation reducing their ability to take advantage of economies of scale and eroding the tax base of the country. While an effective and fair regulatory regime is essential, the MCA encourages countries to limit regulation and government intervention that can damage prospects for economic growth. New business ventures flourish when only days, not month are needed to obtain necessary approvals from government regulatory agencies. That is why the MCA will consult the simple indicator from the World Bank of 'Days to Start a Business,' which is also an indicator of efficiency of regulation and commitment to economic freedoms.

An Open Trade Regime : Experience shows that opening markets and expending trade and investment can accelerate growth. Open markets and access to trade unleash creativity and know-how multiply economic opportunities and generate self-sustaining growth and investment cycles. Trade has helped nations as diverse as Singapore and Chile create economic opportunities for millions of their citizens. The MCA looks to the Heritage Foundation's Trade Policy Index to measure a country's trade openness.

The entrepreneurial spirit when exposed to the world's free market is not limited by geography but rather soars in innovation setting the path for economic growth and poverty alleviation. We have seen that very poor countries can use trade as a platform to progress. Many countries however, have yet to reap the full benefits of free trade. Although low- and middle income countries exported close to \$ 2 trillion last year, further trade liberalization would dramatically increase their exports and hence their growth prospects.

The Doha Development Round, taking place under the auspices of the World Trade Organization, aims to bring down trade barriers worldwide and will create for developing countries vast new opportunities to trade with each other and with developed economies. A central focus of the Doha Round is to work with the countries of the developing world to ensure that they are able to fully participate in the global trading system to expand their trade in agricultural goods in order to round out their diets and alleviate famine. The United States stands as a strong trade leader, exporting and importing over \$450 billion in products from the developing world every year. That is more than eight times the amount these countries recipient governments to increase their openness to trade, seize additional trade opportunities, and gain the growth benefits.

A Healthy Climate for Business Investment : Productive investment is essential for development. MCA development funds will flow toward

countries that create a positive business environment for domestic and foreign investment. Since foreign direct investment not only brings capital but can also bring skilled management, new technology good environmental practices and knowledge of foreign markets, it is an especially prized development vehicle. Research evidence shows that where good governance and sound economic policies are in place, each dollar of foreign aid invested attracts two dollars of private investment. For business ventures whether foreign domestic or joint venture in origin to be viable the regulatory environment established by the host government must be conducive to their profitable operation.

There are incentives ample incentives for foreign and domestic business to invest in developing countries. The developing world's markets are growing and their workforce is underutilized and inexpensive. While investment is by its very nature risky, investors prefer that their exposure is limited to normal business risk. They therefore prefer investing in countries whose governments protect against expropriation and ensure that the economic returns from investments may be freely repatriated. The MCA will look at the country credit rating prepared by Institutional Investor magazine to assess the attractiveness of potential MCA countries to investors.

RULE OF LAW AND PROMOTION OF ECONOMIC GROWTH

While the rule law is an essential and measurable MCA indicator of governing justly, it also has a profound influence on a country's economic freedom. Sound, predictable and transparent legal systems must exist to provide the foundation for business confidence and the protection of property rights. In Egypt, notes Peruvian economist Hernando de Soto, the wealth that their poor have accumulated is worth fifty –five times as much as the sum of all direct foreign investment ever recorded there, including the Suez Canal and the Aswan Dam. Reliable legal systems are essential to harness the power of such

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wealth and to bring to life so-called 'dead capital' the assets of the poor that so often cannot be formally recognized or leveraged to build or expand enterprises.

Enhancing corporate governance and building supportive legal institutions are vital to gaining the trust of a country's citizens in their government and in their economic future. Being assured of the formal recognition of businesses and legal ownership of property for example, citizens then have incentives to expand both. Advanced technologies and business practices brought into the production process of the developing world can spur employment eliminate poverty and bring significant profit incentives to all partners in the joint ventures. These technologies and practices are proprietary to the businesses bringing them, however, and their intellectual property rights must be guaranteed and legally protected by developing country governments. The aim is to promote systems that protect all property owners whether large or small, domestic or foreign.

ONE POTENTIAL AREA FOR MCA FUNDING

Agriculture is one of the potential areas for MCA funding and investments in this sector could have a higher return in countries that are committed to economic freedom. Agriculture has great potential for spurring economic development. Roughly 3 billion people live in rural areas, 1.3 billion of them on what the World Bank calls 'fragile lands'. In Africa, over 70 percent of people work in agriculture. Worldwide over 800 million are malnourished. Increasing agricultural productivity in developing countries can lift many in rural areas out of poverty and abolish famine. Huge technological advances have been made in agriculture over the last several decades. By bringing this knowledge to those who most need it, developing countries can embark on the road to food self-sufficiency and rural population can enter the each economy.

Developing country governments however, have to be open to and supportive of new technology. Working cooperatively with governments of MCA countries, MCA funds could be used to develop integrated agricultural programs that could educate local farm communities on how to increase agricultural productivity provide incentives to develop distribution channels and develop needed infrastructure. Bangladesh is just one success story having increased its rice production by nearly 70 percent since the 1970, by employing advanced agricultural methods and technology.

ACHIEVING DEVELOPMENT

President Bush concluded his announcement of the Millennium Challenge Account initiative with a typical

Americanism. 'The bottom line for us and for our developing country partners is how much development they are achieving.' The MCA initiative will only succeed if we select partners that have put in place the policies that allow growth to take place, undertake programs that address the key bottlenecks to development and hold to the agreed benchmarks that measure progress toward achieving agreed objectives. By requiring these policies in order to qualify for MCA funds and tracking the funds through successful development programs the Millennium Challenge Account will promote incentives for sound economic policies that will result in economic growth and prosperity in the countries that join us in rising to the challenge. ■

Source: ADB Nepal Quarterly Economic Update
December 2003



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