



# NICCI e-Newsflash

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## Inside this issue:

Renewable energy to make industries sustainable....	2
Finance Minister holds pre-budget talks	2
Govt positive for Nepalese to invest abroad	3
Govt's IT Dept In A Month	3
NRB introduces new loan payment provision	4
Telecom sector to come under new license system	4
Ncell starts online application	4
Bill Gates meets UP Chief Minister, Indian business lead-	5
Japan's vehicle output soars 174% in April	5
163 key roads as strategic highways	6
Indian exporters under pressure to offer discounts	6
China, Japan begin direct currency trading	7
US, large economies to face continued shortage of skilled	7
Spain suggests for 'centralized control' eurozone fiscal author-	8
Eurozone jobless hits 17.4 million	9
With an aim to promote exports from the North Eastern states	9
Greek ex-minister's home now a monument to corruption	10

## FM-Business Community Interaction - Entrepreneurs' support to govt urged

Finance Minister Barsha Man Pun on Wednesday, 30<sup>th</sup> May, urged the private sector to extend their support to the government at a time when the country is passing through a critical political situation. "The government is ready to extend necessary support to the private sector for encouraging them to invest. We are committed to creating a more favourable business climate in the country," he said.

Talking to the leaders of the private sector at the ministry, Pun said that the government would not let the business environment ruin in the country despite political instability. Urging the private sector representatives to make a list of problems facing the sector and possible remedies, he said that the government would try its best to address the difficulties. "We are in the process of forging consensus among the political parties regarding the economic issues. The government will take the initiative in this regard," he said.

He further said that the government is serious about minimizing the impact of the present political uncertainty on the national economy. "The government is willing to spread the mes-

sage that the political crisis will not hit the country's economy," he added. "Through the new budget, the government will be able to encourage the private sector by creating a more investment-friendly environment in the country," he said.

Suraj Vaidya, President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), asked the government to make a more investment-friendly environment in the country even in an adverse political situation.

He urged the government to take the initiative to stop strikes and bandhs for ever considering their negative impacts on the overall national economy.

As security is one of the prerequisites for the promotion of investment, he stressed the need for the government to focus its effort on improving the law and order situation.

On the occasion, Finance Secretary Krishna Hari Baskota said that the government is always ready to coordinate and cooperate with the private sector.

## Renewable energy to make industries sustainable & products competitive-IFC

IFC in association with Clean Energy Development Bank launched the "Sustainable Energy Finance Market Study for Financial Sector in Nepal study" Wednesday 30<sup>th</sup> May in Kathmandu.

According to the report, due to the massive shortfall in the supply of electricity, productivity of the industrial and service sectors was adversely affected. Many industries were unable to operate full hours, leading to shutdown in cases due to an inability to meet demand and delivery schedule, the study said.

"It provides cover for the rising cost of fuel," said 'Sustainable Energy Finance Market Study for Financial Sector in Nepal' carried out by the South Asia Enterprise Development Facility,

managed by International Finance Corporation (IFC) in partnership with the UK Department for International Development and the Norwegian Agency for Development Cooperation.

The country had imported petroleum products worth Rs 67.38 billion in the first nine months (mid-May) of the current fiscal year against imports of Rs 52.35 billion in the same period of last fiscal year. The increasing dependency on fossil fuel due to lack of energy required for industries has increased the cost of production of the domestic industries making Nepali products less competitive in both domestic and international markets. (Contd.. Page 2)

**Renewable energy to make industries sustainable .....**

The study, that has analyzed the current energy use pattern by Nepal's 10 selected industrial sectors and identified areas where financial institutions can find significant investment potential for energy efficiency and renewable energy projects for greater efficiency. The study also identified that the Nepal's industry could save up to 30 per cent energy costs with the adaptation of energy efficient methods alone.

Currently, domestic industries consume more energy, which could be reduced bringing their operation cost down. The 10 industrial sectors, as per the report selected for the study were some 265 industries — 72 large, 154 medium and 39 small — including cement, brick, steel structures, food and beverage, paper and pulp, poultry/ agri-business, tourism, dairy, tea, rolling mills, plastic, cold storage, industries and hotels. All the selected industrial sectors have consumed a significant amount of electricity, with the exception of the brick industry which uses coal for firing bricks, the report revealed.

Financing in sustainable and renewable energy will help reduce the cost of production and dependency on fossil fuels making domestic products more competitive, according to a study.

With the study, IFC targeted financial institutions to help develop sustainable energy lending business. Therefore, together with energy service providers and end-users, the project aims at making sustainable energy projects bankable by carrying out energy audits too. With IFC's support in building capacity for proposal evaluation, loan product development and due diligence, Clean Energy Development Bank specifically is launching a unique sustainable energy financing product, the first such offering by any financial institution in Nepal.

In the program, it was also revealed that the investment potential in energy efficient and renewable energy projects in the country's industrial sector stands at US\$17.92 million (Rs 1.6 billion) according to the latest report published by the IFC.

The projection comes at a time when Nepal Rastra Bank, the central bank, has directed all banks and financial institutions to extend at least 10 percent of their total lending to the energy and agriculture sectors.

As per the information shared in the program, tea processing units, which consume both thermal and electrical energy, have the highest investment potential of \$8.06 million. This was followed by brick kilns, which have the potential of immediately absorbing loans of at least \$2.51 million to imbed energy efficient and renewable energy technologies. Cement factories, also energy guzzlers, on the other hand, are in need

of at least \$1.76 million in financing to acquire green credentials.

If these investments are made, together with energy efficient and renewable energy interventions, large industries can save at least \$6.26 million, while small and medium industries can save \$2.75 million, says the report launched in Kathmandu on Wednesday.

Alan Dale Gonzalez, executive director of Full Advantage said "If the steam that is emitted is captured and converted into energy using a heat exchanger we can use it to, say, boil water. This can reduce energy cost by as much as 10 times and we will be doing the environment a lot of favor as well," he said, urging industries to be more proactive in exploring energy efficient options to reduce operating costs.

But even if the industries were proactive, as Gonzalez pointed out, many may not be able to introduce energy saving solutions in their units due to lack of access to credit from banks and financial institutions.

Currently, only a few banks are financing industries that want to imbed energy efficient and renewable energy technologies as they are "not aware of the wide range of sustainable energy technologies as potential financing options".



Of the eight commercial banks that were interviewed, says the report, only two explicitly understood the concept of modernization in industries that helps in maximizing output and lowering waste generation. "Besides, banks focus on large borrowers and prefer to finance existing clients rather than new ones, thus limiting the expansion of credit facilities to possible new clients," the report says.

To facilitate such industries, Clean Energy Development Bank introduced a new product that not only provides loans to industries that want to become energy efficient and promote clean energy, but also supports clients in "different aspects and stages of project development, financing and implementation".

"We can conduct the energy audit for industries that are interested in getting access to such loans," said Manoj Goyal, CEO of the bank.

Similarly, the study has suggested that the government of Nepal should introduce fiscal incentives such as soft and low cost loans, tax benefits, grant funds, refinancing, customs duty waiver, depreciation allowance, low interest rate and subsidized funds for energy efficiency/ renewal energy for effective financing of sustainable energy projects.

## Finance Minister holds pre-budget talks

Finance Minister Barsha Man Pun on Thursday said that the budget of the next fiscal year 2012/13 will be brought with consensus of all the political parties. Organising a press meet at the Finance Ministry, Minister Pun said that the government was effortful in forging consensus among the political parties as there is no parliament at present.

Minister Pun said budget will be brought by discussing with the in-charges of the major parties looking after economic sector. He further said that the government is serious about minimising the impact of the present political uncertainty on the national economy.

The Finance Minister made such remarks one day after he held discussions with the leaders of the business community.

He said that the country's overall economy was heading towards positive direction and a better environment for investment was being created. The government would be effortful in bringing the economy on a right track, he added.

He further informed that Rs. 190 billion of revenue was collected as of April 2012. The amount is 98.62 per cent of the target. Towards government's expenditure it was Rs. 190.42 billion. The amount is 49.47 per cent of the appropriated amount.

"Through its budgetary measures, the government will encourage the private sector by creating a more investment-friendly environment in the country," he said.

Earlier day, the leaders of the business community had suggested that the government should move ahead through forging consensus among the political parties on economic agendas.

## Govt positive for Nepalese to invest abroad

Finance Minister Barsha Man Pun Friday said that the government was planning to allow the Nepalese entrepreneurs to invest in foreign countries and manage the present investments through various channels. Minister Pun made this remark at a discussion programme with the delegation of the Confederation of Nepalese Industry (CNI) at the Finance Ministry.

"It is reported that there has been Nepalese investments in foreign countries through illegal channel. The government thinks that providing legal status to Nepalese investment abroad would be beneficial to the country" he said.

He further said "The government is ready to extend necessary support to the private sector for encouraging them to invest. We are committed to creating a more favourable business climate in the country."

On the occasion, Hari Bhakta Sharma, officiating president of the CNI said that CNI was of the views that the political turmoil should not hamper the economic sector. For this, there should be stability on business related laws and policies, and so the government should introduce required laws and acts related to economic developments, industries and business even through an ordinance. He stressed need of the approval of 15 economic bills which were pending in the dissolved parliament to improve the business environment in the country.

Finance Secretary Krishna Hari Baskota was also present in the meeting.

## Govt's IT Dept In A Month

The government is preparing to set up a separate department for information and technology within a month from mid July. The government took the decision acting on the recommendation of the Ministry of Environment, Science and Technology (MoEST).

Earlier, then minister for science and technology Kalpana Dhamala dissolved the High-Level Commission for Information Technology (HLCIT) in December, 2011 citing lack of coordination between the commission and the MOEST. Minister Dhamala had proposed to set up a new IT department after drawing criticisms from the parliamentary committees and the private sector.

The new department will work as IT implementing agency of the government. The major objectives of the department will be to reduce the digital divide, secure digital data of the government and to generate employment opportunities.

Subash Dhakal, Senior official of MoEST said the department will have 16 members headed by a director general. The department will have three technical and one administrative director. Likewise, 10 engineers, one administrative officer and one account officer will work under the department.

The four divisions under the department include E-governance, Infrastructure Development Security and Regulation, Training Research and Development and Administration Planning and Development.

The E-governance division will coordinate with government offices in implementing e-governance master plan, regulating the standard and development IT based system in the government offices. Similarly, Infrastructure Development Security and Regulation division will look after network, hardware and will also work as a facilitator in implementing private sector projects.

## NRB introduces new loan payment provision

The central bank has forbidden financial institutions from levying any extra charge on advance repayment of loans.

Issuing a circular on June 3, Nepal Rastra Bank (NRB) has directed financial institutions to allow repayment of loans at the existing rate of interest in case the borrower wants to repay the outstanding dues following an interest hike.

“This provision will provide the borrower a chance to discontinue borrowing and repay the loan instead of paying a higher interest rate,” said spokesperson of NRB Bhaskar Mani Gyanwali. The borrower does not have to pay anything more than the outstanding dues and principal amount based on the earlier agreed upon interest rate.

Likewise, in its latest attempt to encourage agro lending, NRB has decided to calculate lending of up to Rs 10 million to non-credit and saving cooperatives as deprived sector lending. Loans of up to Rs 10 million floated to co-operatives who in turn lend to a group involved in agriculture, cattle rearing or poultry farming with a limit of up to Rs 90,000 per person will be eligible to be considered under this provision.

“We hope this will help encourage financial institutions to float loans to agro and farming through such co-operatives,” added Gyanwali. However, if such loans are found to be used for other purposes then the financial institution has to provision 150 per cent of the lent amount for possible loan loss, said the circular.

Deprived sector lending refers to small loans that are lent to the poor and rural people for small projects with a minimal collateral in order to promote formal banking in the rural areas.

According to the monetary policy, commercial banks have to lend 3.5 per cent of their total loans to the deprived sector while development banks and finance companies must lend 3 per cent and 2.5 per cent of their total loans respectively to the deprived sector, according to the monetary policy.

Likewise, NRB has directed financial institutions to consider those loans floated for only one year as term loans and even those loans floated by microfinance institutions that are meant to be paid within one year through installments are also be taken as term loans.

## Telecom sector to come under new license system

The government has decided not to allow telecom service providers to upgrade their services, if they do not come under the unified license system.

The information published in a gazette on May 15 said that no telecom service provider can upgrade its service without obtaining a license under the unified license system. The government wants to make the unified license system mandatory, said spokesperson at Nepal Telecommunications Authority Kailash Prasad Neupane, adding that the enactment of the unified license system will bring uniformity in the policy. The gazette notification has clearly said that no rural telecom service provider and limited mobility operator will be allowed to expand their service areas or even upgrade their technology, he said. “Telecom service providers who refuse to take license according to the provision of unified license system will not get permission to operate third generation (3G) and fourth generation (4G) services,” said Neupane.

The unified license system aims at collecting more revenue

from the telecom sector, according to the authority.

“The notification has said that a telecom service provider will have to pay Rs 357.5 million as license fee and Rs 20.13 billion license renewal fee,” he said. Telecom service providers must renew their license every 10 years according to the gazette notification, informed Neupane.

Similarly, the new provision has also stated that telecom service providers should pay two per cent of their income for Rural Telecom Development Fund and four per cent royalty every year.

Currently, there are six telecom service providers in the country. Among them, three — Nepal Telecom and Ncell are operating services throughout the country. Similarly UTL is operating limited mobility service, Nepal Satellite, STM and Smart — have acquired a license as rural telecom service providers.

## Ncell starts online application

Ncell has started an online system based on which potential customers can acquire Ncell SIM cards in an easy way. The system allows customers to fill up a form electronically and subscribe to Ncell’s service.

According to the telecom operator, customers need to log in to Ncell’s website [www.ncell.com.np](http://www.ncell.com.np) and fill up a form by clicking on the link ‘e-booking’ to get a confirmation

code. The company said that after receiving the code, customers can visit their nearest Ncell centre along with passport sized photographs and a copy of the citizenship certificate to get a SIM.

The code number will be valid for 30 days. “We believe that customers will find it very easy to get our services in this manner,” said Abdujabbor Kayumov, chief commercial officer of Ncell.

## Bill Gates meets UP Chief Minister, Indian business leaders & Rotarians

Microsoft co-founder and co-chairman of Bill and Melinda Gates Foundation, Bill Gates on Friday, 31st May, held talks about philanthropy and its impact on society with some of India's top businessmen at Taj West End Hotel in Bangalore. Gates shared his thoughts on philanthropy with industry stalwarts like Wipro Chairman Azim Premji, Infosys Chairman Emeritus Narayana Murthy, Tata Group Chairman Ratan Tata and Biocon Chairman and Managing Director Kiran Mazumdar Shaw among others, industry sources said.

The meeting was co-hosted by a foundation of Wipro Chairman Azim Premji, Tata group Chairman Ratan Tata and Bill & Melinda Gates Foundation. The objective of the meeting was to create an awareness and involvement among the rich Indian industrialists to help the society at large through philanthropy.

The group expressed belief that philanthropy and social service were integral to the development of any society.

The meeting was focused on sharing ideas on philanthropy and not about any pledges, the Foundation said in a statement.

Health care, sanitation, education, water and agriculture were identified as focus areas for major improvement.

The meeting was held in complete secrecy with a total ban on media. The Gates Foundation issued a statement saying: "This is a private discussion of philanthropy and social service in India. It is an opportunity for a great group of philanthropists to share ideas and experiences about giving with each other. Out of respect for their privacy, we will not be sharing the names of attendees."

Earlier, on Wednesday, 30<sup>th</sup> May, he met Uttar Pradesh

chief minister Akhilesh Yadav and offered to work closely on health and development related issues.

The foundation is active in UP through projects like Sure Start, Manthan and Urban Health Initiative.

Meanwhile, the state government and the foundation would sign a memorandum of understanding (MoU) soon wherein the foundation would provide technical, management and programme design support in neonatal, child health, vaccination and other health and agriculture related programmes.

Yadav apprised Gates of his government's efforts to tackle poor health scenario of high mother/infant mortality rates, immunization, malnutrition among children, high fertility rate etc.

He asked the foundation to consider a comprehensive and long term programme to address the maternal and child health issues in the state.



Gates also assured support by the foundation to develop innovative solutions and to provide catalytic, technical, managerial and advocacy support to the state.

Bill Gates also met Rotary International India on Thursday, 31<sup>st</sup> May in New Delhi on his three day visit to the country where he is expected to meet a number of Government functionaries before heading to Bangalore for a discussion on philanthropy with India's industrial leaders.

Gates met Rotary leaders – Rajendra K Saboo, Past President, Rotary International, Ashok M Mahajan, Trustee & Member, International PolioPlus Committee and Deepak Kapur, Chairman, India National PolioPlus Committee of Rotary International at hotel Oberoi, early morning on Thursday where he was presented with a plaque as a token of appreciation for his support to the global Polio eradication programme.

## Japan's vehicle output soars 174% in April

Japan's auto sector on Thursday, 31<sup>st</sup> May reported huge increases in production for April from a year earlier, reflecting a steep recovery after last year's quake-tsunami disaster crippled output and demand.

Production of cars, trucks and buses reached 799,474 vehicles, up 173.8 percent from April 2011 and the seventh consecutive monthly increase, according to the Japan Automobile Manufacturers Association (JAMA).

The industry data come after heavyweights Toyota, Nissan, and Honda said Monday, 26<sup>th</sup> May that they saw huge jumps in April output from a year ago when they slashed production and shuttered plants due to power shortages and a parts sup-

ply crunch owing to the March 2011 disaster.

Domestic vehicle sales, meanwhile, climbed 93.7 percent to 359,631 vehicles while exports surged 219.2 percent to 402,389 vehicles, JAMA said.

On Monday, Toyota said output at its factories in Japan surged about four-fold to 352,973 vehicles last month, while rival Honda Motor's domestic output skyrocketed 514.4 percent to 87,049 vehicles.

Nissan's production jumped 94.0 percent to 85,734 at home, after the automaker earlier this month posted record sales

## 163 key roads as strategic highways

The government has decided to designate existing 163 major roads including the much touted Kathmandu-Tarai fast track and Mid-hill highway as national strategic highways in a bid to lure more assistance from the donor community and allocate sufficient budget for timely implementation and regular maintenance of the highways.

The cabinet took the decision last week acting on the proposal of the Ministry of Physical Planning, Works and Transport Management (MoPPWTM).

"With the cabinet decision, six more highways and 157 more subsidiary highways have earned the status of national strategic highways. Thus, it will be easier for us to get more support from donors and more budget for the construction and maintenance of these roads," Tulasi Prasad Sitaula, secretary of MoPPWTM told Republica on Wednesday.

Earlier, a total of 15 highways and 51 subsidiary highways were designated as strategic highways.

"A total of 72 highways and subsidiary highways covering around 5,000 km were maintained under donor support and national budget so far. An additional 10,000 km in the network of total 229 roads across the country have also been prioritized," Sitaula added.

Economic Survey 2010/11 states that the government had completed construction of 326 km of earthen road, 136 km of gravel road, 185 km of track and repair of 430 km of roads by mid-March 2011.

The major roads upgraded as strategic roads are Mid-Hill Highway, proposed Kathmandu Tarai Fast-track, Tarai roads, Kathmandu Ring Road, proposed Outer Ring Road and a highway in Mahakali.

The government is preparing to publish the decision in a gazette within a couple of days.

## As Rupee falls, Indian exporters under pressure to offer discounts Buyers have started pressurizing us to offer maximum discount: Indian traders

Global buyers have started putting pressure on Indian exporters to offer discounts on shipments as they are witnessing gains due to rupee depreciation against the US dollar.

The exporters' community said the fluctuation of rupee would not help much as most of the exporters have already booked their orders. The rupee has hit its record low level of Rs 54.46 against dollar.

"Exporters are not happy as global buyers are asking for reduction in prices and discounts. The excitement of the depreciating rupee against the dollar is short-lived, because buyers have started pressurizing us to offer the maximum discount on export of products," Director General of Federation of Indian Export Organisations (FIEO) Ajay Sahai said.

"To some extent it is (fall in rupee) good for exports but it would affect in long term as the buyer would ask for more and more discounts, which would affect our profit margins," Chairman of Apparel export promotion Council A Sakthivel said.

Sakthivel said buyers would always want their suppliers to reduce the price after they come to know that exchange rate fluctuation is giving good "returns" to exporters.

"Depreciating rupee is not a thing to cherish for us as input

costs have gone up substantially. We will not subscribe to the view that the rupee depreciation would give unexpected gains to exporters. We will like the rupee to hover at around Rs 46-47," Sahai added.

Meanwhile, the finance ministry said there was no need to panic and the slide would be contained when there is certainty in eurozone recovery.



"Rupee is falling due to global factors. This is no need to panic. The fall might continue till there is a certainty about the eurozone recovery. RBI is keeping a watch on it," a finance ministry official of India said.

Global risk aversion is putting pressure on the Indian currency as foreign funds are pulling out money. Besides, a widening current account deficit and concerns of investment in India is also putting pressure on the rupee. The Indian rupee has lost about 10% since it touched its peak in February.

To check the sliding rupee, the Reserve Bank of India had last week asked exporters to convert half of their foreign exchange reserves into rupee to make available dollars in the market.

(PTI)

## China, Japan begin direct currency trading

China and Japan started direct currency trading on Friday, June 1, as Beijing marked another stage on its journey to foster the yuan's use internationally in line with its growing economic clout.

Foreign exchange traders began swapping Japanese yen for the Chinese unit without having to use the US dollar as an intermediary currency when the market opened in Tokyo.

In early trade the yuan stood at 12.335 yen.

The yuan-yen trade - part of a wider deal reached last year to forge closer ties between Asia's two largest economies - will be allowed to move in a wider range than the narrow band at which the dollar and yuan change hands.



*(Photo: Reuters / Issei Kato)*

China will set a daily rate based on dealer quotes, with trade allowed to move within a 3.0 percent band above or below that rate, compared with a 1.0 percent band fixed to the yuan-dollar.

The trading-band rule applies only in Shanghai while free exchanges are guaranteed in Tokyo.

Rates in the two markets could be different briefly but are likely to converge very quickly, traders said.

It is impossible to make money through price gaps between the two markets, said Akira Hoshino, head of forex trading at Tokyo-Mitsubishi UFJ Bank.

"Supposing the dollar mid-point price was set at 80 yen and the quotation was at 83 yen in Shanghai and 86 yen in Tokyo, no-one would sell the dollar at 83 yen though many people would want to buy it at that level." "Such trading would not happen," he said.

The new system paves the way for "full-fledged direct exchange trading", Japan's Finance Minister Jun Azumi said Tuesday.

By not using the dollar as an intermediate currency, "we can lower transaction costs and reduce settlement risks at financial institutions as well as making both nations' currencies more useful", he added.

Beijing's tightly controlled currency regime has contributed to huge trade deficits in the United States, which accuses China of artificially undervaluing the yuan to boost exports, and has been a long-running source of friction between the world's two largest economies.

On Tuesday, China said direct yuan-yen trade was an "important step" in "strengthening cooperation between China and Japan in developing financial markets and mutually promoting direct trading between the two currencies based on market principle".

China is Japan's largest trading partner, but about 60 percent of their mutual trade is denominated in US dollars.

China's official Xinhua news agency reported that the new forex arrangement will save about \$3.0 billion in annual costs tied to using the dollar in trade transactions.

## US, large economies to face continued shortage of skilled workers: Study

The US and other large economies continue to face a shortage of skilled workers, engineers and other in-demand employees, according to an annual study on talent shortages. The study, by staffing services giant ManpowerGroup, found that 34 per cent of employers around the world found it difficult filling jobs due to lack of available talent with the percentage unchanged from 2011 but up over the previous three years.

According to Manpower chief executive, Jeff Joerres, talent shortages continue even with high unemployment in many economies, especially among young people. Employers, however, are more comfortable conducting business in an environment of talent shortages and remain reluctant to add

workers while memories of recession continue to be fresh, according to Manpower.

Among the reasons for not filling jobs are a lack of available applicants; too few hard skills, including ability to speak a foreign language among those who do apply; and a lack of experience. Employers also complained about deficiencies in applicants' soft skills, such as showing too little enthusiasm though these were fewer.

The survey covered 40,000 employers in 41 countries and territories.

(Contd on page 8)

## US, other large economies to face .....

Skilled trade workers have topped the most in-demand list for four of the past five years, as educational systems around the world are emphasising four-year university education, vocational and technical programmes continue to decline.

With fewer young people taking up technical educations and more older skilled workers retiring, such shortages would likely persist, according to the study.

Other jobs that would be expected to be in demand in 2012 are sales representatives, technicians, drivers, labourers and information technology staff. Accounting and finance workers, chefs and managers make up the rest of the top 10.

Employers in Japan were the most likely to report prob-

lems finding staff, followed by those in Brazil, Bulgaria, Australia and the US, where 49 per cent report difficulty, down from 52 per cent last year.

According to the over 1,300 US employers surveyed, the positions that were most difficult to fill included skilled trades, engineers and information technology staff, all of which had appeared on the US list several times since the survey began in 2006. The survey also highlighted the most common reasons employers said they were having trouble filling jobs, included lack of available applicants, applicants looking for more pay and lack of experience.

The top 10 most difficult jobs to fill in the US are- Skilled trades, Engineers, IT staff, Sales representatives, Accounting and finance staff, Drivers, Mechanics, Nurses, Machinists/machine operators and Teachers.

## Spain suggests for 'centralized control' euro zone fiscal authority

Spain on Saturday, June 2, proposed the set up a new fiscal authority in the euro zone which would control and harmonize national budgets and manage the European debts.

Prime Minister Mariano Rajoy said the authority was the answer to the European debt crisis and would go a long way in alleviating Spain's woes as it would send a clear signal to investors that the single currency is an irreversible project.

Overspending in the regions and troubles with a banking sector badly hit by a property crash four years ago have sent Spain's borrowing costs to record highs and pushed the country closer to seeking an international bailout.

The Spanish authorities, which have hiked taxes, slashed spending, cut social benefits and bailed out troubled banks, argue that there is little else they can do and the European Union should now act to ease the country's liquidity concerns.

In private, senior Spanish officials have said this could be done by using European money to recapitalize directly ailing banks or through a direct intervention of the European Central Bank on the bond market.

They have also said the euro zone should quickly move towards a fiscal union to complete its 13-year monetary union but Rajoy went a step further by making a formal offer.

"The European Union needs to reinforce its architecture," Rajoy said at an event in Sitges, in the north-eastern province of Catalonia. "This entails moving towards more integration, transferring more sovereignty, especially in the fiscal field.

"And this means a compromise to create a new European fiscal authority which would guide the fiscal policy in the euro zone, harmonize the fiscal policy of member states and enable a centralized control of (public) finances," he added.

It is not the first time a European leader has proposed creating

such an authority. But its set-up would require a change in the European Union treaties, a usually lengthy and politically painful process which requires ratification in the 27 member states of the bloc.

However, Prime Minister Mariano Rajoy said Saturday, 2nd June that Spain will stick to harsh austerity measures until it emerges from its financial crisis, promising that the country would survive the present economic turmoil. He acknowledged that the country is experiencing turbulence, but insisted: "We are not at the edge of a precipice, we will not sink." The government has "the will to persevere in this line for as long as is necessary", he said.

Spain, where unemployment stands at a eurozone high of 24.4%, has imposed spending cuts and tax hikes to escape a crisis many fear could eventually swallow other countries using the European single currency.

Mr Rajoy said today that he supported the creation of a single European fiscal authority to uphold the credibility of the euro, and acknowledged that for this to happen it would be necessary for member states to "surrender more of their fiscal autonomy".

He said that while it was possible Spain could have lived beyond its means, it was also true that those who are now criticising Spain had also lent it money at very cheap rates.

Germany, the euro zone paymaster, has however said further integration in Europe was required, including additional controls on national public finances.

German chancellor Angela Merkel said there should be no taboos when discussing these questions.

## Eurozone jobless hits 17.4 million

THE number of people out of work in the eurozone hit a new record in April, with 17.4 million people lacking a job, fresh data showed as politicians struggle to get the area's economic crisis under control.

"We take very seriously these new figures, which confirm the urgency of the situation," a European Commission spokeswoman, Pia Ahrenkilde, said in Brussels, calling the level of unemployment in some EU countries "very serious and unacceptably high".

The number of jobless rose by 110,000 from March, according to Eurostat, the European Union's statistics agency - the 12th monthly increase in a row

"The economic downturn is broadening and gathering pace," said the economist Jennifer McKeown, of the London-based Capital Economics research group. "This clearly further reduces policymakers' chances of stemming the debt crisis."

The unemployment rate in the 17-member eurozone nevertheless remained steady at 11 per cent, after Eurostat revised the rate for March upward from its previously announced 10.9 per cent.

More than 3.3 million of the unemployed were under the age of 25, representing a youth unemployment rate of 22.2 per cent. Spain posted the highest figure at 51.5 per cent.

Greece, which has been at the centre of the eurozone crisis, has also found itself at the top of the list, although no new figures have been available since February when it posted a youth unemployment rate of 52.7 per cent. Spain also recorded the highest overall unemployment rate in April at 24.3 per cent.



(Reuters)

## Trade policy gives incentives to exporters from North East State of India

With an aim to promote exports from the North Eastern states of India, the Centre today reduced compliance burden to one-fourth for exporters to avail the popular Export Promotion Capital Goods (EPCG) scheme to import capital goods at very low customs duty.

"We have taken a decision to reduce the export obligation under the EPCG scheme to 25 per cent of the normal export obligation and this facility will be applicable to North Eastern states and Sikkim," Commerce Minister Anand Sharma said, while releasing the annual supplement to the Foreign Trade Policy.

This, he said, is being done to promote "manufacturing

activity and generating employment in the North Eastern states".

Export Promotion Capital Goods (EPCG) is an export promotion scheme under which an exporter can import certain amount of capital goods at either zero or three per cent customs duty, for upgrading technology related with exports.

However, to avail the scheme, the exporter has to meet a pre-determined export obligation over a certain period.

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**Greek ex-minister's home now a monument to corruption**

Athens has gained a new tourist attraction alongside its ancient Acropolis, as visitors flock to view the nearby upmarket home of a disgraced former minister that has become a symbol of corruption.

"After the Acropolis museum, this has unfortunately become the second main attraction here - the home of a corrupt minister," said one young Greek outside the mansion where Akis Tsochatzopoulos, 72, a former defence minister of the socialist party Pasok lived before landing in jail. (Pasok, the main centre-left party, founded on 3 September 1974 by Andreas Papandreou and was one of the two major political parties in Greece until the general election of 6 May 2012, when it became the third)

In a hard-up country now in its fifth year of recession, Tsochatzopoulos has become a target of indignation over what ordinary Greeks see as widespread corruption in political life. Tsochatzopoulos was arrested at his house in April, weeks before an inconclusive general election last month that added to the political turmoil, and is in custody pending trial for money-laundering.

The allegations against him include failing to declare his grand residence to the tax authorities, as well as links to controversial arms deals while he was defence minister from 1996 to 2001. He is accused of having abused his position as defence minister to pocket kickbacks on contracts to buy a Russian-made anti-missile system and German submarines. The Greek state ended up paying surcharges of millions of euros (dollars).

Prosecutors say the illegal proceeds were used for several choice real estate purchases in Athens by Tsochatzopoulos and members of his family. His second wife, Vicky Stamati, who is also behind bars as well as his daughter Areti, went on hunger strike last month demanding to be released.

Tsochatzopoulos, a founding member of Pasok and a close aide to late socialist prime minister Andreas Papandreou, denies any wrongdoing. His lawyers also argue that he cannot be tried for alleged abuse of power that occurred over a decade earlier. The Greek press has made much of allega-



People pass by the house where Akis Tsochatzopoulos, 72, a former defence minister of Greece lived before landing in jail in Athens.

tions that he spent big sums on decorating his home and on lavish trips abroad, including his marriage in France. – AFP