

# Kathmandu School of Law Review

ISSN 2091-2110

Volume 6

Issue 1

April 2018

## FOREWORD BY EDITOR-IN CHIEF

*Prof. (Dr.) Yubaraj Sangroula*

## FEATURE ARTICLE

Cultural Dimension of Rule of Law and Social Episteme

*Prof. (Dr.) Yubaraj Sangroula*

## ARTICLES

Belt and Road Initiative and Nepal's Economic Perspective: Regionality and Specificity

*Ashish Adhikari*

Unwholesome Tendencies in the Judicial Appointment - A Nepali Perspective

*Bishal Khanal*

Tax Regime in Nepal - Implications on Human Rights

*Dagan Omwesiga*

Assessing Social Impacts of Slum Displacement on Women's Lives: A Case Study of Three Resettlement Colonies in Delhi, India.

*Dr. Deeksha Bajpai and Dr. Upma Gautam*

Analyzing Hindu Women's Right to Property in Bangladesh: Absolute Interest versus Limited Interest

*Ferdousi Begum*

Making WTO Dispute Settlement System Useful for LDCs

*Prof. (Dr.) Kumar Ingnam*

Religion and State: Revisions Needed in Sri Lankan Constitutional Implications

*Nishandey Ratnam*

Personal Law and Property Rights of Hindu Woman in India - the Need for Codification

*Sindhu Thulaseedharan*

## LEGISLATIVE COMMENT

Assessing Impacts of Banks and Financial Institutions Act in the Development of Financial Sector

*Ram Sharan Pokharel*

## STUDENT ARTICLES

Sexual Orientation and Gender Identities: An Analysis of the Contemporary Laws and Literature

*Dhruba Yonzon*

Rohingya's Genocide: Human Rights and Politics

*Prachi Tomar and Aditya Pandey*

Comparative Study on Anumana and Inference of Hindu and Western Philosophy

*Nikhil Dongol*

## CASE COMMENT

An Analysis of Principle of Erga Omnes Partes with Special Reference to the Case of Belgium v. Senegal, 2012

*Prajwol Bickram Rana*



**Kathmandu School of Law (KSL)**

Suryabinayak-4, Bhaktapur, Nepal, Ph: 6634455, 6634663,

Email: [info@ksl.edu.np](mailto:info@ksl.edu.np), [www.ksl.edu.np](http://www.ksl.edu.np)

# Belt and Road Initiative and Nepal's Economic Perspective: Regionality and Specificity

Ashish Adhikari\*

## Abstract

*The collective participation in Belt and Road Initiative expects to forego unequal integration and to start inclusive and fair development. Nepal also participates in this initiative with similar aspirations. China has linked her West Development Strategy with BRI. Nepal's connectivity is now through Western the autonomous region of Tibet, which comes in the form of bilateral cooperation. What kind of participation in Belt and Road Initiative will give best economic benefits to Nepal? As an answer to this question, this paper proposes and argues for two distinct features: Regionality and Specificity. Regionality refers to priority concentration on the directly connected Tibet and associated role of adjoining provinces like Sichuan, Yunnan and Xinjiang. Specificity refers to the study of specific sectors like agriculture, industry, finance, tourism of these regions. The study of comparative requirement of these regions (regionality) in specific sectors (specificity) is paramount to get benefits from BRI.*

## Belt and Road Initiative: A Collective Venture

A full action plan on China-proposed BRI was issued by National Development and Reform Commission (NDRC), Ministry of Foreign Affairs and Ministry of Commerce of the People's Republic of China. The State Council had authorized this plan on March 28, 2015<sup>1</sup>. The 13<sup>th</sup> five-year plan of Government of China describes three major areas of BRI. The chapter 51 of this document provisions three sections for 'Moving Ahead for Belt and Road Initiative'. These sections include cooperating mechanisms, economic corridors, and open and inclusive cultural exchanges.<sup>2</sup> The economic corridors stated in this plan are the China-Mongolia-Russia corridor, the China-Central Asia-West Asia corridor, the China-Indonesia Peninsula corridor, the new Eurasian Continental Bridge, the China-Pakistan Corridor and the Bangladesh, and China-India-Myanmar Corridor, respectively.<sup>3</sup>

---

\* Ashish Adhikari is affiliated with The Development Institute, Nepal and is a PhD. student at Institute of South Cooperation and Development, Peking University. He has worked as a faculty of International Relations in Presidential Business School.

<sup>1</sup> 'Action Plan on the Belt and Road Initiative', 30 March 2015, *State Council of the People's Republic of China* available at [http://english.gov.cn/archive/publications/2015/03/30/content\\_281475080\\_249035.htm](http://english.gov.cn/archive/publications/2015/03/30/content_281475080_249035.htm), accessed on 14 September 2018.

<sup>2</sup> Compilation and Translation Bureau, Central Committee of the Communist party of China, 'The 13<sup>th</sup> Five-Year Plan for Economic and Social Development of the People's Republic of China (2016 - 2020)', *National Development and Reform Commission (NDRC)* available at <http://en.ndrc.gov.cn/policyrelease/>, accessed on 14 September 2018.

<sup>3</sup> Ibid.

The joint communiqué of Belt and Road Forum for International Cooperation held in Beijing on May 16, 2017 recognized the challenges of the world economy. It does so in reference to the growth of global trade. It also observes the investment remaining tempered and rule-based multilateral trading regime yet to be strengthened. It notes:

The Silk Road Economic Belt and 21<sup>st</sup> century Maritime Silk Road (The Belt and Road Initiative) can create opportunities amidst challenges and changes; we welcome and support the Belt and Road Initiative to enhance connectivity between Asia and Europe, which is also open to other regions such as Africa and South America.<sup>4</sup>

The Belt and Road Initiative is no longer the dream of a single determined leader. The framework of Belt and Road Initiative commits to build an open economy, ensure free and inclusive trade as opposed to all forms of protectionism. The leaders of the participating countries agreed on providing special attention in order to remove bottlenecks of development and achieve efficient connectivity in case of least developed countries, landlocked developing countries, small-island developing states, and middle-income countries. The Chinese leadership has become successful in convincing and accommodating over hundred countries<sup>5</sup> to participate and endeavor on promoting a non-discriminatory and equitable multilateral trading system.

### **Belt and Road Initiative: Outwards**

Weidong Liu & Michael Dunford have emphasized restructuring and upgrading of Chinese economy from an export-oriented and factor-intensive to a more balanced, innovative and sustainable path<sup>6</sup> as a pressing need of the hour. Jin feels BRI (Belt and Road Initiative) is the outcome of China's 'new thinking' about its globalization strategy where AIIB (Asian Infrastructure Investment Bank) and NDB (BRICs New Development Bank) are multilateral financial instruments<sup>7</sup>. Furthermore, Liu and Dunford also see BRI as a driver of global economic growth and regional economic integration<sup>8</sup>. China's success has created interest in its development model in countries, which wish to get richer.<sup>9</sup> Chinese development model has attracted numerous countries, which are aspiring development, to the project of BRI but the challenge lies in creating equal development.

<sup>4</sup> Yamei, 'Joint Communiqué of Leaders Roundtable of Belt and Road Forum', 15 May 2017, *XinhuaNet* available at [http://www.xinhuanet.com/english/2017-05/15/c\\_136286378.htm](http://www.xinhuanet.com/english/2017-05/15/c_136286378.htm), accessed on 14 September 2018.

<sup>5</sup> 'Belt and Road Initiative', *United Nations Development Program* available at <http://www.cn.undp.org/content/china/en/home/belt-and-road.html>, accessed on 14 September 2018.

<sup>6</sup> Weidong Liu & Michael Dunford, 'Inclusive Globalization: Unpacking China's Belt and Road Initiative', vol. 1, no. 3, *Area Development and Policy* p. 323, 2016.

<sup>7</sup> Jianmin Jin, 'The True Intent Behind China's AIIB Strategy', 25 August 2015, *Fujitsu Research Institute* available at <http://www.fujitsu.com/jp/group/fri/en/column/message/2015/2015-08-25.html>, accessed on 11 September 2018.

<sup>8</sup> Liu & Dunford (n 6).

<sup>9</sup> Kishore Mahbubani, *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East*, Public Affairs, New York, 2008.

Indeed, profits are, at first, high due to low wages but over time, the cost of production gradually increases. This leads to companies searching cheaper alternatives in other countries. Money is lent to these countries if they cannot afford infrastructure and product. Market is expanded far and wide create channels for own products and use of raw materials. An integrated economy, thus, develops unequal industrial and financial relations. More countries wish to overcome this unequal development model and access equitable multilateral development through BRI.

Liu and Dunford describe the scope of the Chinese economy, as ‘Three decades ago China was small semi-closed economy accounting just 5% of world GDP and 1.5% of world exports with 23% of world population, which reached 13.4% of world GDP and 12.2% of world exports’. In manufacturing, China is ahead with ranking first in the output of 200 manufactured goods. Quah shows that the geographical center of the world economy is shifting eastward. This shift generates many opportunities to least developed and developing countries of this region<sup>10</sup>.

China has also developed as one of the major outward investors. Ilan Alon argues that a new phase of globalization of Chinese economy, in particular, is due to increase in outward Foreign Direct Investment (FDI)<sup>11</sup>. Chinese economy can be categorized into two distinct phases with respect to trade. Earlier Chinese economy witnessed very quick surge in inward FDI. From 1900 to 2000, the annual growth rate of inward FDI (27.8%) was higher than that of China’s trade (15.2%).<sup>12</sup> This dependent stage of globalization made Chinese people to learn new managerial skills and technology, and to create new and upgraded industries with enhanced efficiency. After joining World Trade Organization in 2001, Chinese trade started to grow astonishingly. During trade globalization, the rate of growth of inward FDI went down. As the trade volume grew, trade surplus grew, Chinese outward FDI started to increase faster than trade and inward FDI. In 2006-2014, outward FDI grew at 23.7% per year compared to 11.8% trade and 8.3% inward FDI.<sup>13</sup> This globalization of capital requires closer international relations and cooperation, closer understating of fiscal and monetary policies of other countries, and global economic governance.

In 2014, coal accounted for 66% of China’s energy requirements followed by oil which accounted for 18% of the requirements and hydroelectric power and natural gas that accounted for 8% and 6% of the requirements respectively. International Energy Agency, IEA estimates that Chinese import of crude oil will increase up to 8 million barrels per day in 2020, 11.4 million barrels per day in 2030 and 14.3 million barrels per day in 2040.<sup>14</sup> In gas pipeline development, Ericson argues that suppliers seek long term contracts, stable prices and take-or-pay clause to guarantee revenue streams while consumers want long term contracts with a pricing formula that

<sup>10</sup> Danny Quah, ‘The Global Economy’s Shifting Centre of Gravity’, vol. 2, no. 1, *Global Policy*, 2011.

<sup>11</sup> Ilan Alon, ‘Introduction’ in I. Alon & J. R. McIntyre (eds), *Globalizing of Chinese Enterprises*, Palgrave Macmillan, UK, 2008, pp. 1-13.

<sup>12</sup> Liu & Dunford (n 6), p. 330.

<sup>13</sup> Ibid.

<sup>14</sup> ‘World Energy Outlook 2014’, *International Energy Agency*, available at <https://www.iea.org/publications/freepublications/publication/WEO2014.pdf>, accessed on 9 September 2018.

permits market driven renegotiation, and seeks equity share in resource extraction and transport to secure control over supply and cost. IEA's study shows that Chinese national oil companies invested 83.2 billion USD in mergers and acquisitions of foreign oil and gas companies in just three years from 2011 to 2013 AD although the figure was estimated at 72.52 billion USD<sup>15</sup>. China's BRI is also designed to address issues related to establishing energy pipeline connections from Russia and Kazakhstan as well as a 0.4 million barrels per day pipeline from Myanmar in 2015 as an alternative transport route to Middle East, which would avoid the Malabar strait.<sup>16</sup>

Prime position in manufacturing and export of manufacturing products, increasing outward FDI and increasing energy consumption have enabled China to enhance connectivity. Whereas increasing labor wages, eroding competitiveness in labor-intensive industries, stagnation of export and environmental and ecological impact of resource-intensive growth have forced China to upgrade its industry. This has been achieved via innovation, structural and spatial shift with exploration of new domestic and international markets. According to National Bureau of Statistics of China<sup>17</sup>, average annual wage of employee has increased by 16.2% in 2000 - 2014 AD, motivating relocation of manufacturing capital. Similarly, China's export to European Union and Japan has slightly decreased in 2013 and 2014, creating a necessity of exploration of new markets. Pollution and pursuit for sustainable development will pressurize restructuring of Chinese industries.

### **Belt and Road Initiative: Collective, Outward and Inclusive?**

China is set to play a new and more active role in global arena through Belt and Road Initiative. Belt and Road Initiative proposes a new initiative for deeper international cooperation and open development. The principle of this initiative states:

This initiative is harmonious and inclusive. It advocates tolerance among citizens, respects the paths and modes of development chosen by different countries, and supports dialogue among different civilizations on the principle of seeking common ground while shelving differences and drawing on each other's strengths, so that each country can coexist in peace for common prosperity.<sup>18</sup>

Economic globalization in one hand has brought benefits in form of commodities, capital, and services to least developed countries. On the other hand, the smaller States perceive the impact of this global economic interchange as an integrated but unequal economy. Belt and Road Initiative has principled harmonious, inclusive and non-interference approach that has attracted most of the countries to participate and gain appropriate benefits accordingly. Belt and Road Initiative has attained a

---

<sup>15</sup> Ibid.

<sup>16</sup> Liu & Dunford (n 6), p. 333.

<sup>17</sup> *National Bureau of Statistics of China* available at <http://www.stats.gov.cn/english/statisticaldata/annualdata/>, accessed on 9 September 2018.

<sup>18</sup> State Council of Peoples Republic of China (n 1).

collective interest but also needs to assure provisions for inclusive development which addresses issues of unequal but integrated economies.

### ‘West Development’ and Nepal

The State Council of PRC launched western development strategy in 1999 AD. Chinese State Council states that the western development strategy should continue and strengthen coordination with other major strategies like Belt and Road Initiative and Yangtze River economic belt.<sup>19</sup> One of the most important flagship projects of BRI is the China-Pakistan Economic Corridor (CPEC), which links Kashgar in Xinjiang, an autonomous region of West China, with Gwadar port of Pakistan. Tshering Chonzom Bhutia writes that 10<sup>th</sup> Tibet People Congress announced the launch of ‘Himalayan Economic Rim Project’ in 2015, which refers to ports (land) in Tibet Autonomous Region (TAR) including Zham, Kyirong and Purang economically supported by Shigatshe and Lhasa.<sup>20</sup> National Development and Reform Commission (NDRC) of China envisions promoting border trade, tourism and culture cooperation between TAR and Nepal. To this point, the commission emphasizes on:

The geographic advantage of Yunnan province, advancing the construction of internal transportation corridor connecting China with neighboring states, developing a new highlight of economic cooperation in the Greater Mekong sub region, and make the region a pivot of China’s opening up to the South and South-East Asia.<sup>21</sup>

China has prioritized western development strategy by linking with BRI. In regards to connection with Nepal, there are three different models discussed in various phases of time:

1. A regional connectivity through Bangladesh-China-India-Myanmar (BCIM) economic corridor, which connects Yunnan province of China with Myanmar, Bangladesh and East India, is a top priority. This is also the first model under consideration. Gaurav Bhattarai underscores Chinese scholars’ belief that Nepal shall participate in BCIM.<sup>22</sup> Now, BCIM has become BCIM+N, where N is for Nepal. Madhukar SJB Rana argues that Nepal shall take advantage of mid-hill east-west highway and link it to Uttarakhand and Sikkim states of India to create a greater Himalaya economic corridor, which comprises the second model, by extending the economic corridor to Bhutan and Nepal.<sup>23</sup> Trilateral cooperation

<sup>19</sup> ‘State Council Approves Western Development Plan for 2016-2020’, 24 January 2017, State Council of the People’s Republic of China available at [http://english.gov.cn/policies/latest\\_releases/2017/01/24/content\\_281475550264960.htm](http://english.gov.cn/policies/latest_releases/2017/01/24/content_281475550264960.htm), accessed on 14 September 2018.

<sup>20</sup> Tshering Chonzom Bhutia, ‘Tibet and China’s Belt and Road’, *the Diplomat*, 30 August 2016 available at <http://thediplomat.com/2016/08/tibet-and-chinas-belt-and-road/>, accessed on 13 September 2018.

<sup>21</sup> ‘Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road’, 28 March 2015, National Development and Reform Commission (NDRC) available at [http://en.ndrc.gov.cn/newsrelease/201503/t20150330\\_669367.html](http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html), accessed on 11 September 2018.

<sup>22</sup> Gaurav Bhattarai, ‘Roads Not Taken’, *Republica*, 26 April 2017 available at <http://www.myrepublica.com/news/18849/>, accessed on 10 September 2018.

<sup>23</sup> Madhukar SJB Rana, ‘Trans-Himalayan Economic Corridor: Nepal as a Gateway’, 2 February 2017, Observer Research Foundation available at <http://www.orfonline.org/research/trans-himalayan->

among China, India and Nepal, where Nepal acts as a bridge between China and India, is another plus point. Rana says that Nepal has clearly wished to act as a land bridge between Central, South and South East Asia<sup>24</sup>.

2. Bilateral cooperation between China and Nepal through connection of China and Nepal through railways is the next priority and also, the third model. Prof Dai Yonghang says that expansion of railway from TAR's Shigatse through Kirong-Rasuwadhi port up to Kathmandu, Pokhara and Lumbini will mutually benefit both China and Nepal.<sup>25</sup> Liu Yongfeng emphasizes that the Kirong port construction, Khasa port reconstruction in a scientific way, and Lhasa airport improvement and consolidation are must.

### Comparative Necessity: Regionality and Specificity

The Western development strategy links Western provinces and autonomous regions of China with Belt and Road Initiative. Tibet Autonomous Region is of uttermost importance to Nepal as it envelops Nepal from north and directly connects to Nepal through Kirong-Rasuwadhi port. Although other provinces are important, Nepal's major trade activities and economic planning will prioritize Tibet rather than other provinces. It is so because Tibet will be directly connected via Belt and Road Initiative.

TAR is surrounded by other provinces and autonomous regions like Yunnan and Sichuan from east and Xinjiang and Qinghai from north. Due to this direct connectivity with TAR, these other provinces and autonomous regions also become equally important to Nepal. The agricultural, industrial and service competency of these adjoining states will help in understanding their economic strengths and necessities. In addition, study of these adjoining geography will help to understand what TAR is importing and exporting.

In addition, Xinjiang connects to Gwadar port of Pakistan from Kashgar via China-Pakistan economic corridor. The connectivity through Central Asia to Europe also passes through Urumqi city of the same autonomous region Xinjiang. Similarly, Yunnan province connects to East Asia (Myanmar) and South Asia (Bangladesh, India) through BCIM economic corridor. Kunming city of Yunnan province connects with Mandalay (Myanmar), Dhaka (Bangladesh) and Calcutta (India). Similarly Sichuan province connects both Yunnan and Tibet which is the hometown of great Chinese leader Deng Xiaoping and ranked first in economic strength in whole west China<sup>26</sup>.

After connecting in Belt and Road Initiative, Nepal must prioritize its focus in this special Western region with provinces and autonomous regions discussed above to

---

economic-corridor-nepal-as-a-gateway/, accessed on 11 September 2018.

<sup>24</sup> Ibid.

<sup>25</sup> Dai Yonghang, 'India will join BRI', *Annapurna Post*, 12 September 2017 available at <http://annapurnapost.com/news-details/80032>, accessed on 13 September 2018.

<sup>26</sup> 'Briefing of Sichuan', *the People's Government of Sichuan Province* available at [http://english.sc.gov.cn/SichuaninPerspective/BriefingaboutSichuan/200711/t20071121\\_226953.shtml](http://english.sc.gov.cn/SichuaninPerspective/BriefingaboutSichuan/200711/t20071121_226953.shtml), accessed on 10 September 2018.

obtain maximum benefits.

The population of TAR in 2015 AD was 3.24 million. Among them, 0.9 million (27.78%) are urban residents whereas 2.34 million (72.22%) are rural residents. TAR's Gross Domestic Production (GDP) was 102,639 million Yuan in 2015 with an increase of 10.21% from the previous year. The highest contribution towards TAR's GDP was from the 'construction' sector, which amounted to 30,631 million Yuan (29.8% of the GDP). Traditionally, a rural region with very high rural dwelling, TAR is gradually converting into urbanized region. Beth Walker shows that various construction projects in TAR are concentrated in the sector of hydropower, river diversion and infrastructure development like railway lines.<sup>27</sup> There is a gradual shift from TAR's rural dwelling to fast, urbanized and industrialized centers. The extension of Qinhai-Tibet railway from Lhasa to Shigatse, and further to Kirong (Nepal's border) from Shigatse by 2020 AD will modernize and accelerate the pace of lifestyle in TAR. This shift and development in TAR is gradually making this region an important asset for Nepal's development opportunities in different economic sectors like agriculture, industry and service in conjunction with adjoining provinces and autonomous regions.

## Agriculture

In agricultural production, Tibet produced 5,000 tons of rice, 234,000 tons of wheat and 8,000 tons of corn in 2015 AD. The population of Tibet was 3.24 million in 2015. Amount of rice per person is 0.001 tons (5000/3.24 million), wheat per person is 0.072 tons (234,000/3.24 million) and corn per person is 0.002 tons. This is very less production compared to the high number of population dwelling in rural area. Other agricultural products like beans, tubers, rapeseeds are also produced in comparatively lesser quantities in TAR. Similarly, fruits like apple (6000 tons), citrus (1000 tons), and pears (1000 tons) are also produced in lesser quantity. Nepal has ample opportunities to export these agricultural products in Tibet. While planning for export of these products, Nepal shall analyze production capacity and pricing of these products in adjoining provinces too to benchmark product cost and quality.

SN	Province	Production (10,000 tons)					Population (millions)
		Rice	Wheat	Corn	Sugarcane	Rapeseeds	
1	Yunnan	659.7	90.6	747.3	1930	56.1	47.42
2	Sichuan	1552.6	426.3	765.7	54	238.5	82.04
3	Xinjiang	65.1	698.3	705.1		10.8	23.6

**Table 1: Food production and population in 2015**

Source: National bureau of Statistics of China, 2015

<sup>27</sup> Beth Walker, 'China Plans More Dams and Mega Infrastructure in Tibet', *the Third Pole*, 21 March 2016 available at <https://www.thethirdpole.net/2016/03/21/china-plans-more-hydro-projects-and-mega-infrastructure-in-tibet/>, accessed on 12 September 2018.



In Yunnan, amount of per person rice is 0.14 tons, wheat is 0.02 tons, corn is 0.15 tons, sugarcane is 0.4 tons and rapeseed is 0.01 tons. Similarly, in Sichuan, amount of rice per person is 0.19 tons, wheat is 0.05 tons, and corn is 0.09 tons. In Xinjiang, amount of rice per person is 0.02 tons, wheat is 0.3 tons and corn is 0.3 tons. Tibet has less production of foods.

Nepal has high opportunity of exporting agricultural items like rice, wheat and corn to TAR. In countries with rice as a staple part of the diet, the World Food Program provides, on average about 400 grams of rice per person, per day which yields to consumption of 0.146 tons of rice per person per year.<sup>28</sup> Sichuan has optimum production whereas Yunnan, Xinjiang can also be appropriate places for rice export. Wheat also has equal opportunity for export even in Yunnan and Sichuan. Corn can also be exported to Sichuan.

Statistical pocket book of Nepal mentions about production of paddy, wheat and maize in different geographic areas of Nepal.<sup>29</sup> The geography is divided into three different categories or regions namely Himalayan, Hills and Terai. Total production in these different geographies with population is shown herewith.

SN	Region	Agricultural Products (Tons)			Population (2011)
		Paddy	Wheat	Maize	
1	Mountains	157,348	98565.5	194115.9	17,81,792
2	Hills	13,53,876.7	677,460	17,51,199	1,13,94,007
3	Terai	37,56,248	13,97,142.2	414505.3	1,33,18,705

**Table 2: Agriculture products of Nepal in 2014/2015**

Source: *Statistical Year Book Nepal, 2015*

The amount of per person paddy in Nepal is 0.19 tons. The amount of wheat per person in Nepal is 0.08 tons and maize per person is 0.09 tons. A report from crop development directorate, Nepal states that Terai region accounts for 70% of rice output, hills produces 26% and Himalayan region does 4%.<sup>30</sup> Production in Hilly and Himalayan region is lower as compared to number of people dwelling there. It means the per person index in hilly and Himalayan regions is not sufficient to export rice currently. In 2014/2015, Nepal imported rice worth Nepali Rupees (NRs.) 15,612

<sup>28</sup> *Free Rice* available at <http://freerice.com/content/how-much-rice-does-it-take-feed-person-day-how-many-grains-rice-gram>, accessed on 13 September 2018.

<sup>29</sup> Government of Nepal, National Planning Commission Secretariat, Central Bureau of Statistics, *2015 Statistical Year Book Nepal*, Central Bureau of Statistics, Kathmandu, 2016.

<sup>30</sup> Government of Nepal, Ministry of Agricultural Development, Department of Agriculture, Crop Development Directorate, *Rice Varietal Mapping in Nepal: Implication for Development and Adoption*, Crop Development Directorate, Lalitpur, 2015.

million from India.

Nepal itself is importing rice from other countries but enhancement of production capacities will generate enough opportunity of exporting rice to TAR of China which will be facilitated by the easier connectivity through BRI. The Eastern and Central regions of Terai have high production compared to other regions of Terai. Districts like Jhapa, Morang, Sunsari, Saptari, Siraha of Eastern Terai and Dhanusa, Rautahat, Bara, Parsa and Chitwan of Central Terai contribute a significant role on production. Infrastructure connectivity from eastern Terai to Himalayan regions of Nepal is very necessary for export. Similarly, Maize from Hilly region can also be exported to TAR. Eastern, Central and Western hilly regions share larger contribution to Maize production in Nepal. Ilam, Bhojpur, Khotang of eastern hills, Ramechhap, Sindhuli, Kavrepalanchowk, Makwanpur of central hill and Tanahun, Syangja, Baglung, Gulmi districts of western hill can act as exporter of Maize to TAR of China. Similarly, infrastructure connectivity between hill and Himalayan can play significant role in export of these products.

## Livestock

In livestock, TAR produced 15,000 tons pork, 165,000 tons beef, 82,000 tons of mutton, 300,000 tons of cow milk and 500 tons of poultry eggs in 2015 AD. Per person index for pork is 0.004, beef is 0.05, mutton is 0.025, milk is 0.09 and egg is 0.0001. Due to high meat eating habit, the production of pork, mutton and egg is not sufficient in TAR. There are adjoining provinces which have significant impact on distribution of such products in TAR.

S N	Province	Production (10,000 tons)					Per Unit production (production / population) tons					Popln (mlns)
		Pork	Beef	Mutton	Cow Milk	Egg	Pork	Beef	Mutton	Milk	Egg	
1	Yunnan	288.6	34.3	15	55	26.5	0.06	0.007	0.003	0.01	0.005	47.42
2	Sichuan	512.4	35.4	26.3	67.5	146.7	0.06	0.004	0.003	0.008	0.01	82.04
3	Xinjiang	33.1	40.4	55.4	155.8	32.6	0.01	0.017	0.023	0.06	0.013	23.6

**Table 3: Livestock and per unit in 2015 AD**

Source: *National bureau of Statistics of China, 2015*

Similarly, pork production in Xinjiang, beef and mutton production in Yunnan, Sichuan, and Xinjiang, milk in Sichuan and egg in all three provinces are produced very less compared to their respective population.

Statistical Year Book of Nepal (2015) shows the status of livestock production in Nepal. Nepal produced 333,741 tons of meat and 87.9 million numbers of eggs in 2014/2015. The highest meat production in 2015 was of buffalo as 191,413 tons, mutton and goat combined as 69,920 tons and pork as 22,148.5 tons. Per unit production for buffalo meat is 0.007, Mutton is 0.002 and pork is 0.008. Cultural and religious differences

in Nepal make people eat distinct meat type but no consideration has been given to compute actual index of supply capacity. Per unit index of egg in Nepal is 33.2 (which means an individual had 33.2 eggs in 2015 AD). The production capacity of Nepal is not sufficient to export livestock and eggs to TAR.

Nepal can enhance production capabilities in agricultural products like rice, maize and connect Terai region with mountainous region of Nepal through proper infrastructure to enable export of Nepali agricultural products to nearby regions of China. Similarly, enhancement in production of livestock is also favorable for Nepal as the production capacity of TAR and nearby provinces provides great opportunity for Nepal to export livestock.

## Industry

As per China's national bureau of statistics, the contribution of industry in TAR's Gross Domestic Product (GDP) was 6.8% in 2015 AD which counts to 6,988.00 million Yuan. The industrial sector of TAR is also not very strong but adjoining provinces and autonomous regions are very strong in industrial sector. Industry is the largest contributor of GDP for Sichuan, Yunnan and Xinjiang. Sichuan contributes 37% to GDP comprising 11,03,908.00 million Yuan, Yunnan contributes 28% comprising 3,84,826.00 million Yuan and Xinjiang contributes 29% comprising 2,74,071.00 million Yuan from industries. The highest contributor in TAR's GDP is construction sector with 29.84% worth comprising 30,631.00 million Yuan. Although highest contributor is construction sector, production of cement in TAR is not satisfactory. TAR produced only 4.67 million tons cement in 2015 AD. However, production capacity of cement in adjoining provinces and autonomous regions is very high. Sichuan alone produced 140.91 million tons of cement having worth of 232,138.00 million Yuan.

Investment Board Nepal (IBN) reports 10% growth in cement industry annually with current shortfall in domestic production to meet the increasing demand. Industry is not very strong in TAR but comparatively adjoining provinces and autonomous regions are strong<sup>31</sup>.

## Tourism

Tourism has increased opportunities after connectivity through BRI. The disposable income of household in adjoining regions of China is increasing. TAR's average disposable income was 12,254.3 Yuan, Yunnan's was 15,222.6, Sichuan's was 17,221 Yuan, and Xinjiang's was 16,859 Yuan respectively in 2015 AD; and it is lucrative to Nepal. Following table shows net source of income for these regions in 2015 AD.

---

<sup>31</sup> *Manufacturing Sector Profile*, Investment Board Nepal, Kathmandu, 2017.

Province / Autonomous region	Wage / Salary	Business	Property	Finance / Transfer
Tibet	6,227.1	3,956.8	498.8	1,571.6
Yunnan	7,067.7	4,051.4	1,644.8	2,458.6
Xinjiang	8,610.8	3,697.8	1,073.7	3,838.6
Sichuan	9,107.6	4,204.3	676.4	2,870.8

Table 5: Types of income

Source: National bureau of Statistics of China, 2015

The highest contribution of net income for all four provinces and autonomous region is salary and wage; and working people constitute maximum net income. The BRI connectivity will further diminish traveling cost and provide beautiful traveling experience through Himalayan region. In addition, domestic tourism is also high in this region. Yunnan had 1.5 million and Sichuan had 0.79 million person-times domestic visitors in 2015 AD. These domestic visitors are also probable customers as tourist in Nepal. Nepal can devise packages for adjoining provinces like Yunnan and autonomous regions like Xinjiang.

## Finance

Financial sector also needs assessment after the connectivity through BRI. Insurance is also one such sector which needs serious assessment after this connectivity. Currently most of the goods are transported to Nepal through land and sea. Goods imported from third country (outside India) also first come through sea than through land route to Nepal. Insurance applicable to goods are also devised accordingly. But after connectivity through BRI, the mode of transportation will change into railways and/or roadways. This shift is important for diversification of national economy towards global access that will have two distinct impacts: firstly, the provision and premiums of insurance will change, and secondly, Chinese insurance companies will also participate in this trading.

The insurance sector of TAR and adjoining regions is big. The premium of primary insurance was 1,736 million Yuan in Tibet, 43,460 million Yuan in Yunnan, 126,731 million Yuan in Sichuan and 36,743 million Yuan in Xinjiang in 2015 AD. This totals to 208,760 million Yuan of capital in neighboring region of Nepal. This capital can be invited through joint partnerships to direct investments in various sectors of Nepal. Physical connectivity and such generated activities create opportunities for financial connectivity.

## Challenges

A likely way to acquire competitiveness in Nepali products is through the low transportation costs. Construction of public goods like roads are necessary to connect Terai region with mountainous region of Nepal that will facilitate in the export

of relevant products to neighboring provinces of China. However, the increasing land prices, which raise the cost of infrastructures, ultimately increase the cost of export commodities. Least contribution to regional GDP in Tibet is from 'Real State' sector, which contributed 2.85% in 2015. Despite the low contribution, the amount worth 2,933.00 million Yuan, which is high compared to Nepal's economy. There is a prominent threat of spillover of this money, especially in bordering regions. If Nepal gains from infrastructure development spillover, even small percentage of it can raise land prices ultimately making such projects expensive. The challenge of Nepal government remains in tracking of such inward capitals, which mostly come in hidden forms.

Nepal's major unit of analysis for economic development is Tibet, which demands study of adjoining provinces. The adjoining provinces like Yunnan and autonomous regions like Xinjiang are further connected with other countries. The scope increases due to Xinjiang's connection with Pakistan (China-Pakistan economic corridor) and Central Asia and Yunnan's connection with Myanmar, Bangladesh and East Asia. The study shall gradually encompass Pakistan, which is connected to Tibet through Xinjiang, Myanmar, which is connected to Tibet through Yunnan and Central Asian countries, which are connected to Tibet through Xinjiang.

### **Channels to Consider**

Physical connectivity paves way for interchange of goods and services. BRI also acts as such connectivity for interchange of goods and services between Nepal and China. Nevertheless, channel utilized to achieve such interchange is also equally important. Most examples show that Chinese projects are based on a G2G level (government to government). However, there is a gradual shift in ownership of enterprises in Chinese economy. Among 9,441 enterprises in TAR in 2015 AD, nearly 72% are private holdings with highest contribution and only 10% are state owned. Similarly, 82% in Sichuan, 76% in Yunnan and 82% in Xinjiang are private holding enterprises. This shift in Chinese economy, especially in the Western part of China, is very crucial to understand for countries like Nepal. Nepali government shall motivate Nepali private sectors to participate as a prominent channel in this connectivity. Though G2G channel has importance in various sectors of development, the role of E2E (enterprise to enterprise) channel can't be ignored. This channel can produce more enterprise to enterprise level relations in TAR and adjoining provinces.

### **Conclusion**

Nepal's connectivity through BRI provides immense opportunities. Such opportunities shall prioritize 'regionality' to directly connect TAR and adjoining regions like Xinjiang, Yunnan and Sichuan in specific areas like agriculture, industry, finance and tourism. There is immense opportunity in areas like agriculture, livestock, tourism and finance with challenges of managing spillover of backdoor capitals too. The motivation of enterprises for 'Enterprise to Enterprise' (E2E) channels of cooperation is also necessary to obtain benefits from BRI.