THE MINERAL INDUSTRY OF

NEPAL

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Nepal is an impoverished, landlocked country. After 2 years of sluggish economic growth caused by political instability and poor weather, Nepal's economy looked brighter. The gross domestic product (GDP) was predicted to grow at a rate of 6% in 1999 (Far Eastern Economic Review, 1999). The local currency was stable, and inflation was declining at 6.5% per year. The country was beginning to benefit from increased agricultural output that grew by 5% in value compared with 1998. Agriculture accounted for 42% of the GDP. Grain and raw materials were still among the main import items. Industrial output grew by 8%. Growing sales of carpets and garments accounted for 90% of Nepal's exports to countries other than India. The textile industry was recovering from a 2-year slump.

Announced in July, the Government's 2000 budget, which contained a mix of fiscal reforms and populist programs, indicated a dilution of promarket economic policies. The Government, however, was running a severe budget deficit. The country was beset by a wide range of social problems, including poverty, unemployment, and environmental damage. In addition, basic needs, such as water, housing, food and clothing, education, and health, were desperately lacking. Foreign investment was at a standstill. To liberalize the economic and trade policies, the Government proposed to reform value-added taxes.

Ground geophysical surveys were conducted mostly for the exploration of sulfides and radioactive minerals. Some new potential mineral areas were earmarked for geochemical surveys and exploration drilling to evaluate mineral resources. In the past few years, an extensive mineral exploration program in the accessible areas of Lesser Himalaya had been launched. This program resulted in the production of agrilime, cement, and magnesite and the mining of the Ganesh-Himal lead-zinc deposit. The Chaukune limestone deposit, which had a reserve of 31.5 million metric tons, was found in far western Nepal (United Nations, 1999, p. 141). The Department of Mines and Geology was undertaking explorations for gold, lead-zinc, phosphate rock, precious and semiprecious stones, and uranium in different areas of Sub-Himalaya and Lesser Himalaya.

The Nepal Mines Act (1966) and the Mineral Concession Rule (1961) constitute the only legal framework for the administration of mineral resources in the country. The Department of Mines and Geology is authorized to enforce mineral conservation laws and regulations and to promote and regulate mineral-based industries. The first amendment (1964) to the Mines and Mineral Act (2050 BS) specifies royalties and environmental protection, rehabilitation, and conservation of mineral deposits. A new mines and mineral regulation pursuant to the Mines and Mineral Act offers simplified licensing procedures for exploration and mining operations. Development of mineral deposits has not appreciably advanced owing to the rugged topography, inadequate infrastructure, lack of skilled workers, and insufficient industrial development.

The steel industry in Nepal suffered from overcapacity, weak domestic demand, and too many imports in the marketplace. As a result, more than three-fourths of the industry was idle with only 12 out of the 52 rolling mills remaining operational. The country's total rolling capacity was 660,000 metric tons per year (t/yr) (Metal Bulletin, 1999). These operating mills accounted for a total capacity of 314,000 t/yr and employed about 2,000 workers. In 1999, steel consumption was expected to reach 200,000 metric tons (t), while production remained at 130,000 t. Some more mills had been closed over the last few years. Himal Iron & Steel, Ashok Steel, and Panchakanya Steel, however, expanded their production capacities in 1999. They imported 130- to 150-millimeter billets from Commonwealth of Independent States countries, India, and Russia. Nepal's steel- consuming sectors were agriculture, communication, construction and metal goods industries, hydropower, and transportation. These big projects allowed imports of steel at a duty rate of only 1%, which made it difficult for the local producers to compete.

References Cited

Far Eastern Economic Review, 1999, Economic monitor—Nepal: Far Eastern Economic Review, v. 162, no. 45, November 11, p. 59.

Metal Bulletin, 1999, Nepal not immune from steel crisis: Metal Bulletin, no. 8372, May 3, p. 11.

United Nations, 1999, Mineral resources assessment, development, and management series: Economic and Social Commission for Asia and the Pacific, v. 5, p. 139-143.

Major Source of Information

Ministry of Industry
Department of Mines and Geology
Lainchaur, Kathmandu
Nepal

TABLE 1
NEPAL: PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1995 e/	1996	1997	1998	1999 e/
Cement		326,839 3/	309,466	225,000 r/ e/	280,000 r/ e/	290,000
Clay, red		9,000	1,000	5,129	4,664 r/	4,500
Coal:						
Bituminous		1,200	5,979	8,163	15,770 r/	17,000
Lignite		4,000	200	785	350 r/	300
Total		5,200	6,179	8,948	16,120 r/	17,300
Copper ore: e/						
Gross weight		20	--	--	--	--
Cu content		2	--	--	--	--
Gemstones:						
Quartz	kilograms	5,000	1,500	3,000	2,000 r/	2,500
Tourmaline	do.	--	(4/)	5 r/	21 r/	20
Total	do.	5,000	1,500	3,005 r/	2,021 r/	2,520
Lime, agricultural		25,000	13,000	26,000 e/	25,000 e/	24,000
Magnesia, dead-burned e/		15,000	25,000	25,000	26,000	26,000
Salt	thousand tons	7 3/	7	7	6 r/	6
Steel, rolled e/		80,000	100,000	110,000	130,000	130,000
Stone						
Limestone		370,000	488,800	368,666	484,154 r/	500,000
Marble:						
Chips		500	548	636	613 r/	600
Slab, cut	square meters	25,000	688,841	769,400	656,230 r/	650,000
Craggy	do.	3,000	2,690	5,400	2,680 r/	2,800
Quartzite e/		2,600	2,600	2,600	2,700	2,700
Talc		1,500	5,323	6,809	5,553 r/	5,400

e/ Estimated. r/ Revised. -- Zero.

1/ Table includes data available through April 18, 2000.

2/ In addition to the commodities listed, construction materials, such as sand and gravel and other varieties of stone, presumably are produced, but available information is inadequate to make reliable estimates of output levels.

3/ Reported figure.

4/ Less than 1/2 unit.