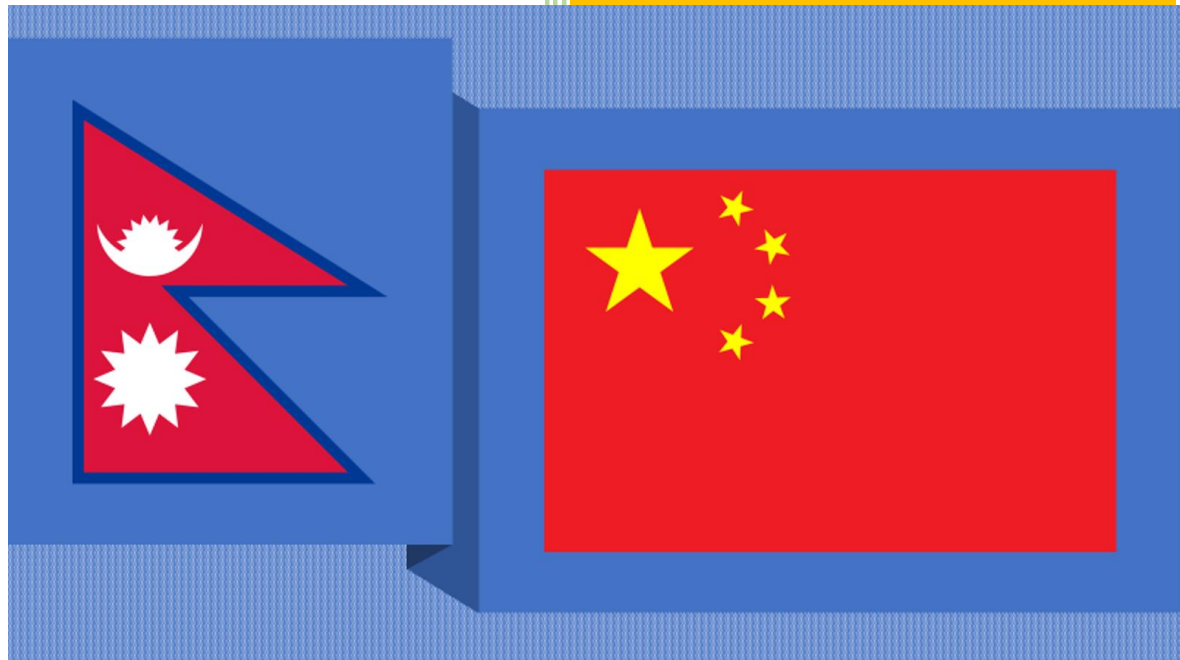


Dr. Bama Dev Sigdel

Dimensions on Nepal-China Economic Relations: Present Status and Future Prospects



APAC Report • February 2021

**Turkish Center for Asia Pacific
Studies in Ankara**

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APAC Report • February 2021

Turkish Center for Asia Pacific Studies (APAC)

Ankara

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Executive Summary

Nepal and China are bound by historical, socio-cultural, and economic relations since time immemorial. Despite the lofty Himalayas separating the boundary of two countries, increased connectivity over the years has contributed to enhance and strengthen Nepal-China relations. With the establishment of diplomatic ties between the two countries in 1955, there has been significant growth of Chinese aid and investment in Nepal and growth of formal trade and tourism exchanges. Chinese aid to Nepal has significantly contributed to the development of physical as well as social infrastructure, establishment of industries, and the promotion of human resource development.

With regard to Chinese aid, Nepal received US\$ 278 million during the period 2010/11 and 2016/17. Although the quantum of aid released by China to the third world countries including South Asia is relatively lower as compared to huge amount of foreign aid offered by Western developed nations, China has been more successful in aid diplomacy, projecting itself as generous development partner in both the Least Developed as well as Developing Countries.

The growing trend of bilateral trade between Nepal and China is characterized by increasing deficit on Nepalese side. This has been due to small amount of export of Nepal compared to huge amount import from China. This needs to be resolved in the years to come for sustainable growth and investment relations between the two countries.

Regarding foreign investment in Nepal, China is in the second position after India. The Chinese investment in Nepal has spread to various important sectors such as: agriculture and forestry, energy, information technology, manufacturing, minerals, tourism, etc. There is still a large scope for Chinese investment in hydropower projects, tourism, information technology and education, health, etc. in Nepal which would be beneficial to both the countries.

In the last few decades, the world is getting narrower due to increased connectivity led by fast growth of Information Technology (IT) and transport infrastructure. Any major change in economic as well as development policies by the advanced countries will have far reaching implications on the less developed and developing countries. In this context, the Belt and Road Initiative (BRI) has built upon the ancient Silk Road forwarded by China can be expected to have significant impact on infrastructure networks and trade, as well as investment all over Central Asia, South Asia, the Middle East, and Europe. This will open vast opportunities to the developing and other countries to benefit from the BRI in trade, investment, and tourism. This will present both opportunities and challenges to the developing countries, like that of Nepal to enhance the pace of development through expanded trade, investment, and tourism.

In this context, an analysis of the dimensions of economic relation of China with Nepal, India, and South Asia in general would serve as a base for moving forward to explore the possible benefits from the BRI. The report specifically discusses China's aid diplomacy, trade and investment, as well as tourism ties with Nepal.

Key words: Nepal, China, Tibet, India, BRI, trade, aid, tourism, and Silk Road.

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1. Introduction: Historical Background

Nepal-China relationship has been given continuity since the time immemorial. The Tibetan history reveals the fact that Buddhism had been propagated to Tibet/ China from Nepal for the first time around the mid 4th century. Tibet was then also ruled as one of the branches of Lichchavi's, and it was not surprising that the Lichchavi of Nepal (Kings / Rulers) had closer alliance with Tibet/China (Sigdel, 2003). The 7th century constituted a watershed in Nepal-Tibet relationship. Two major factors contributing to this change included at first, the growth of mercantilism in South and East Asia in that period and secondly the emergence of the powerful kingdom of Tibet with then its capital Lhasa under Song-Tsen Gyampo and the rise of a consolidated prosperous Nepal under Amsuvarma. This gave a necessary impetus for the opening of Trans-Himalayan route to promote inter-regional trade between South and East Asia (Upreti, 1998).

It has been found that Nepal became the mainland for the religious and cultural exchanges between the East Asia (China, Tibet, and Japan) and South Asia during Lichchavi era which continued up to Malla era. Two Buddhist monks, Brogmi and Staglo Gzon had visited Nepal in order to study "Sanskrit Language" under the supervision of Shanti Bhadra between 978 and 1026 A.D (Mishra, 1991). The renowned 13th century emperor of China, Kubli Khan, wanted to build a golden stupa in Lhasa for his teacher, Pangs-Pa, the abbot of Shakya Monastery. In response to the request from the Tibet side, a group of Nepali artists under the leadership of famous Nepali artist 'Arniko (1245-1306 AD)' were sent to Lhasa. The White Pagoda or Pai-Ta-Sze in Beijing stands as a monument of Arniko and has been a reminder of cultural exchange between Nepal and China over many centuries (Shah, 1992).

The establishment of a strong empire of Tibet particularly after 7th century coincided with the opening of the new Trans-Himalayan trade routes. Of these, the most important routes were Kuti and Kerong under the border between Nepal and Tibet. In course of time, these routes served as a crucial links between the prosperous cities of Indo-Gangetic plane and various Chinese urban centers and captioned the Trans-Himalayan commercial traffic (FNCCI, 1999). The Ming Dynasty (1368-1644), though it failed to make any meaningful influence in Tibet, it was successful in establishing a diplomatic relation with the Ram family of the Patan (Kathmandu Valley). The result of which was seen in the 15th Century, 5 Chinese and 7 Nepalese missions were exchanged between the two royal ports. In the 17th century, the Malla Kings and their families of Kathmandu Valley and the Shah Kings of Gorkha emerged as the active participant in the Trans-Himalayan trade. The record shows that some 3000 communities of Newar merchants of Kathmandu operated "Kothis" (Trade Marts) in Lhasa, and a Nepali with a title of "Vakil" was deputed to work as a resident counselor (Munshi et al., 1996). It is learnt that some Nepali traders had matrimonial relation with the Tibetan families of Lhasa, further strengthening the trade and cultural relationship.

In Rana period, Nepal's foreign policies were influenced and guided by East India Company. By that time there was a war between Nepal and Tibet. In order to influence Tibet, there were export of more goods via Trans-Himalayan trade routes, vigorous spread of religion and circulation of Nepal minted coins and currencies were carried out in Tibet. Nepal's emergence as an expansionist power in the latter half of 18th century became a matter of concern to British India and Chinese empire. China eventually interrupted in Nepal-Tibet war (1788-1792) in support of Tibet. Soon after the war, a new relationship was established between Nepal and China via sending of Nepalese missions to China every 5 years. This new trend, in Sino-Nepalese Relation, continued until 1906 (Manandhar, 1999). The Indo-Tibetan treaty of 1905, after the visit of Young Husband, provided avenue for the opening of trade marts at Gyantse and Yatung in Tibet and at Gangtok in Sikkim. As a result, the direct route to Gyantse and Chumbi valley between Tibet and British India were opened. Nepal's centuries old monopoly on Trans-Himalayan Trade came to an end which permanently reduced the importance of Kathmandu as a commercial "Enterpot". Indeed, these new routes provided shorter and more convenient trade routes to the British traders. However, Nepali traders were forbidden to use the very routes (Shrestha, 1962).

The period between 1900 and 1930 faced many challenges, hopes and frustrations in the diplomatic relationship between Tibet, China and Nepal. The turn of this century took Nepal by surprise. For Tibet, it had been converted into the cockpit of international tensions, where the two superpowers, Russia and Britain, competed for the commercial foothold. Nepal soon began to feel the pinches of British-Russian rivalry in Tibet. The result of this changed context was that Nepal's political influence in Tibet was eroded and commercial privileges were crumbled down. New dimension on Nepal- China relation witnessed soon after Tibet's adjoining with mainland China under the leadership of Chairman Mao Zedong. China succeeded in negotiating a treaty for exchange of ambassadors in 1955 (Karan, 1960). Indeed, the First Afro-Asian conference of 1955 held in Bandung, Indonesia gave China and Nepal a good opportunity to establish contact with each other. In the same year, the diplomatic relation between Nepal and China was established based on principles of peaceful coexistence developed by the Chinese Premier Zhou Enlai and Indian Prime Minister Jawaharlal Nehru. After their territorial conflict in 1961, Nepal and China share 1414 kilometers border. Both countries supported each other in several international matters with the passage of changing political environment.

2. China, India and South-Asia

The world's two most populated countries; China and India accounting for approximately 40% of the 6.5 billion plus population on earth are not only merely the two fastest growing major economies in the world at present, but are also among the few countries that have continued to expand at a time when the economies of most countries contracted (Schmidt & J.D., 2014). China's GDP per annum grew at 6.8 percent in 2017 while this figure for India remained at 6.7 percent (NRB, 2017). Both countries are defined by the contrasting models of development, regime form and competition not only for the capital, resources, and markets but for the legitimacy in the global arena. As India and China rise in tandem; their relationship will shape world politics. The two Asian Giants, which till 1800 used to make up half of the world's economy, are not mere nation's states but, in terms of size and population, each is a continent. India and China- two oldest civilizations, for the first time in more than half a millennium are simultaneously marching upward on their relative power trajectories. Both see Asia's rise on the world stage on bringing about the end of western dominance (Adhikari, 2015).

Despite the long-standing border disputes, India and China have emerged as major economic powers and competitors in the region. Since 1980, economic reform in China and 1990s after liberalization of the Indian economy, governments of both sides have pushed to invest in trans-border trade opportunities (Chen & Xiangming, 2014). In an attempt to develop the underdeveloped regions near the border between Southwest China and Northwest India and to increase trade linkages; China has been promoting the Kunming Initiatives (now the BCIM form advancing the corridor project) to strengthen regional economic cooperation and cultural exchanges between the contiguous regions of Eastern and Northeastern India, China's Southwest, Myanmar and Bangladesh. China has emphasized the advantages of trans- border trade, tourism and transport linkages, investing in building, access routes by land and sea to South Asia and Bay of Bengal. Amidst the increasing globalization of South Asian economies and politics; there is no question of India pursuing the outdated idea of an exclusive spree of influence. India's strong support to the entry of China and Japan into SAARC as an observer, underlines her commitment to open regionalism in the subcontinent (Guruswami M, 2009).

China's growing geo-economic links– energy, trade, investment with East Africa, West Asia, and the Persian/Arabian Gulf- and its exposed energy supply lines implies that it may perhaps have legitimate interest in the Indian Ocean region as does India. Over the time, while China grew to become the second largest economy in the world, India likewise grew to become third largest in Asia (Huges, 2018) .

China has realized the importance of developing a more cooperative relationship with India to achieve the long-term objective of Asian stability and resurgence. Both countries have found avenues of cooperation in multilateral forces and these opportunities are likely to expand as they work together in various channels such as the Shanghai Cooperation Organization (SCO), the Brazil-Russia-India-China-South Africa (BRICS) bloc, the Asian Infrastructure Investment Bank

(AIIB) and the New Development Bank (NDB) (Sood, 2016). China has emphasized on the Belt Road Initiative (BRI) to develop a combination of railroad and maritime connectivity across the Eurasian landmass. South Asian countries are a part of the BRI; as China is also seeking investment opportunities in the very region. In Sri Lanka, China has emerged as the largest investor. In Bangladesh and Myanmar, China is undertaking port development and railroad projects, and in Nepal, airport and rail connectivity projects were among the agreements signed during the Prime Minister Khadga Prasad Sharma Oli's visit to China back in 2016. Nepal's location as the landlocked country between India and China has turn from economic constrains to strategic opportunity for Nepal as India and China wish to deepen their economic and strategic engagements; while both the large Asian powers have historical linkages with Nepal, in contemporary times, these relations have taken a strategic outlook. India and China have competed aggressively yet silently; for the development of Lumbini, Gautam Buddha's birthplace (Godbole & Avinash, 2015).

China's foreign policy towards South Asia is to implement the policy of developing friendship with China's South Asian neighbors by living in harmony and friendship, and to promote mutual understanding, trust and cooperation between China and countries concerned (Basin & S., 2005). China has more than 3000 kilometers of land border with some Asian countries such as India, Pakistan, Nepal, and Bhutan and enjoys friendly relation and cooperation in economic, trade and other fields with South Asian countries. It is worthwhile to mention that China and South Asia have historical interactions and their ancient relation may track back to the spread of Buddhism. With the passage of time, Islam also reached China and western parts of China has traditional links with Muslim states of South, Central and West Asia (Bhatty et al., 1994).

China's economic role in South Asia will be beneficial for the progress and the consistency of South Asian regions. China's massive economic growth will give much space to South Asian goods in Chinese market. Currently, China is making a fast development in terms of economy, which is favoring its neighbors as well as the development also relies on them. Due to two reasons, South Asia is important for China. At first, China wants peace within states along the border. Secondly, China's interaction with neighboring states is necessary in order to enhance trade (Bukhari et al., 2013).

3. Dimensions on Nepal-China Economic Relation

3.1 China's Aid Diplomacy

Chinese aid program goes back to nearly five and half decades. The People's Republic of China (PRC) did not wait till it reached the stage of development that commensurate with restoring an assistance program related to aid to the poorer countries. As early as 1953, it had rendered aid to some communist countries such as North Vietnam and Mongolia (Deleyne & Jan, 1973). It however joined the race for influence in the Third World through aid only after the Bandung conference in 1955. Since 1956, aid has continuously been one of the means of Beijing's external contacts particularly with the non-communist countries of the world (Sigdel, 2011).

Over the years, geographical distribution of Chinese aid appears to be in tune with China's goal of widening its contact and demonstrating its alignment with the Third World countries. In totality by 1980, China extended aid for nearly 60 countries covering all the corners of the Third World belts (Baidya, 1984). The distinguishing feature of Chinese economic policy and the aid it provided successfully created an influence over the Third World countries. It may be pointed out that the quantum of aid released by China to the Third World country is huge and by no means comparable to the assistance provide by the Western developed nations. China seems to be more successful in its aid diplomacy projecting itself as generous in both the least developed countries as well as developing countries of the world (Sigdel, 2003). Usually, China provides three types of international economic cooperation: grants, interest free loans and concessional loans. The first two originate from China's state finances; while concessional loans are provided by the Export Import Banks of China. These aids are provided in various forms: projects, goods, materials, technical cooperation, human resources, volunteer services and emergency humanitarian aids (Government of Nepal, 2018).

3.2 Aid Relation

Nepal established diplomatic relation with China in 1956, when the two countries signed a treaty of friendship. Since then, China has been an important factor in Nepal's polity and diplomacy and has been contributing to her economic development efforts. In 1956, the first Nepali Prime Minister, Tanka Prasad Acharya, after meeting with Chairman Mao and Premier Zhou, signed a joint statement reaffirming the traditional friendship and close ties between Nepal and China and they expressed willingness to strengthen the cultural ties (Ashad & Anawar, 1979). In the same period, the Chinese aid to Nepal was first promised under the agreement signed on October 7, 1956. The amount of rupees 60 million (Indian currency), one third of which was a cash grant promised under the agreement was not allocated for any specific projects; Nepalese government was free to spend it (Basin, 1970). China adopted a dual policy towards Nepal with distinct purposes. At first, China wanted to be assertive and sought Nepal's promise that it would "forever" maintain its friendly relationship with China and would not undertake anything determinable to

China's interest. Secondly, China wanted to make a good impression about its policies towards Nepal by giving new promises of support and offering more economic aids (Ray, 1983). China had also followed the practice of insisting that Chinese technicians live at the level of their counterparts in the host countries. On 21st March 1960 B.P Koirala's government signed an aid agreement with China under which Beijing agreed to provide Kathmandu grant of US\$ 21.2 million for 3 years period.

In 1961 and 1969, China provided Nepal rupees 220 million and 350 million respectively to construct Araniko Highway and Kathmandu-Bhaktapur road connecting to Kodari road. In November 1972, a fresh agreement on economic and technical cooperation was signed between China and Nepal, which included agreement to provide rupees 300 million and soft loan for the construction of Narayanghat-Gorkha road, installation of trolley bus services between Kathmandu and Bhaktapur, a textile mill opening and the expansion of brick and tile factories. In the same year, China signed in an agreement to construct 407 km Pokhara-Surkhet Highway Costing Rs. 800 million (FNCCI, 1999). In 1973, China agreed on other provision of agreements which included establishment of Hetauda Cotton Mill and some roads and few other projects. On July 8, 1976, China agreed to provide a grant assistance worth US\$ 4 million for the construction of a dam across Seti River in Pokhara (Sigdel, 2003).

King Birendra Bir Bikram Shah's visit to Sichuan province and the Tibet autonomous region of China in June 1976 further boosted the bilateral relationship between Nepal and China. China likewise committed to setup a textile mill in Hetauda during King's visit to China in 1976. Similarly, the official visit of Nepal by Chinese Paramount Leader Deng Xiaoping in 1978 added a new chapter in the bilateral relation between Nepal and China. In a civil reception, Deng had remarked, "We are happy to know that the relation amongst the South Asian countries have gradually improved and as a close neighbor of South Asia, we earnestly hope that these countries will live in amity on the basis of five principles of peaceful co-existence" (The Rising Nepal, 1978).

Chinese Premier Zhao Ziyang and President Li Xiannian's visit to Kathmandu in 1981 and 1984 respectively contributed more for the promotion of economic cooperation between Nepal and China. China had committed to construct Pokhara-Baglung-Mustang road and construction of an international convention hall in Kathmandu soon after the visits of Chinese leaders. From the mid-1980s, the Chinese government has been pledging grant assistance to the government of Nepal under the economic and technical cooperation program in order to implement mutually acceptable development projects. The grant assistance has been increased from 150 to 200 million RMB (Gautam, 2017). Since 1956, China provided Nepal with economic aid totaling over US\$ 2 billion involving 27 major projects (Singh, 2003). Prime Minister G.P. Koirala's visit to China in 1992 and Chinese President Jiang Zemin's visit to Nepal in late 1996 further boosted the bilateral relationship. Likewise, Chinese Foreign Minister Wang Yi visited Nepal in December 2014. On the occasion, Nepal and China agreed to enhance cooperation in nine vital areas: Trade, Investment, Agriculture, Infrastructure, Science and Technology, Connectivity, Cultural

Exchanges, Tourism, and Security Law Enforcement. Wang announced a grant assistance of 800 million RMB to Nepal by that time (Prasad, 2015). From fiscal year 2010/2011 to fiscal year of 2016/2017, a total of US \$ 278 million of aid was distributed to Nepal by China. Beijing has also provided 3 billion RMB (approx. US\$ 456 million) for Nepal's reconstruction to be used in 25 jointly selected major projects during the year 2016 to 2018. Likewise, on December 23, 2016, Nepal and China signed an agreement on economic and technical cooperation in Beijing to provide grant assistance of 1 million RMB (approx. US\$ 152 million) to the government of Nepal for the implementation of Syaphrubesi- Rasuwa highway repair, upgrading civil service hospital, and mutually agreed post disaster reconstruction projects.

China has supported the construction of about a dozen major roads in Nepal including Arniko Highway, Kathmandu-Bhaktapur Road, Ringroad, Narayanghat-Mugling, and Narayanghat-Gorkha Road, Pokhara-Baglung, and Syaphrubesi-Rasuwa Road, as well as others. Support for the establishment of industries includes Bansbari Leather and Shoes Factory, Heatauda Textile Mill, Harisiddhi Brick Factory, Bhaktapur Brick Factory, Lumbini Sugar Mills, Bhrikuti Paper Mills, etc. In water resources sector, China has supported the Sunkoshi Hydroelectricity Plant, Sunkoshi-Kathmandu Electricity Line Transmission Project and Cooperation in the health sector has included the establishment of B.P. Koirala Memorial Cancer Hospital, The Civil Service Hospital in Kathmandu etc. Also, the major ongoing projects financed by China are; Upper Trishuli 3'A' Hydro Project, Pokhara Regional International Airport Project, Agricultural Technical Cooperation Project (Phase-1), Ringroad Extension Project, Restoration Project at Durbar Square Kathmandu, etc. The nature of the projects that China undertook in Nepal also made China more popular in Nepal than in India. India had undertaken long-term projects with the intension of developing the economic infrastructure of the country, except few projects, whereas China had emphasized on short term low capital-intensive projects that would have an immediate impact on local economy making Chinese efforts more visible. Nepal's Prime Minister K.P. Sharma Oli's visit to China in June 2017, had reached on consensus to extend Chinese electric cargo railway network to Kathmandu. By that time Nepali Prime Minister and his Chinese counterpart Li Keqiang sought to enhance bilateral cooperation between Nepal and China in Connectivity, Trade, Tourism, Investment, through the implementation of various agreements on cooperation under the BRI (Koirala, 2018).

3. 3 Trade Relation

3.3.1 Historical Perspective

History reveals that the opening of Nepal's trade with Tibet started in the 7th Century. Malla premier of Kathmandu Amsuvarma's policy of promoting Nepal's foreign trade with China/Tibet must have helped on the growth of Nepal-Tibet trade relation (Joshi, 1993). The relation between Nepal and Tibet was more based on commercial interest. There were many frontiers of Nepal and Tibet through which trade were regulated between both states. The traders of Nepal and Tibet

began using two easier passes; i.e.; Kerong and Kuti for commercial traffic. This turned Nepal into a commercial “enterpot”. Kathmandu, thus, gradually played a crucial role in the Trans-Himalayan trading system. Whenever political climate of Tibet and Nepal permitted, the Kathmandu route became the most preferred highway for trade (Rose & Fisher, 1970).

It has been learnt that the principal items of exports from Nepal to Tibet in those days were composed of grains, irons, and copper coins. In return, Nepal used to import coarse and woolen goods, raw wool, salt, chauri cattle, quick silver, herbs, bullions etc. from Tibet. There was no organized marketing system between Nepalese and Tibetan traders. Mainly porters and animals (Yaks, sheep and Tibetan horses) transport did the free and un-restricted exchange of goods. The payments were made to Nepal mainly in Tibetan bullion and trade was also conducted on barter system at the border trade posts. All the Trans-Himalayan trade and manufacturing were said to have been in the hands of Newari family. A few Kashmiri families have been settled in Kathmandu for generations and they and some Iraqis were the principal traders for European articles (Pandit & Singh, 1960).

Kathmandu’s monopoly of the highly lucrative Trans-Himalayan trade received a crippling flow in the late 18th Century when railway network was constructed from Calcutta to Darjeeling, the hill station (Adrian, 1993). This situation further deteriorated because of Young Husband’s expedition to Tibet in 1904. The aim of this undertaking was to pacify the Tibetans for more trade between the sub-continent and Tibet via Darjeeling. This caused many of the Nepalese businesspersons to lose their profitable position as intermediaries in India-Nepal-Tibet trade. The tightening of Tibetan border following the Chinese takeover of 1950 virtually ended the traditional commercial bond between Nepal and Tibet. Prior to China’s occupation, Nepal’s trade with Tibet was historically barter based and less subjected to trade and exchange control, although the volume was modest. Nepal’s trade with Tibet was reduced substantially and in 1960, it was estimated to be as little as one percent of the Nepal’s total trade (Shrestha, 1970)

The situation, however, could not prevail for long. The desire of both countries to maintain traditional and trade bond was reflected in Nepal-China Trade Agreement of September 20, 1956, which spells, “The inhabitants of the border district of two countries who cross the border to carryout petty trade, to visit friends or relatives or for seasonal changes of residence may do so as they have done customarily and need not to hold passports, visa or other documents of certification” (Sigdel, 2004). Thus, 30 km provision of border trade in between Nepal-China boundary area of the north paved the way for the expansion of trading and cultural relationship even after China occupied Tibet. The construction of 104 km Chinese aided Kodari Highway played a significant role for the increment of trade volume promisingly between Nepal and Tibet/China after 1960s. The trading agreement of 1974 and 1981 between Nepal and China further opened new avenues boosting Nepal-Tibet-China overland trade.

Nepal’s export to Tibet was Rs. 2 million in 1956/57 which increased up to Rs. 26.5 million in 1977/78. Similarly, by this time import from Tibet increased from Rs. 1.9 million to Rs. 13.3

million. Nepal had Rs. 1.9 million worth of export to China (Mainland) in 1956/57 which increased up to Rs. 22.2 million in 1977/78. By this time, the import from China increased from Rs. 2.0 million to Rs. 132.0 million. Up to 1962/63 Nepal's trade with mainland China was in favor of Nepal; after the date 1970s this trade figure remained in favor of mainland China. Nepal used to export commodities such as goat skins, hides, medicinal herbs, raw jute, tobacco and other items to Tibet and China up to 1970s. Likewise, Nepal used to import textile goods, readymade garments, buses, trucks and ports, bicycles, steel, machineries, construction materials, cement, chemicals, sharp shoes, aircraft spare parts, iron rods, etc. from China either via Kodari or through Calcutta port of India (Sigdel, 2003).

3.3.2 Modern Perspective

Despite the socio-economic and cultural proximities of Nepal with the neighboring country China and its autonomous region Tibet from the time immemorial, trading ties between the two countries seems to be minimal and less organized. This means, Nepal has still more and more trading ties with India and remaining percent is with Japan, the United States, China and other countries of the world. Despite this, Nepal's trading relation with China expanded rapidly from 1990s decade than of 1980s decade. China was extremely busy to restructure its economy up to late 1980s. However, after 1980s, Beijing introduced outward looking trade policies. As a result, Chinese trade with the countries of the world expanded rapidly particularly after 1990s.

Table 1: Nepal-China Bilateral Trade Status

Fiscal Year	Value of Export (In Thousands)	Value of Import (In Thousands)	Balance of Trade (In Thousands)
2005/06	108168	6635507	-6527339
2006/07	54507	12514258	-12459751
2007/08	736405	22255845	-215119440
2008/09	1847934	32852910	-31004976
2009/10	1008696	39218203	-38209507
2010/11	120555	47434677	-47314122
2011/12	985693	52924945	-51939252
2012/13	2176749	68304882	-66128133
2013/14	2979907	78568176	-75588269
2014/15	2357281	100850570	-98493289
2015/16	2156758	117209982	-115053224
2016/17	1809834	130241441	-128431607

(TPC, 2018)

From 1979/80 to 1998/99, Nepal's export to China even before and after inclusion of Hong Kong in the Mainland seems to be minimal. But by this time, Nepal's import figure from Mainland China has been large. Nepal's export to Mainland China remained at the lowest profit, i.e., NRs. 0.4 million in 1998/99 from the highest, i.e. NRs. 25.6 million in 1979/80. Likewise, Nepal's import

from mainland China had risen tremendously over the years and reached to NRs. 4363.7 million in 1998/99, from NRs. 230.5 million in 1979/80 (Sigdel, 2003). Nepal-China present bilateral trade status depicts that Nepal's export to China was NRs. 108.2 million in 2005/06 which rose to NRs. 1809.8 million in 2016/17. Similarly, Nepal's import from China was NRs. 6635.5 million in 2005/06 which ballooned up to NRs. 130241.4 million in 2016/17. With the increase in the volume of Nepal-China trade; trade deficit figure also increased up to NRs. 128431.6 million in 2016/17 from that of NRs. 6527.3 million in 2005/06 (see Table 1).

Despite having potential market, Nepal has failed to export more to China over the years. Presently, major exportable items to China are incense, copper/brass utensils, handicrafts, herbs, Nepalese paper, noodles, butter, pashmina, readymade garments, leather goods, rudrakshya, silver and jewelries, tea, vegetables, wheat, flour, woolen carpet, etc. Likewise, major import items by Nepal from China are aluminum products, bags, camera, chemicals, fertilizers, electrical goods, garlic, ginger, glassware, medical equipment, medicine, machinery and parts, stationeries, pipe, plywood, raw silk, raw wool, readymade garments, noodles, shoes, smart cards, solar panels, steel and rods, battery, toys, transport equipment, video/television parts, etc. The trade pattern between Nepal and China is changing over the years, although both countries do have old age trade relationship. The major agreement signed for trade and development between Nepal and China are listed below (Shakya, 2017).

1. Nepal-China Friendship Agreement was signed in 1956.
2. Nepal-China Trade and Payment Agreement, 1974.
3. Nepal-China Inter Government Economic and Trade committee, October 1982.
4. Nepal-China Transport Agreement, 1994.
5. Nepal-China Tibet Autonomous Region Trade and other related agreement, July 2002.
6. Agreement of cooperation for Industrial Products Inspection between Nepal and China, October 2005.
7. Nepal-China Tibet Trade Facilitation Committee Meeting, 2005.
8. Transit and Transportation Agreement, 2016.
9. Belt Road Initiation, May 2017.

The data depicts that despite efforts made by Nepal in the past to diversify her trade; India has still dominating role and position on the front of both exports as well as import trade scenario. For example, in 1979/80 Nepal's export to India was around 45 percent of the total export while this figure for China was 4.2 percent and Tibet 2 percent. Nepal's export trade share of India remained at 35.1 percent in 1998/99 while the figure for China stood at just 3 percent for the same year. Similarly, Nepal's export trade share of India in Nepal's total trade remained at 56.7 percent in 2016/17 while this share for China remained at just 2.4 percent by 2016/17. As far as Nepal's import trade is concerned, Nepal has still more import trading ties with the single country India in comparison to China. For example, Nepal's import from India had stood at 51.2 percent in

1979/80, 37 percent in 1998/99 and 65.5 percent in 2016/17. This figure for China had remained at 7 percent, 8 percent, and 13.2 percent respectively for the year 1979/80, 1998/99 and 2016/17.

3.3.3 Issues/ Prospects on Nepal-China Trade

Nepal-China trade has been in favor of China since 1970s. The ever-growing trade gap is itself a problem for a developing country like Nepal. On the front of trade and economic cooperation; Nepal inclined more towards the South (India) ignoring importance of economic strength of the North (China). Nepal has failed to attract China meaningfully in its developmental activities and thereby fails to assure China especially on infrastructure development (North-South road network) along Nepal-China border region. After the massive earthquake that hit Nepal back on April 25, 2015, Kodari-Khasa road collapsed; now Trans-Himalayan trade is conducted via Rasuwa-Saprubeshi highway. Growth in trade volume between Nepal and China still depends on the probable trade route yet to be opened (on land) along the northern border. The transit points such as Khumbu, Turuche, Khimatanka, Liiji, Lama Bagar, Tinker, etc; along the Nepalese border should gradually commence in order to have more intercourse between Nepal and China. Despite several decades of trading practices with China or with Tibet; Nepal has never seriously explored the export potentialities of selected agro-commodities or semi-manufactured goods that could be exported to the Chinese market. Nepal has comparatively more advantage of exporting to Tibet, Chengdu, and neighboring areas, the commodities such as cereals, vegetable ghee, fish, fruits, spices, herbs, tea, coffee, etc., which has ever- growing demand in these regions. People of Nepal's northern region are under the poverty line and unemployed. Thus, an easy access of such Nepalese people to the Chinese markets along the border would facilitate further barter trade and tourism business.

As there are fewer parking areas and godowns on either side of the border, the traders have to keep their containers on queue without protection from heat, rainfall or snow. This in turn, damages the quality and quantity of import/export consignments. The Nepalese traders suggests for having at least minimum facilities, such as the provision of godown, sheds, canteen, etc. on the Nepalese side of border for having more and more trading transaction between Nepal and China. Also, the tax the Nepalese people has to bear for importing the various items from China is comparatively high. If less or more compensation in imported products from China can be made by any means, then there is probability that more people will engage themselves in border trade. Likewise, the quality of the goods synthesized in Nepali market if is improvised, then there will be more market in China for such Nepali products.

3.4 China's Investment in Nepal

Foreign Direct Investment (FDI) has become another tool for freeing of trade and increasing job potentialities in domestic market. It is particularly important for developing countries to attract FDI, not only because it creates jobs and wealth in domestic market, but also because among other benefits, it leads to foreign technology transfer and thus substantial development of the country

(Sigdel, 2004). FDI provides modern technology, improves workers and managerial skills, and also can help boost exports because of foreign firm's well established brand names and access to world market. FDI is increasingly accepted as a critical variable for simulating growth and as integral input in the globalizing world economy. There is a broad agreement that foreign investment contributes to economic development and that is complementary to trade (Dashgupta, 2001).

Since 1980s, Government of Nepal has been effortful to create conducive environment for attracting more foreign investments along with private sector involvement in order to upgrade the industrial profile of the country. Since the restoration of democracy in Nepal in 1990, foreign private entrepreneurs have also started to show interest to invest in sectors such as agriculture, industry, power, communication, tourism, etc. in Nepal. Some legal measures such as, Industrial Enterprise Act, Foreign Investment and Technology Transfer Act, Industrial Policy, One Window Policy, etc. were introduced by Nepalese Government for attracting more and more FDI from abroad. The main objective behind formulating such policies was to speed up Nepal's economic growth by expediting country's industrial development process with the participation of private sector and foreign joint venture investments.

Table 2: Chinese Investment in Nepal-By Sector (From the beginning to April 2018)

Category	Number of Projects	Total Project Cost (Rs. In Million)	Total Amount of Foreign Investment (Rs. In Million)	Number of Employment
Agro and Forestry Based	98	4005.9	3950.68	3297
Construction	10	578.21	547.13	641
Energy Based	17	50246.41	27384.44	1022
Information Technology	9	90	90	315
Manufacturing	255	13775.96	10046.87	17824
Mineral	47	3205.1	3194.10	5982
Service	381	11098.21	10119.36	15311
Tourism	408	8833.57	8054.57	12063
Total	1225	91833.36	63387.15	56455

(Government of Nepal, 2018)

The data further depicts that, after China; India dominates more on joint venture investment in Nepal. From 1990 till date, Indian joint venture investment in Nepal stood at 713 and investment worth NRs. 86,802.91 million. The total project cost of Indian investment reached to NRs. 136,527.43 million. It has been expected that Indian and Nepalese joint venture projects would employ 68,655 people (see Table No. 3).

China, India, Japan, South Korea, the United States, the UK, and Germany are the premier investor countries in Nepal. From 1990 till today, China's investment in the form of joint venture in Nepal has reached to NRs. 63,387.15 million with 1225 projects. The total project cost of China in Nepal stood at NRs. 91,833.36 million. It is expected that these projects would yield 56455 people employment in different enterprises jointly run by Chinese and Nepalese investors in Nepal. There are more Chinese joint ventures in Nepal in sectors such as tourism, services, manufacturing and Agro and Forestry; their number are 408, 381, 255 and 98 respectively in total joint venture enterprises (see Table 2).

Table 3: Indian Investment in Nepal-By Sector (From the Beginning till April 2018)

Category	Number of Projects	Total Project Cost (Rs. In Million)	Total Amount of Foreign Investment (Rs. In Million)	Number of Employment
Agro and Forestry Based	9	808.41	427.31	826
Construction	17	2246.19	1876.32	830
Energy Based	19	59143.61	45803.86	2507
Information Technology	2	23.74	13.94	56
Manufacturing	380	42946.94	22098.92	40650
Mineral	17	4771.82	2457.61	2112
Service	194	20128.75	11287.30	16042
Tourism	75	6457.95	2837.63	5632
Total	713	136527.43	86802.91	68655

(Government of Nepal, 2018)

If we add Hong Kong's investment in Nepal from 1990 to 2018 (April); total number of projects that China invested in would be more with additional Hong Kong's investment in Nepal as well as an additional employment figures (see Table 4).

A very lucrative sector of Nepal-China joint venture investment is hydropower sector of Nepal. Nepal could get immense benefits from harnessing of hydropower through such joint venture program. It will be beneficial for both Nepal and China. Nepal could generate up to 83,000 MW. of hydropower from ever flowing rivers. Presently, Nepal has succeeded to tap one percent plus hydropower of the total capacity. Of the total generated power, if circumstances were favorable, Nepal would have sold it to India and even to Bangladesh. The sectors such as: agriculture, forestry, tourism, and human resources, etc. have high prospects for investment in Nepal especially by Chinese entrepreneurs. As there is less prospects of growing varieties of food staples in Tibetan plateaus; intensive cultivation of food staples in selective areas of Nepal is possible with Chinese capital, technology, and managerial skills. Such products could be re-exported to southern China. Additionally, establishment of various food processing, animal husbandry, and poultry industry

with joint ventures would yield win-win benefits for Chinese and Nepalese entrepreneurs in the years to come. Similarly, meaningful investment from Chinese investors in Nepal in the sectors like herb processing, horticulture, pasturing, tea/coffee plantation and processing, travel and tourism sector, establishment of IT parks, etc. will be more viable and beneficial. One can expect that meaningful bilateral cooperation of Nepal with the neighboring countries, India and China could attract larger flow of FDI in agro-farming, agro-processing, tourism, harnessing of hydropower and even in various manufacturing value-added industries, particularly in labor intensive products, at first, and in new manufacturing items later.

Table 4: Summary Sheet of Hong Kong's Foreign Investment in Nepal-Category and Scale Wise(From the Beginning till April 2018)

Category	Scale	Number of Projects	Total Project Cost (Rs. In Million)	Total Amount of Foreign Investment (Rs. In Million)	Number of Employment
Construction	Small	2	83.88	59.55	236
	Construction Total	2	83.88	59.55	236
Energy Based	Large	2	24300.00	20560.00	935
	Energy Based Total	2	24300.00	20560.00	935
Information Technology	Small	1	5.00	5.00	37
	Information Technology Total	1	5.00	5.00	37
Manufacturing	Small	2	64.65	15.00	490
	Medium	3	176.98	104.73	450
	Large	2	4195.49	712.28	455
	Manufacturing Total	7	4437.12	832.01	1395
Service	Small	8	176.59	148.13	204
	Medium	4	3490.64	3118.24	579
	Service Total	12	3667.23	3266.37	783
Tourism	Small	3	52.35	39.32	131
	Medium	2	521.77	90.60	171
	Large	7	4004.76	2428.74	1094
	Tourism Total	12	4578.88	2558.66	1396
Grand Total		36	37072.11	27281.60	4782

(Government of Nepal, 2018)

3.5 Nepal-China Tourism Relations

Due to socio-cultural, ethnic, and other proximities, Southeast Asian region including Hong Kong, Macau, Thailand, Malaysia, and the Philippines is the most preferred region for Chinese tourists. Since 1999 onwards, the other destinations for Chinese tourists are Australia, New Zealand, South Korea, and Japan. The affluent class has expanded tremendously in China over the decades because of their rapid economic growth that happened in the past. As a result, the number of Chinese people travelling out of China has increased significantly over the years. For inbound tourist traffic to China, South Asia market is considered to have a tremendous prospect and Nepal occupies strategic position in the Trans-Asian route network. Kathmandu could also function as an important hub for outbound traffic to the Asia Pacific and for tourist mobility from these destinations to Europe and Western countries via Nepal and through China. The Himalayas, Lumbini, temples, cultural artifacts, food, fauna/flora, etc. attracts Chinese people to visit Nepal.

Besides, Chinese entrepreneurs are also visiting Nepal firstly as tourists to enrich themselves and then come again and invest in Nepal. Up to 2015, Chinese tourists used to come to Nepal via Kodari/Lasha; due to earthquake of 2015 when roads and bridges collapsed; they are diverted to Kerong and are coming by land via Saprubesh-Trisuli Highway. Since few years, Chinese tourists are coming via Lhasa, Kunming, Chengdu, and etc. though different Chinese airlines. The data depicts that in 2007 total number of Indian and Chinese tourists visiting Nepal was 96,016 and 28,618. In 2012, the number of Indian as well as Chinese tourists increased to 165,815 and 71,861 respectively. In 2017, the total Indian and Chinese tourists that visited Nepal increased promisingly and remained at 160,832 and 104,664 respectively (see Table 5).

Table 5: Selected Countries and Tourists Arrival in Nepal (December, In Person)

Countries	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
India	96016	91177	93884	120898	147037	165815	180974	135343	75124	118249	160832
China	28618	35166	32272	46360	61917	71861	113173	123805	66984	104005	104664
USA	29783	30076	32043	36425	41971	48985	47355	49830	42687	53645	79146
UK	32367	33658	35382	35091	36981	41294	35668	36759	29730	56295	51058
Sri Lanka	49947	37817	36362	45531	59785	69476	32736	37546	44367	57521	45361
Japan	27058	23383	22445	23332	25856	28642	26694	25829	17616	22979	27326
South Korea	-	-	-	-	-	-	19714	23205	18112	25171	34301

(Ministry of Finance, 2018)

Of the total tourists who visited Nepal, nearly 47.0 percent tourists are Indian, Chinese, American, British and Sri Lankan. From 2010 onwards, the number of Chinese tourists visiting Nepal has been found to be increasing in same number as that of Indian tourists.

Nepal being a remarkably close neighbor, just across the northern Himalayan; there can be ample prospects of building up an exclusive China-Nepal tour program that may not only create tourism prospects, but also promote trade and commerce. China has designated Nepal as the first tourist destination in South Asia. The Chinese people are the second largest tourists to visit Nepal and they represent 10 percent plus share of the total tourists' arrival in the country at present. Nepal has already made Chinese Yuan convertible for tourists and businessmen coming from China.

Additionally, the Government of China has exempted the requirement of exit permit and pre-visa for Chinese citizens to visit Nepal that came to effect from January 2014 onwards, and likewise, Nepal provides on-arrival visas to the Chinese tourists. The Chinese nationals visiting Nepal are official persons, cultural firms, businessmen, students, pilgrims visiting Lumbini, the birthplace of Lord Buddha. There is a great possibility of forming a tourism quadrangle link that joins Kathmandu with Lhasa and Lumbini with Mansarovar. Lumbini and Mansarovar are two important and famous cultural and religious sites and tens of thousands of people visit these sites every year for pilgrimage and tourism purpose. So, a unique air safari can be developed in the Himalayan region between Kathmandu and Lhasa, which can be better expanded to as far as "Gilgit-Baltistan" in Pakistan (Shrestha, 2015). The future prospects of tourism sector in South Asian region are inherently lucrative, if they are harnessed with a collective vision. All the countries in the South Asian region will be getting huge benefits.

4. China's Belt Road Initiatives with Reference to Nepal

Centuries after its decadence, the Chinese Government in 2013, presented the “Belt Road Initiative”, an ambitious and mega interconnection plan of the 21st Century that aims at linking infrastructures, coordinating policies, promoting trade and commerce, circulating currency, as well as connecting people's heart and mind (Simona, 2016). China's BRI includes the Silk Road Economic Belt (SREB) and the 21st Century Maritime Silk Road (MSR). In fact, it is based on three communities of responsibility, shared interests, and destiny. The initiative is based on cooperation priorities such as policy coordination, facilities connectivity, unimpeded trade, financial integration, and people to people bonds (Çolakoglu, 2021).

Additionally, peace and cooperation and mutual learning and benefits are the founding ideas of the BRI. The “going global” policy is also being absorbed into Beijing's BRI. Chinese President Xi Jinping had announced this program in 2013, and the Chinese government set out its major issues and priorities in March 2015; presenting it as a trade and infrastructure network that will connect Asia to Europe and Africa through the SREB and the MSR (Xi, 2015).

The said underlying goal or strategies of the BRI are expected to achieve the following outcomes (Yiwei, 2016): (a) to build connectivity of nations in the region and beyond, thus achieving a tangible result of integrating efforts and resources for the mutual development of all; (b) to build mutual interdependence among each other, and, for what, develop a deeply entrenched trust, and thus recognizing each other's system in occurrence with the spirit of international law and relations; (c) to create a situation in which every partner nation would avoid conflict which is a pre-condition for the dependable international peace.

Most importantly, such kind of interdependence and collaboration can bring nation into a trusted connectivity, thus contributing to avoid hegemonic attitudes in any partner nations. China has launched noble steps to execute these initiatives, including establishment of a US\$ 40 billion “Silk Road Fund”, revitalizing the plan for a Free Trade Area of Asia Pacific (FTAAP), and more significantly, setting up of the AIIB. With US\$ 100 billion initial capital, AIIB is in operation from 2016 as a flagship of BRI and the bank is likely to be a prime contender to the financial system governed by developed countries like the United States and Japan. The stretch of the BRI strategy is vast that directly includes 26 countries, 4.4 billion people, and count for 63 percent of world's entire population, and roughly one-third of the world's economy (Ni, 2016).

It is extremely pertinent and rational that China, a pioneer of the MSR should play proactive and leading role to design a pragmatic strategy and offer benefits to smaller, least developed and land locked countries like Nepal, Bhutan, Afghanistan in South Asia and similar other disadvantageously placed nations in other continents that lack direct access to the sea. It requires for promoting navigation through sea commuting rivers of respective countries, which would help reduce transportation costs and time with faster mobility and availability of goods at cheaper prices in respective countries. With the meaningful initiation of BRI in South Asia, the China-Nepal-India Economic and Cultural Corridor will add greater significance; Buddhism forms an important

cultural link between the three countries. There are approximately 100 million Buddhists in China. Given that some of the most religious significant sites lies in Nepal and India, an annual visit of Chinese pilgrims to these places will significantly contribute to building people-to-people relation.

With the meaningful implementation of the BRI, for China the Trans-Himalayan corridor will open a gateway for reaching out to South Asia- Nepal, India, Bangladesh, and Bhutan in particular. The construction of the BRI under this project will directly connect the Western China with Nepal and eventually with the northern territories of India. The BRI will thus open vast new opportunities of investment as well as trade cooperation among the countries (Sangroula, 2017). Additionally, the BRI scheme would connect Southern China with South Asia where many Buddhist sect lives. Lumbini, Bodhgaya, Sarnath, Thimphu, etc. will be linked with the road; this in turn will foster cultural intercourse amongst the people in between China, Nepal, India, and Bhutan.

The corridor has undoubtedly, a tremendous economic significance. The economic activities do attract cultural, art, religion, science, and technological attributes to expand in the areas of corridor. China, India has best models of socio-economic transformation. This could be disseminated with the opening of corridor. Nepal, Bhutan, Bangladesh; the developing countries of South Asia could upgrade their socio-economic states replicating best socio-economic development practices and work on sustaining their poverty ridden economies. Furthermore, the dream of opening corridor would further pave the way to share rich cultural practices, educational activities, adventure/health tourism, etc. among the people of China, India, Bangladesh, Bhutan, etc. The corridor is thus highly potential of bringing the academics, scientists, environmentalist, and researchers to collaborate for the larger benefit of entire humanity.

For China, the connectivity initiatives in Nepal are most meant just for Kathmandu. The aim is to also connect with the Indian market through Nepal. These Chinese objectives are most hidden- it has been clearly articulated by China in many forums between Chinese and Nepalese leaders. In September 2017, for instance at a press conference after bilateral delegation level meeting, Nepalese Deputy Prime Minister and Foreign Minister Krishna Bahadur Mahara and Chinese Foreign Minister Wang Yi, the latter stated that China's intention is to make Nepal a bridge and link between the two emerging economies of China and India. He stated that China looks forward to gradually creating the conditions to explore and construct the China-Nepal-India economic corridor, and jointly promote the Himalayan region to a new high ground for Asian development (ISAS, 2018).

For Kathmandu, the BRI should be compatible with Nepal's needs, aspiration reflected in its plans and programs. This means, it would be pragmatic approach to synchronize the national projects wherever feasible such as highways, railways, international airports with BRI projects specially to connect northern as well as southern border and for promoting trade and investment activities.

Nepal should aggressively open export processing zones, industrial zones, dry ports, etc. so as to gain more investments from China and India; and do utmost effort to export Nepalese products via such corridors. Furthermore, the BRI should touch Nepal's tourism and hydropower sector; the meaningful development of such sectors would employ more Nepalese people, earn more Indian

as well as Chinese currencies respectively. As India needs more power for its robust industrial development and water for millions thirsty northern side urban population; Nepal could be the reliable suppliers of power and water. This ultimately supports Nepal's sustainable development activities. With the meaningful implementation of BRI; Nepal's service sector such as: software, bank, insurance, hospital, educational institutions, and other services may groom and furthermore generate employment opportunities in Nepal.

5. Concluding Remarks

Nepal–China relation has been given continuity since the time immemorial. Culture and religion were the two determinant factors to shape bilateral relation in the past. Despite of the presence of mighty Himalayas situated amongst Nepal-Tibet/China; Trans-Himalayan trading flourished among the people of Nepal, Tibet/China and India. Kuti and Kerong was the main pass through which trade and economic activities were conducted. Frequent visits of artists, scholars, monks from Nepal to China and vice versa, further developed bilateral relation in the past. China and South Asia had historical interactions and their relation is traced back to the spread of Buddhism. Additionally, Islam reached the Western parts of China from South Asia which further consolidated people to people relationship between China and South Asia in the past. South Asia could take advantages from the robust growth of China; as there is ample possibility of trade of South Asian products, investment in China is possible and tourism sector can flourish with a proper plan amongst China and other South Asian countries. Likewise, for the promotion of trade, South Asian market is considered important to China.

Since 1956, aid has been continuously one of the means of China’s external contact with the non-communist countries of the world. The distinguishing factor of China’s economic policy and the aid it provided have succeeded to influence the Third World (Global South) countries. China’s foreign policy towards South Asia focuses on the implementation of various policies for developing friendship with the South Asian neighbors and thus living in harmony and peace. Side by side, it focuses on the promotion of mutual understanding, trust, and cooperation. Nepal-China diplomatic relation was established in 1956 when Beijing introduced its first aid to Kathmandu and provided IRs 60 million. Beijing wanted to be assertive and had sought Nepal’s promise that it would forever maintain its friendly relationship with China and would not undertake anything determinable to China’s interest.

Beijing intends to support Kathmandu on the front of socio-economic transformations and remained aloof whatever the reign is; Royal, democratic or the communists. From 1956 to 2003; China provided Nepal with the economic aid worth over US\$ 2 billion to launch various projects such as transport, hydropower, agriculture, tourism, industries, service etc. From 2011 to 2016/17, a total of US\$ 278 million of aid was distributed by China. China has also provided Nepal with 3 billion RMB (US\$ 456 million) of aid for the reconstruction of 25 major projects during the year 2016 to 2018.

History reveals that Nepal’s trade with Tibet/ China started in the 7th Century. There were many frontiers of Nepal and Tibet through which the trade was regulated; Kuti and Kerong was the principal pass through which the trade was conducted and was known as Trans-Himalayan trading system. Nepal-China trading agreement in 1956 facilitated the inhabitants of the border districts of the two countries who used to cross the border to carry out peltry trade, to visit their friend and relatives or for seasonal change of the residence. The agreement concluded that those living near the border may need not to hold a passport, visa or any other documents and may cross the border

for above mentioned purposes the old way itself. The construction of Kodari Highway (104KM) adjoining the Chinese border (Tibet) indeed paved the way for increase in import and export between Nepal-China/Tibet. The data reveals that Nepal's bilateral export trade with China stood up to Rs. 1809.8 million and import trade remained at Rs. 130241.4 million in 2016/2017. With the increase in trade volume, Nepal's trade deficit to China also ballooned up to Rs.128431.6 million in 2016/17 from 6527.3 million in 2005/06. Still, Nepal's trade with India is more popular than it is with China. For instance, Nepal's trade with India remained at 56.7 percent in 2016/17 while this share for China was minimal i.e. just 2.6 percent at that time. This indicates that India has still dominating role over Nepal's foreign trade scenario.

Despite the various potentialities to expand trading ties with Tibet/China; Nepal has failed to increase the export trade with the potential buyer i.e. China. For having more trade intercourse with China/Tibet; probable trade route is yet to be opened along the border in the near future. Nepal has comparatively more advantages of exporting various goods to southern part of China (Tibet, Chengdu and neighboring areas). People residing in northern alpine areas along the border would intend to have barter trade with China; this would facilitate further promotion of trade and tourism, deepening of people to people socio-cultural relationship.

FDI is important for developing countries including Nepal. It helps creating jobs and wealth in domestic market on one side and it leads to foreign technology transfer and disseminate managerial skill in the host country on the other. Study reveals that from 1990s onwards, foreign private entrepreneurs showed interest to invest in Nepal. Government of Nepal enacted legal measures as Foreign Investments and Technology Transfer Act, Industrial policy, One Window policy so as to attract more FDI from abroad. Presently, China, India, Japan, United States, UK, Germany, South Korea are the topmost investor countries for Nepal. China's investment in Nepal has stood at Nrs 663,387.15 million with 1225 projects related to tourism, service, manufacturing, and agro-forestry, etc. By this time India's investment reached at Rs 86,802.91 million with 713 different joint ventures. If Hong Kong's joint venture enterprises are added up; China stands at first position in joint venture investment in Nepal. The sectors such as- hydropower, tourism, agriculture, forestry, information technology, etc. have high prospect of investment by Chinese entrepreneurs in Nepal. Establishment of various food processing, animal husbandry and poultry industry with joint ventures would yield win-win benefits for people of both Nepal and China in the years to come.

Nepal being a close neighbor and residing just across the Northern Himalayas, there is ample prospects of building up an exclusive Nepal-China tour programs that may not only enhance tourism but also promote trade, investment, and commerce. The Himalayas, Lumbini (Birthplace of Buddha), cultural artifacts, fauna and flora, etc. attract Chinese people to visit Nepal. The data depicts that in 2007, the number of Indian and Chinese tourists visiting Nepal was 96,016 and 28,618 respectively. This figure increased up to 160,832 and 104,664 respectively till December 2017. People from China are the second largest number of tourists visiting Nepal and they represent about 10 percent plus people who visited Nepal in 2017. Most of the tourists visiting

Nepal are officials, cultural firms, businessmen, mountaineers, students, pilgrims visiting Lumbini, etc. There is a great possibility of forming a quadrangular link that joins Kathmandu with Lhasa and Lumbini with Mansarovar. The future prospects of tourism sector in South Asian region are inherently lucrative; if they are harnessed with collective efforts, all the countries in the South Asian region will be getting huge benefits.

The BRI coined by China in 2013 by the Chinese President Xi Jinping has become hot topic for most of the countries of the world. It aims at linking infrastructures throughout the countries, coordinating policies, promoting trade and commerce, circulating currencies as well as connecting the people of the different continents. It is indeed revival of the old Silk Road that had been practiced in the past; China intends to disseminate the fruits of growth and prosperity via infrastructural networking amongst the continent of Asia, Europe, Africa, Latin America, etc. China thinks that interdependence and collaboration could bring nations into a trusted connectivity. Then there would be the flow of goods, services, culture, people, etc. that would in term help in the prosperity of the economy of countries within the BRI. For the meaningful initiation of the BRI, China also took leadership to establish the AIIB with US\$ 100 billion initial capital.

With the implementation of BRI, meaningful connection of Southern China with rest of the South Asia happened where more Buddhist sect live. The holy places like Lumbini, Bodh Gaya, Sarnath, and the Monastery of Thimpu, etc will be connected with the road; this will further deepen cultural intercourse amongst the people of China, India, Nepal and Bhutan. BRI should tie up with the development programs reflected in plans and policies of Nepal. There are the possibilities of increment in tourism, trade, and investment in Nepal internally as well as externally with the meaningful implementation of BRI. Mega projects such as constructions of dams, superhighways, railways could finally get momentum with the philosophy of BRI.

Additionally, there would be the possibilities of the growth of service sectors like bank, insurance, hospitals, educational institutions, etc. Since India is a Southern important part of Nepal, without its consent, the success of BRI would only be partial. Hence, there should be tripartite consensus among China, India, and Nepal for BRI to become a reality in the post-pandemic period.

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APAC Report • February 2021

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