

LEAD INVESTOR:

Surge in FDI from China is set to benefit the Himalayan nation

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Oli, the leader of Nepal's largest Communist party, heads the first government elected under the new constitution.

Having previously served as the country's prime minister in 2015-16, Oli recalled his visit to China two years ago when the two countries reached a 10-point agreement and another 15-point joint statement on trade and transit cooperation, which have marked a new era of friendly ties.

"We welcome investors and we are always happy to work with the Chinese government and companies," said Oli, noting China has achieved great success in economic development and has now stepped into a new era under the leadership of President Xi Jinping.

During the first half of the current 2017-18 fiscal year, China, with pledges of 8.08 billion rupees (\$77 million), contributed to around 58 percent of foreign direct investment (FDI) commitments received by Nepal, according to Xinhua, citing data from Nepal's Department of Industry.

The number surpassed the FDI pledges of 3.73 billion rupees from India, once the largest investor in Nepal, and secured China's leading position on the chart since the fiscal year 2015-16, said the same report.

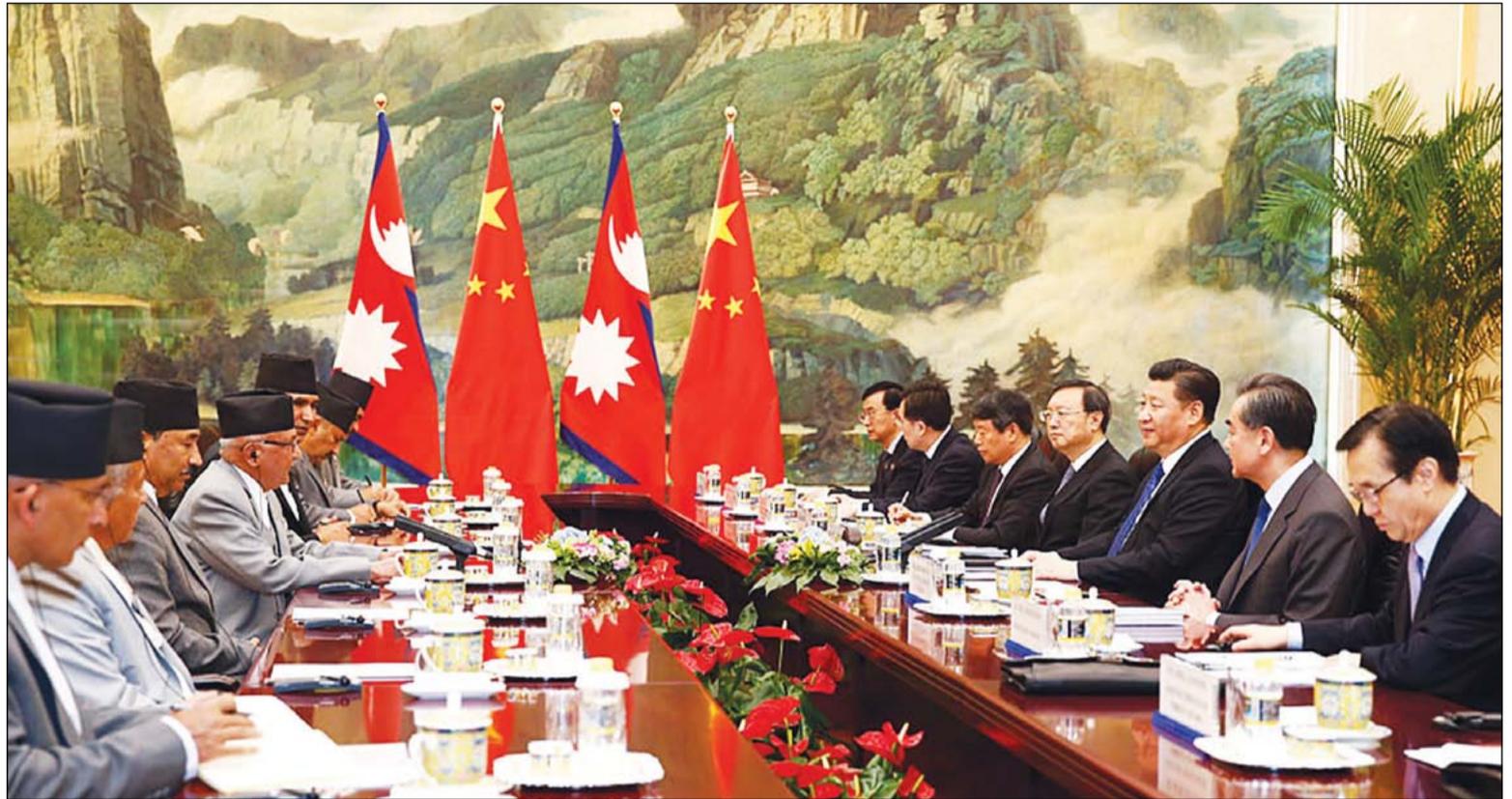
Hydropower is a major sector that Chinese companies invest in. With more than 6,000 rivers surging through the Himalayas, Nepal has ample natural resources for hydropower generation. The country has the potential to produce 43,000 megawatts, according to the Nepal Electricity Authority (NEA), the country's state-owned power utility body. But at present, it only has a meager output of around 1,000 MW.

Foreign investors are welcome in the sector, said Kul Man Ghising, managing director of NEA, adding that a favorable investment environment has been created, including the government's policy of purchasing power in US dollar terms.

NEA initiated a joint venture agreement with China Three Gorges Corporation (CTGC) earlier this year to develop the 750-MW West Seti Hydropower Project in midwest Nepal, which Ghising said will be important for the hydropower development in Nepal's western region.

"The joint venture cooperation will be a milestone between Nepal and China," said Ghising. "We have given them (CTGC) this confidence of the market, because Nepal's domestic market can consume (the power generated) and there is no need to export to India."

Oli said: "We think China can support Nepal, (and) particularly the Asian Infrastructure Investment



President Xi Jinping (third right) holds a meeting with Nepalese Prime Minister KP Sharma Oli (fourth left) in Beijing in March 2016. Oli, who was recently re-elected prime minister, praises China's respect for Nepal's sovereignty while upholding the principle of non-interference in its internal affairs. CHINANEWS.COM

Bank (AIIB) can support us."

AIIB is a China-backed multilateral development bank that supports the Belt and Road Initiative, which aims to build a trade, investment and infrastructure network connecting Asia with Europe and Africa along the ancient Silk Road trade routes.

AIIB, an 84-member platform, addresses the development needs in Asia by focusing on infrastructure project financing. It reached \$4.2 billion in loans and equity investments by the end of 2017, providing funds to projects that will benefit millions of people.

With Nepal officially joining the Belt and Road Initiative in May 2017, Oli expects more support and investment from China, either from the government or business community, in different areas ranging from infrastructure development like power generation, roads and railways, to agriculture and tourism.

China is the second largest tourism source for Nepal. According to Xinhua, Nepal received nearly 1 million foreign tourists in 2017, with more than 130,000 being Chinese nationals. Chinese airlines flying direct to Kathmandu currently operate from Lhasa, Kunming, Chengdu and Guangzhou, but Beijing and Shanghai are still without air connectivity to Nepal.

"Not only people who are involved in the initiative can benefit from investment, other people can benefit too," said Oli, explaining that transportation and electricity are for all.

"So it will no doubt bring the positive sense in the society and the life of Nepal people."

The benefits can go beyond borders.

Sandwiched between China and India, Nepal has a good relationship with both countries. Oli believes the country's involvement in the Belt and Road Initiative will bring benefits for all, and Nepal will continue to work with both sides to maintain the balance and friendly relations in all aspects.

Nishchal N Pandey, director of the Kathmandu-based think tank Centre for South Asian Studies, said Nepal can play a dual role in enhancing connectivity between Southwest China's Tibet autonomous region and the landlocked Indian states of Bihar and Uttar Pradesh — two of India's most populous states — so that there is a win-win situation for both sides.

"For instance, Tibet could need Indian cement while Uttar Pradesh and Bihar could now get Chinese goods in abundance, with consumers having greater variety and choice," said Pandey.

Pandey hopes Nepal will embark on a new journey of stability, progress and prosperity with the new elected government.

"Our ties with China are crucial for our overall economic development," said Pandey.

"The most important element of our economic relations will be the Lhasa-Shigatse-Rasuwagadhi railway link, which is expected to reach the Nepal border in a few years.

This rail link will open up new vistas of opportunity for Nepalese export, bring in Chinese tourists and increase connectivity among the people," said Pandey.

"Every company and individual is making their own contribution to the bilateral relations between China and Nepal," said Yuan Zhixiong, president of the Chinese Enterprises Association of Nepal (CEAN).

With a total of 52 Chinese companies, its members help to improve the development of Nepal by easing the electricity shortage, providing better infrastructure and communication systems.

Yuan is also the chief representative in Nepal of China Gezhouba (Group) Corporation, a major construction and engineering company that is undertaking three hydropower projects in the country.

For example, the projects of his own company not only help provide clean energy with high quality, but also improve the skills of local workers. In addition, the company proactively participates in various corporate social responsibility works, including organizing emergency aid after the massive earthquakes that struck the country in 2015.

Nepal aims to upgrade from a least developed country to the league of developing nations within five years. In 2016, it was the first in the world to publish its Sustainable Development Goals (SDGs) country report, according to United Nations Development Programme Nepal.

In 2015, the world adopted the

SDGs, a set of 17 goals that address the complexities and interconnectedness of the world's challenges like poverty, equality and climate change.

"We are looking to ... explore more areas of investment, and develop economic and trade (ties) between our two countries," said Prime Minister Oli, who believes economic development is important for Nepal to achieve the goals.

Oli also hopes to increase the volume of trade between China and Nepal while decreasing Nepal's trade deficit to reduce the imbalance.

With total exported goods worth \$17 million, Nepal's exports to China surged 72 percent during the first seven months of the current fiscal year that began in mid-July 2017, according to Xinhua citing a report by Nepal's central bank. The trade deficit was \$5.88 billion.

Noting the various areas for business opportunities, Oli suggested that more investors, either from China or elsewhere, should invest in Nepal without any hesitation.

"There was violence before ... but now peace is the mainstream and main character of Nepal," said Oli. "There will be a stable government, and all these things are favorable for investment."

"If there is anything legal or practical which can be corrected, we are ready to correct them. And we are committed to simplify the process, provide facilities, and provide land at cheap lease prices. We will provide investment security," said Oli.