

**Speech by Mr. Chandi Raj Dhakal (Vice President, SAARC CCI - Nepal Chapter)**  
at **2018 Chengdu Dialogue**, Opening Ceremony, 17 September 2018  
on "Chengdu Dialogue South Asia (Pan-Asia) Production Capacity Cooperation"

**Topic: "General Investment Environment, preferential policy, political situation,  
project information"**

(Note: Time allocation for the Speech: 10 minutes)

**Chairperson of the Programme**

**Distinguished leaders of Chengdu Municipal People's Government,**

**Distinguished leaders of Chengdu Municipal Commission of Commerce,**

**Distinguished leaders from participating countries,**

**My fellow colleagues from SAARC Chamber of Commerce and Industry**

**Distinguished Businessmen from China,**

**My fellow businessmen colleagues from Nepal,**

**Guests and Participants,**

**Friends from Media,**

**Ladies and Gentlemen,**

- I feel honored to be invited here at Chengdu Dialogue and to participate at this meaningful South Asia-China cooperation. I, on behalf of SAARC CCI – Nepal Chapter and the Federation of Nepalese Chambers of Commerce & Industry (FNCCI) would like to express my gratitude to the organizers of the meeting, especially to Chengdu Association for Foreign Trade and Economic Cooperation (CAFTEC), and SAARC Chamber of Commerce and Industry (SAARC CCI) for providing me the valuable opportunity to express few words.
- China is the second largest economy of the world, gearing towards being the largest in a couple of years. China holds an immense capacity to provide the much-needed foreign direct investment, especially in the least developed and developing regions of the world. The Belt and Road Initiative (BRI) forwarded by China, and supported by more than 60 nations of the world, has brought a tremendous opportunity in the modern age, in bringing paradigm shift in the way nations do business, and integrate the world with a new vigour that has not been seen in the history.
- Integration of economies among South Asia, Pan-Asia, Eurasia, Central Asia, Africa, Europe and beyond, means a lot for the development prospects at the global level. South Asian region, which is one of the least integrated regions in the world, sees this as the great opportunity to march towards greater prosperity, harmonious integration and wellbeing of its people.

## **General Investment Environment and preferential policy for investment in Nepal:**

- South Asian, including Nepal, is a vibrant region endowed with the demographic dividend of abundant young population. The growing economy of this region requires tremendous amount of investment for its energy, infrastructure, and socio economic development.
- Nepal, situated between two tiger economies -- China and India – holds huge potentials of becoming a transit economy, not only between China and India, but reaching beyond to whole South Asia.
- The government of Nepal, through policy reforms has been encouraging foreign investment along with incentives. The private sector of Nepal, in close cooperation with the government, is very active in facilitating conducive environment for the promotion of bilateral and multilateral trade and investment. Sectors like Energy including hydropower, tourism, infrastructure, agro-based industries, ICT, services, among others, Nepal has prioritized for foreign investment.
- China is one of the major source nations of FDI in Nepal. According to the statistics from the Department of Industry of Nepal, there are around 1,323 ongoing Nepal-China joint venture projects like Agro and forestry, construction, energy based, information technology, manufacturing, mineral, service and tourism. Among these projects, the highest number of projects is in Tourism (460 projects), followed by service sector (411), manufacturing (265), Agro and Forestry base (100), Mineral (49), Energy based and IT both having 10 projects each, and so on.

## **Investment Environment in Nepal**

### **Investment Environment in Hydropower:**

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- Now Nepal possesses stable political situation and, the current government runs for 5 years. Policies are being revised/amended for creating sound investment climate in Nepal. Hydropower is the largest available renewable energy resource of Nepal. Nepal has a theoretical potential of approximately 83,000 MW, out of which economically viable hydropower capacity is 42,000 MW. At present, the installed capacity is only 800 MW. The governments of Nepal and India has a Power Trade Agreement (PTA) to enable government-to-government (G to G) cooperation on a number of power sector activities including transmission interconnections, grid connectivity, power exchange and trading. The PTA gives Nepal access to the Indian Power Market which is expected to exceed 700 GW by 2031. Work on cross-border transmission lines is also being discussed.
- Government of Nepal has granted various benefits and incentives, for investment in this sector, such as: Income Tax Rebates, Concessional Rates of Customs, Duty, Excise Duty and Refunds. All governments and political parties have

agreed that hydropower is a national priority sector. As per the present Act, the hydropower company will be tax free for first ten years of generation, and will be levied 50 % of corporate tax for years 10-15, and only thereafter will be taxed as per other corporations. 100% profit repatriation is permissible by law.

### **Transmission System**

- Cross-border inter-connections took a step forward recently, with the commissioning of Dhalkebar- Muzaffarpur transmission line between Nepal and India. Several cross-border transmission links are proposed and are currently being studied. The NEA's transmission system is comprised of a 132 kilovolt (kV) overhead line running from east to west through the Terai.
- **Tourism Sector:**
  - China is the second largest source of foreign tourists to Nepal. In 2017, out of over 940 thousand total tourist arrival in Nepal, over 100 thousand tourists were Chinese tourist that is 11 percent of the total tourists, and this number is in growing trend. Government of Nepal has announced observing 2020 as Visit Nepal Year with the goal of welcoming 2 million tourists. China has designated Nepal as the first tourist destination in South Asia for its people. The Government of Nepal has waived visa fees for the Chinese tourists.
  - Nepal has road connectivity with China via Rasuwagadhi and Zhangmu for trade and international travelers. There are 4 other border points designated for bilateral trade. Nepal has direct air link with Lhasa, Chengdu, Kunming, Guangzhou and Hong Kong SAR of China. All these shows that tourism sector is a vital sector for investment, especially on investment in tourism infrastructures, such as airports, hotels and resorts, recreational/ entertainment/ theme parks, cable cars, and so on.

### **Manufacturing sector:**

- The government of Nepal has provided tax concessions on various manufacturing industries, depending on the capital investment, number of direct employment, etc. for example: Special industries providing direct employment to Nepalese citizens only for a year with minimum of 100 people employed will enjoy 70% tax of normal rate. For more than NRs.1 billion capital investments that provides direct employment to more than 500 people throughout the year will have full (100%) tax holiday for first 5 years and 50% tax rebate for next 3 years from the date of commencing business.

### **Cement is one important emerging subsector for investment:**

- Nepal's cement requirements have increased rapidly in recent years, thanks to the growth in infrastructure projects. With this growth in demand and the abundance of good quality limestone deposits, the prospects for cement manufacturing firms are huge. Cement companies have reported a growth in sales of 10–15% each year. To cash in these prospects, many companies are diversifying into cement industries, while existing factories have enhanced their production capacity. The

overall cement industry (production of cement) has been growing at around 10% annually. In the prospect massive infrastructure projects in pipeline as a part of road and railways connectivity under One Belt One Road framework.

#### **Nepal- China Trade Prospects:**

- China is a major trading partner of Nepal. But there has been huge trade deficit of Nepal in trade with China. Year 2016/2017 showed around US\$ 1209.3 million trade deficit. In that year, Nepal exported US\$ 17 million worth of goods to China, while it imported US\$ 1226.3 million worth of goods from China.
- We need to focus on enhancing the much-needed trade facilitation environment. To reduce trade gap and increase Nepal's exports to China, we welcome Chinese investment in the industries that exports goods back to Chinese, South Asian, and world markets. Nepali traders face a number of procedural problems while exporting products to China. Although traders submit the certificate of origin authorized by the FNCCI, many traders say they are not receiving fully the DFQF facility in China, because of many reasons; such information about it is not well available to many ports of entry/ customs points in China.

#### **BRI and potential development of connectivity: \_\_\_\_\_**

- Besides many other projects, the most talked about and long awaited Kerung-Kathmandu railway, under China's Belt and Road Initiative (BRI or OBOR), is the most significant and of landmark importance. China is planning to extend the Tibet-Qinghai railway which expected to reach Nepal's border at Rasuwagadhi via Kerung in China, by 2020, and further extending to Kathmandu – Pokhara – Lumbini. Nepal's government has ambitious plans to build 4,000 kilometres of railways across the country, including tracks from the northern Tibetan plateau in China to the plains of the river Ganga in India. China's belt and road initiative (BRI) opens up new vistas of opportunities for South Asian economies to step into the unprecedented economic development by bridging the infrastructure gap and connecting the nations of this region via land, sea and internet. We are glad that so far 65 countries, including Nepal, have supported President Xi Jinping's Belt and Road Initiative of reviving ancient silk route via land and the 21st century maritime silk route via sea, for the bright future of the world with new paradigm of global connectivity and relations for shared prosperity.

#### **Political Situation of Nepal: Favorable for investment:**

- Recently, Nepal has gone through a historical phase and change with the promulgation of new constitution, restructuring of the nation in the federal system, and gearing up towards lasting peace, stability and economic prosperity.
- Now we have the stable government, led by Rt. Hon'ble Prime Minister Mr. K. P. Sharma Oli, making a major agenda such as: Economic growth, employment generation and good governance. We very much look forward that under this favorable environment, Nepal would move ahead with an added economic vigour. The federal system of government in Nepal now has three tiers of

governments: at the centre, at provincial level, and at local municipality and village level. There is the plan of rapid urbanization at the municipality level, many of them are seeking to build smart cities.

### **Project Information:**

- I am glad to inform you that businesspersons participating in this Dialogue conference from FNCCI SAARC CCI Nepal Chapter delegation, comprising of 19 delegates with their 28 projects for matchmaking with the prospective partners is a good indication of our partnership in the days ahead.
- I would like to briefly highlight the nature of the 28 projects that we brought to Chengdu for cooperation. There are 10 projects on Hydropower, 2 on cement, 2 on construction material industry, 3 on agriculture, 2 on Education, 1 on Research Organization/ Laboratory, 5 on Tourism/Hotel/ Resorts, and 1 each for Paper and Office Supplies, 2 Manufacturing and Media:

#### **Hydropower:**

1. DudhKoshi 4HPP (102MW) Hydropower
2. Super Syar Landan Khola (102.5 MW)
3. DudhKoshi 4HPP (47MW)
4. Mid Hongue Khola-B Hydropower Project (22.9MW)
5. Mid Hongu Khola A - Hydropower
6. Mid Hongu Khola B - Hydropower
7. Middle Kaligandaki Hydropower Project (HEP)
8. Maulakali Cable Car Project
9. Ankhu Hydro Power Project (AHP)
10. Kaligandaki Gorge Hydropower power Project (KGGHP)

#### **Cement:**

11. Gorkha Cement
12. Gurans Cement Industry

#### **Other construction Material industry:**

13. Semi Automated Concrete Industry
14. Brick Industry

#### **Agriculture:**

15. Technology improvised farming
16. Agriculture "Poultry Farm
17. Multilayer Agro Farming

#### **Education:**

18. Skill Enhancement School
19. Education "School"

#### **Research Organization/ Laboratory**

20. Contract Research Organization for Pharmaceuticals and Food Products.

**Tourism/Hotel/ Resorts:**

- 21. Resources Himalaya Boutique Resort (RHR)
- 22. A B Hotel
- 23. Tourism "Hotels"
- 24. Grand Resort and Spa
- 25. Amusement & Water Park Project

**Paper and Office Supplies:**

- 26. Paper Converting and Paper Office Supplies

**Manufacturing:**

- 27. Manufacturing

**Media:**

- 28. Nepal Republic Media

- Before concluding, I would like to express my confidence that the 2018 Chengdu Dialogue would be an important platform for sharing views and connecting for project cooperation for shared prosperity. In this regard, I would like to invite all the participants for their active participation in the two-day dialogue program, and seek towards achieving maximum number of tangible projects cooperation among ourselves during the forthcoming B2B sessions.

Thank you!