

Trade Policy

Objectives:

- To enhance the contributions of trade sector to national economy by promoting internal and international trade with the increased participation of private sector through the creation of an open and liberal atmosphere.
- To diversify trade by identifying, developing and producing new exportable products through the promotion of backward linkages for making export trade competitive and sustainable.
- To expand trade on a sustained basis through gradual reduction in trade imbalances.
- To co-ordinate trade with other sectors by expanding employment-oriented trade.

Export Policy:

1. The production and quality of exportable products will be raised to make them competitive in the international market.
2. Necessary efforts will be made to increase and diversify exports of goods and services with the objective of increasing foreign exchange earnings.
3. Exports will be promoted by raising the production and quality of traditional as well as new products. Similarly, more emphasis will be placed on the export of profitable but processed and finished products. For the export promotion of these products, new market will be identified.
4. Foreign exchange earnings will be increased and opportunities for gainful employment will be created by identifying and increasing the production of new products.
5. Service-oriented activities will be promoted to increase foreign exchange earnings.
6. Encouragement will be given to the export of hydro-electricity on a profitable basis.
7. For the effective utilization of manpower, stress will be given to the development of appropriate and potential skills to promote service sector as well as export of skilled manpower in an organized way.
8. Appropriate monetary, foreign exchange and fiscal policies will be formulated and necessary changes will be made in the administrative procedures to make them liberal, simple and dynamic in order to implement above policies on an efficient, smooth and transparent basis.

Export Strategy:

1. License will not be required for the export of products other than banned or quantitatively restricted items as listed in Annexure No. 1. In the case of quantitatively restricted products arrangement for issuance of export license will be made in consultation with the private sector. Quantitative restrictions in the export of such products will gradually be removed through appropriate taxation measures.
2. For export promotion, improvements will be made in the existing transit transport network and its infrastructure. Administrative procedures will also be made transparent, smooth and efficient.

3. For the promotion of exports, container service will be introduced and the existing bonded warehousing system will be further expanded and improved.
4. The duty drawback scheme for the refund of import duty paid on the importation of raw materials and intermediate goods required for the production of exportable products will be effectively implemented. In this context, duty on import of raw materials will be fully exempted taking into consideration the needs, or the bonded warehousing system will be introduced for the storage of such materials.
5. Exports will be free from all charges except the service charge. However, the specific provisions will be applicable in respect of the export of essential products.
6. For the promotion of exports, Export Promotion Zone (EPZ) will be established. No duty will be levied on the raw materials and auxiliary imports used by industries established in such EPZ. Industries exporting more than 90 percent of their production will be granted similar facilities as given to the industries established in EPZ.
7. As a preparatory step towards full convertibility of the Nepalese currency in trade and services, exporters will have to sell in the stipulated percentage the amount of foreign exchange earned through exports of goods and services to commercial banks at a rate fixed by the market mechanism and the remaining balance to Nepal Rastra Bank at an exchange rate fixed by the Government. No license will be required and no quantitative restriction will be imposed on the imports of raw materials (except stipulated) required 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. Exporters will be allowed to open a foreign exchange account in the banks for the purpose of spending certain percentage of one's foreign exchange earnings in trade promotion activities.
8. Export Valuation System will gradually be abolished after the full convertibility of the Nepalese currency.
9. Quality will be tested from time to time in order to improve the standard of exportable products and necessary information will be made available for this purpose.
10. Simple and convenient procedures relating to pre-and post-shipment credits will be adopted on a priority basis.
11. Income tax on income from exports will be fully exempted, and income earned from exports to India on the basis of letter of credit or agreed banking document will also be free from income tax.
12. Emphasis will be given in the development of packaging technology to maintain the quality standard of export products.
13. Nepalese missions abroad will be geared up towards export promotion activities, and trade missions will be opened and institutionalized on the basis of feasibility.
14. No quantitative restrictions will be imposed on the exportable products carried by tourists while returning from Nepal.
15. Export procedures and documentation, thus formulated, will be short and simple.
16. An annual indicative export plan and program on the basis of feasibility will be formulated with the co-operation of private sector to promote exports.

17. Necessary 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 participation in national and international trade fairs for market promotion.

18. Regular monitoring will be made to avoid distortions in exports and imports. Strong actions will be taken in case of misuse of facilities.

19. Export promotion, research and development and training schemes will be developed on institutional basis for developing new exportable products and for raising the quality and production of the traditional exportable products.

Deemed Export:

If any producer earns foreign exchange by selling one's own products to projects run under bilateral or multilateral aid or if such finished or semi-finished products are sold to EPZ, such sales will be granted facilities at par with exports. Customs duty, sales tax and excise duty levied on such sales will be refunded and the income generated from such sales will be exempted from income tax. In addition, foreign exchange earned from such sales can be sold at the rate fixed by the market mechanism after submitting the stipulated percentage amount to Nepal Rastra Bank at the rate fixed by the Government.

Import Policy:

Imports will be planned as a medium of export development and promotion to create competitive industrial and trade environment, and also to ease the supply of materials required for the country through the optimum utilization of available resources. In this context, quantitative restrictions will be replaced gradually by such a fiscal measure as to encourage competition in production. Similarly, imports will gradually be tied up with exports.

Import Strategy:

1. Imports will gradually be tied up with exports with a view to creating a well organized and sustained foreign trade sector by narrowing the gap between exports and imports.
2. The existing import licensing and control system will be simplified. Quantitative restrictions on imports will gradually be replaced through the tariff media.
3. Imports of all products other than banned or quantitatively restricted items as listed in Annexure no. 2 will be made free.
4. An annual indicative plan will be formulated to manage imports through auction to allocate required foreign exchange for it and to monitor its utilization.
5. Import procedures and documentation will be made short and simple.
6. Special efforts will be made to reduce transit costs and also to minimize pilferage and demurrage.

7. Import of all goods except some limited items will be allowed through purchase of foreign exchange at the rate fixed by the market mechanism in order to make Nepalese currency fully convertible and to gradually tie up exports and imports.

8. Necessary vigilance will be made to prevent deflections in foreign trade.

Annexure-1

A. Products Banned for Exports:

1. Articles of Archaeological and Religious Importance

- 1.1 National and foreign coins of archaeological value
- 1.2 Idols of gods and goddesses, palm leaf inscription (Tad Patra), plant leaf inscription (Bhojpatra)
- 1.3 Scroll (Thangka paintings) of historical importance
- 1.4 Cows and Oxen

2. Conserved Wildlife and Related Articles

- 2.1 Wild animals
- 2.2 Bile and any part of wild animals
- 2.3 Musk
- 2.4 Snake skin, lizard skin

3. Drugs

Marijuana, opium, hashish (as defined in the Single Convention on Narcotics, 1961)

4. Metals and Jewelleries

Valuable metals and Jewelleries (except permitted under bag and baggage regulations and products manufactured by Nepalese Industry except of diamond)

5. Articles of Industrial Importance

- 5.1 Explosive materials and the related fuse or materials needed for fuse
- 5.2 Materials used in the production of arms and ammunition

6. Industrial Raw Materials

- 6.1 Raw hides and skin (including dry salted)
- 6.2 Raw Wool
- 6.3 All imported raw materials, parts and capital goods

7. Other Products

7.1 Mamira

7.2 Log and timber

Products as notified by Nepal Government in the Nepal Gazette from time to time.

Notes:

1. The Ministry of Commerce will decide from time to time the goods to be included under the category of quantitative restrictions and volume of their exports.
2. The Ministry of Commerce will interpret as to which of the products listed above will be permitted to export

Annexure-2

Products Banned for Imports

1. Products Injurious to health

- Narcotic drugs like opium and morphine
- Liquor containing more than 60% alcohol

2. Arms and ammunition, explosives (except under import license of Nepal Government)

- Materials used in the production of arms and ammunition
- Guns and cartridges
- Capes without paper
- Arms and ammunition, and other explosives

3. Communication equipment

Wireless, walkie-talkie and similar other audio communication equipment (except under import license of Nepal Government)

4. Metals and jewelleries

Valuable metals and jewelleries (except permitted under bag and baggage regulations)

5. Beef and beef products

Any other products notified by Nepal Government in the Nepal Gazette.