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Future Connectivity- *Chinese One Belt, One Road*: Prospects and Implications to Nepal

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Abstract

One Belt, One Road (OBOR) that is a Belt and Road Initiative (BRI) is a connectivity approach of China with the objectives of integrating 68 countries of the world by road and maritime for new connectivity, new trade flow and new world order for Asia Pacific and Europe. At initial level, Nepal was not a part of OBOR. In recent years, Nepal is a part of BRI. In this context, BRI is a key concern of Nepalese economy, trade and investment in the constraint of the geopolitical blocked for better connectivity beyond Neighbor Countries, India and China. This paper has a curiosity whether BRI will have better connectivity for great trade prospects and its positive implication to Nepal. This paper examines this research question with the secondary data base of foreign trade by employing Econometric Model based on Gravity Model and descriptive statistics. Based on the assumptions, BRI is a good opportunity for better connectivity, better regional integration and accessibility, better and fast transportation with minimum value addition and tremendous market access and size. As result, it is an opportunity for export trade if Nepal has exportable items but there is a pressure of import trade. In tourism, it will have positive implications with 441.8 million Rs income from 0.6 million Chinese tourist arrivals, along with investment and technology transfer, despites dept trap risk. Therefore, OBOR may be a better prospect.

Key Words: *OBOR, BRI, Trade, Tourism, Investment, China, Nepal* etc.

1. Context

Trade is a most powerful driver to change “miracle” in the economy (Bista, 2005 and Bista, 2016). Its example is Chinese Economy, which has galloping jump to \$8.227 billion (2012) from \$150 billion (1978) with 10 percent growth rate. In 2017, it reached 12.24 trillion USD with 18.54 percent export–GDP ratio (WB, 2018). Thus, China has adopted export intensive trade growth aggression policy to expand Production Possibility Curve of her economy outward more and more through One Belt, One Road (OBOR) connectivity initiative.

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³ Tribhuvan University is a public university established by the Government of Nepal in 1959 A.D with an objective of higher education promotion and production of highly qualified human resources. The university is the oldest university in Nepal and the tenth largest in the world in terms of enrollment. Till 2018, it has 60 constituent campuses and 1084 affiliated colleges across the country (see its details in websites: tribhuvan-university.edu.np).

Table 1: OBOR countries and regions

Regions	64 countries
Starting	China
8 countries in South Asia	Pakistan, Bangladesh, Sri Lanka, Afghan, Nepal, Maldives, Bhutan
11 countries in Southeast Asia	Mongolia, Russia, Indonesia, Thailand, Malaysia, Vietnam, Singapore, Philippines, Myanmar, Cambodia, Laos, Brunei, East Timor
5 Central Asia Countries	Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan
16 Countries and eastern European countries	Poland, Rumania, Czech Republic, Slovakia, Bulgaria, Hungary, Latvia, Lithuania, Slovenia, Estonia, Croatia, Albania, Serbia, Macedonia, Bosnia and Herzegovina
Six States of the CIS	Ukraine, Azerbaijan, Armenia, Belarus, Georgia, Moldova
Other Countries	Mongolia, Russia

Source: World Bank, 2018

One Belt One Road (OBOR) is a modified version of the Belt and Road Initiative (BRI). It is called the Silk Road Economic Belt and the 21st century Maritime Silk Road. This is a road and maritime connectivity through which China make a future economic corridor of 68 countries population and 40 percent of Global GDP for trade, investment and market(see its details in Table 1). Let us imagine its unimaginable market size, trade volume, hugeness of investment and harness of the unexploited resources. Whatever prospects, such connectivity is a pull factor of economic affair and flow towards China for Chinese Dominance and Role in the world's affairs. In 2013, Chinese President Xi Jinping initiated this approach for innovative integration for economic corridor. Its initial focus is on mega infrastructure investment of 900 billion USD per year on road, rail, energy, internet and port from China to Asia and to Europe for next decade. Its financing modality is debt instrument. Thus, OBOR addresses connectivity and infrastructure gap and accelerate economic growth, economic flow, and resources mobility across Asia Pacific, Central, and Eastern Europe. Thus, it is a China big push belt isolating the established economic and political power leader: USA, UK, France, Japan etc.

OBOR is a new innovative idea in which China has ambitious and hidden economic goals such as developing land and maritime link to Asia Pacific and Europe, enlarging international and regional market and their demand for Chinese made products and services, reducing transportation cost on value chain of trade, ensuring energy and resources availability and security and increasing regional growth. Thus, OBOR creates new routes of shipping and road for new trade flows.

OBOR initiatives started in 2013. Then after, there are the initiatives in the world as follows: Bangladesh-China-India-Myanmar Economic Corridor (2014), China-Pakistan Economic corridor (2014), the New Eursaian Land Bridge (Western China to Western Russia), China-Mongilia-Russia corridor, China-Central Asia-West Asia Corridor, China-Indochina Peninsula Corridor, China Britain Route, East Coast Rail Link, Kumming Singapore Railway, Northern Sea Route(Ice Silk Road), Doraleh Multipurpose Port, Magampura Mahinda Rajapaksa Port, Super Grid –China, north-east Asia, southeast Asia, South Asia, Central Asia and West Asia.

2.Objectives and scope of the study

Objective of this paper is to identify the possible impacts of better connectivity and infrastructure under OBOR initiatives in Nepalese economy. Its specific objectives are to conceptualize OBOR and its initiatives in Nepal possible impacts on trade and tourism Industry through its opportunities and challenges.

To achieve above objectives, we employ explorative and descriptive research design under which qualitative and quantitative analytical tools are used. We use Gravity Trade Model for China Nepal Trade Impact and Time Series Analysis for predicting the potential tourist arrivals and inflow. Similarly, we undertake case analysis. Its data sources are secondary including Economic Survey,

Central Bureaus of Statistics (CBS) and the World Bank. This paper covers only road and rail network connectivity between China and Nepal. It is still ongoing preparation process. Therefore, the scope of the paper is quiet narrow.

3. OBOR and Nepal

Nepal has a thirsty of higher economic growth to transfer economic and social transform and to reach out the poorest of the poor for *Happy Nepali, Prospective Nepal*. By 2030, Nepal desire the 17 SDGs achievements and promote developing countries with mid income country in the world ranking (NPC, 2014). For such goal, Nepal has planned to build doing business environment, better connectivity and infrastructure development through 14 Special Economic Zones(SEZ) all over the country(at least two in each province) and constructing at least double Len black topped road networking including North-South road and rail network. Therefore, the government of Nepal has adopted *Look China Policy* as an alternative source of opportunity for it.

OBOR is a contextual relevant approach to Nepal for better connectivity and infrastructure development for trade and transit alternative to Indo Nepal road connectivity because of Indian trade and transit control and command, bad experience of Indian locked strikes in 1990 and 2015, higher cost of poor connectivity in trade and no barrier free trade, investment and cooperation. It was next step outward of bilateral agreement of China Nepal trade and transit.

However, the government was fully undecided what to do about OBOR initiatives because of a traditional geo political complexity and Indian factor. In this context, Nepal committed OBOR initiative in 2014 and signed in 2017 due to Chinese aggressive diplomatic initiation. Its goals are to connect governments, infrastructure and people and to build Nepal as South Asian gateway to China.

Nepal has initiated OBOR initiatives in road and rail connectivity within next five years as follows:

Road Connectivity (China and Nepal)(620 billion)

- Koshi Corridor (Rani-Biratnagar-Itahari-Dhankuta-Leguwachhat-Khadbari-Kimathanka) (310 km)
- Belhiya-Bhairawa- Palpa-Ramdi-Kaligandaki-Rudrabeni-Maldhunga-Beni-Jomsom-Beni-Korala(202 km)
- Thori-Bhandara-Malekhu-Galchi-Trishuli-Betrawati-Safrubeshi-Rasuwachadhi(188km)
- Bhattamod-Dhalkebar-Sindhuli-Manthali-Dolkha-Singati-Lamabgar-Lapcha(310 km)
- Birganj- Hetuda-Narayanghat-Mugling-Kathmandu-Dhulikhel-Dolaghat-Baharbase-Kodari(390 km)
- Jamunaha-Nepalgunj-Bangesimal-Khulul-Lamphu-Simikot-Hilsa(521km)
- Kechana-Charali-Ilam-Fihidim-Tablejung-Olangchudola-Dharila (359km)
- Others: Saljhani-Sandhikharka-Dhorpatan-Badehar(195km)
- Lumbini-Bhairwa-Tribeni-Dumkibas-Gadakot-Ramdi-Ridi-Tamghas-Sandhikharka-Gorusinghe-Tolihawa-Lumbini(500 km)
- Railway (180 billion)
 - Mechi Mahakali Electrical Railway(945km)
 - Rasuwa-Kathmandu-Pokhara-Lumbini Electric Railway(519km)
 - Jayanagar-Janakpur-Bardibas(69km)
 - Kathari-Biratnagar-Bathanha(13km)
 - Pharping-Budhanilkantha-Thankot-Dhulikhel-Chakrapath

Source: Economic Survey, 2018

Above OBOR initiatives construction and development will give better connectivity, better infrastructure alternatives and better trade, investment and tourism, if Nepal can complete above

OBOR initiatives on time. When we see its proposed budget, its estimate is approximately 7 trillion budgets on road and railway connectivity to three transit points in northern border with China.

4.OBOR opportunities to Nepal

Connectivity and better infrastructure reducing the cost and time of transport to expand trade

Nepal has badly experienced unconvincing higher value addition of Transport cost and time in foreign trade (export and import) and its barrier to trade flow, speed and size and to competitive option for a long (Bista, 2005, Bista 2016 & Bista 2017). Samuelson (1954) mentions transport cost and time in trade and non-trade commodities. Trade literatures explain its value respective to geographical barriers, road connectivity and shipment carriers, along with socio political barriers. This exogenous variable is heterogeneous character respect to heterogeneous geography, road and shipment carriers.

Empirical study of Hummels(1950s) argue better infrastructure reducing transport cost. Similarly, Glaeser and Kohlhase(2004) and Redding and Turner(2015) mention rail network minimizing the price per ton of commodities. It is supplemented by quality of infrastructure. Therefore, connectivity and better infrastructure reduces the cost and time of transport to expand trade.

OBOR initiatives include four Len road network Kathamndu-Kerung-Shegatshe-Lhasha and Rail network Kathamandu-Pokhara-Lumibini- Kerung-Shegatshe-Lhasha, along with North-South road network projects. Besides, there are four ports: Zhanjling(2755KM), Shenshen(3064KM), Lianyungang(3379KM) and Tianjm(3276KM) for trade and transit facilitation. Future is uncertain but it will be certain if the political willpower and strong commitment occur. We hope that the project will be a milestone to build a better connectivity and quality infrastructure.

With respect to Kolkota(774KM) and Vishakhapanam (1194KM), all Chinese ports are far from Nepal. Its transport cost and time will be more than the existing Indian ports. If China Nepal connectivity is better and Chinese government reduce transport cost and time to Nepalese import and export, it will substantially reduce transport cost and time. It facilitates trade flow led trade expansion of Nepal, FDI inflow and then domestic industrial development (Bista, 2005, Bista 2008, Bista 2011 & Bista 2016). Baier and Bergstrand (2001) explain 8 percent transport cost reduction. Nordas and Piermartinie (2004) and Shepherd et al. (2011) find the multimodal transport system contributes trade expansion with 2-5 percent. Its quantification is quiet relevant further.

Efficient Transport drives industrialization and agricultural development

Nepal desires industrialization led agriculture and service sector development for rapid higher economic growth and welfare of the poor people. However, it is just interesting *myth*, which has been for 7 decades long development plan is just never ever real. However, Nepal has not left it in national development plan and annual budgetary policy. OBOR initiatives has again made hopeful.

Either international or national firms or industry concern mainly cost and profit. In Nepal, the operational cost is unexpectedly higher due to poor infrastructure, political movements, insecurity and uncertainty led security and stock measures (ware housing), additional unnecessary employment for security and insurance cost. Domestic firms have competitive issues in market and less than normal profits. Therefore, FDI firms have also such issues to distract them to invest

in Nepal. Only special cases, FDI firms have invested with the expectation of super normal profit and then the possibility of adjustment. Otherwise, they are demotivated to invest in Nepal.

Literatures on infrastructure and industrialization argue strongly that better infrastructure reduces mainly operational cost by reducing insecurity and uncertainty issues related cost and firm inventories. Either export or import trade of Nepal needs long time to reach out its own destination because of clearance and road time. OBOR initiatives road and rail network will facilitate mass transportation of commodities and limits 38 days long. Thus, firms will have an opportunity to reduce cost and to improve product competitiveness in domestic and international market. It will facilitate the existing manufacturing industries as well as the new manufacturing industries. Thus, infrastructure development may lead industrialization and then agriculture and service sector development as propelled to higher economic growth rate, high rate of employment and welfare of the poor people.

Real sense of regional economic integration

Economic integration is today's need for collective efforts to expand free trade area (FTA) for industrialization, more FDI and large volume Trade for increasing regional and international GDP share and higher economic growth rate. Studies show a better connectivity to integrate economically the region. Its evidences are NAFTA and ASEAN. In South Asia, it is only myth. Therefore, OBOR initiatives may be relevant to Nepal's economic integration opportunities.

OBOR initiatives: road and rail network gives an opportunity to connect with the main land of China and then all South Asian countries, ASEAN countries, Europe, Middle East and Africa. This regional integration directly and indirectly provides a great opportunity to Nepal to reach out large and small markets of all these countries for export promotion, investment and resources. Thus, nearly zero trade barriers will promote Nepalese commodity inflow and outflow with more opportunities and more options for promoting trade liberalization, comparative advantage, and specialization of commodity production, technology and FDI.

Tremendous trade size and market scope

OBOR initiatives make connectivity to 68 countries having 30 trillion USD (40 percent) of Global GDP (75 trillion USD, 2017), trade and two third of total world population. It shows unaccountably tremendous trade prospects and scope as well as market integration to all OBOR countries, like Nepal. If OBOR initiatives are successful, all member countries and their two third populations will get tremendous trade and market prospects to promote higher export growth led rapid higher economic growth rate and welfare and to harness unexploited potentials of human and natural resources. Nepal is the second richest country for water resources. Its estimated potential is approximately 83000 MW and immense potentials of irrigation and clean drinking water, along with mineral resources, natural beauty of Himalayan series and human resources. Until date, its actual utilization is only 1000 MW (1.2 percent of total hydro potentials), which is not yet sufficient to meet household and industrial demands leads to the import of hydro electricity from India. Despite a present load shedding free situation, it does not assure energy security and have its spillover effects on the welfare of the people and higher GDP growth. In addition, about 28 percent population is below the poverty line (1.90 USD per day earning). About 32 percent-unemployed, population has made complicated to the poverty reduction initiation. Since Indo Nepal trade is 1:14 export-import ratio and China-Nepal trade is 1:44 export import ratio, unexpectedly expanding negative Balance of Payment (BOP) of Nepal has become as invisible and visible threat to macro-economic stability and economic growth and as undesired poor

performance of industrial, service and agriculture sector's total factor productivity. Studies have identified landlocked as barriers to reach out unlimited trade opportunities and immense raw material and energy resources to responses above development issues. Therefore, OBOR initiated connectivity and infrastructure changes Nepal as a gateway of south Asia through which it reduces landlocked barriers and provides alternative connectivity to Indian trade and transit.

Large unexploited potential and improving welfare of the people

The 14th National plan and its past plans have identified a long listed potentials, specifically water, mineral, natural beauty and human resources. Shrestha (1991), Bista (2017), and MoF (2018) explain 83000 MW hydro potentials of 6000 river rivulets, along with immense potentials of clean drinking water and irrigation water. About 42000 MW is economically viable. Its present status is only 2 percent. About 98 percent water resources are unexploited. Similarly, CBS (2018) shows 0.5 million-labor force per annum in labor market. About 68 percent have employment but about 32 percent remains unemployed. Therefore, either skill or unskilled labor is potential resources but unexploited.

Another reliable potential resource is natural beauty of ecology, landscapes and Himalayan series for tourism promotion and development. However, still there is an immense scope to build divergent tourism activities from recreation to adventurous, create wider and international standard hospitality infrastructure and business and to attract a large number of tourists. Similarly, the geological scientific exploration has identified unlimited mineral resources in Nepal, where limestone is exploited but not fully. Therefore, this resource can be considered into untapped resources. Therefore, OBOR initiatives will be a big hope to exploit fully above these resources through economic integration.

5.Its Economic Implications

Hope in Export Promotion

Nepal sees trade as a growth engine for rapid, sustainable and long-term development. Therefore, Nepal has been adopting open and market-oriented trade policy for three decades long (MoTC, 2009 & Bista, 2009). Its major objective is to remove trade barriers and to access international market, Capital and FDI. Its examples are the entry to WTO, SAFTA, BIMSTEC and the initiation of Special Economic Zones (SEZs). Thus, Nepal desires to promote export trade all over the world for export intensive industrialization and agriculture development for massive employment and economic growth.

In liberal trade, the import trade dominates to the export trade in Indo Nepal and China Nepal trade with 1: 14 and 1:44 export and import ratio respectively. Therefore, Nepal has been suffering from tremendous trade deficit with respect to trade growth. It is approximately 13 trillion in 2017. It results negative balance of payment in both trade. In this context, OBOR initiatives will be export friendly to Nepal.

OBOR initiatives are still on going. At present, road expansion and construction from Kathmandu to Kerung is going on. The feasibility study of Rail network is in the completion and China has expanded rail network from Lhasa to Sighatse to Kerung. In this context, we have curiosity about the potential impact of better connectivity and infrastructure. Based on time series data base of

China and Nepal trade, Gravity model of trade is used to capture and estimate its impact and then forecasting its future potential trend. Its result is presented in table and figure.

Table 2: Result of Gravity Model of Trade

Explanatory Variable	Log Export	Log Import
Constant	-2.70(4.78)*	3.36(4.31)**
Log GDP China	0.62(3.16)*	0.13(3.45)*
Log GDP Nepal	0.80(1.08)**	-0.28(0.96)*
Log Per capita of China	-0.71(3.62)*	1.10(3.70)*
Log Per capita of Nepal	0.32(1.91)*	-1.17(1.70)*
D (Distance)	0.16(0.19)**	-0.09(0.21)*
D1(Liberalization)	0.06(0.39)*	0.96(0.43)**
D2(OBOR)	0.51(3.62)**	0.61(0.32)*
Observations	25	25
No of Countries	2	2
Overall R2	0.81	0.90

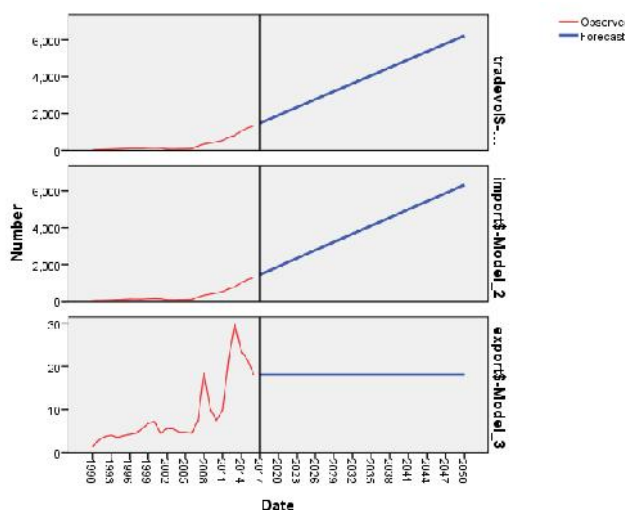
Note: * is 10 percent and ** 5 percent of P value.

The result of the model (Table 2) shows OBOR has positive impact in export and import trade. OBOR promotes import more than export trade with 10 percent difference. Liberalization policy of Nepal is not benefit to export more than import trade. It has helped to the growth of import trade because Nepal just export low value and unprocessed agro and forest products to China, instead of the processed and high value commodity. However, connectivity and infrastructure have disturbed more to the import trade than export trade because of volume difference.

Figure 1: Forecasting of Trade Volume, Import and Export

Export trade has benefitted to both economies and the per capita income of Nepalese. In import trade, it is negative to the economy and per capita income of Nepalese but favor to Chinese economy and per capita income of Chinese. In case of the loss of per capita income of Nepalese, the imported items from China are consumption intensive than capital intensive having negative impacts on local and national commodities and employment because of their cheap and substitutable characters. Therefore, OBOR initiatives would be favorable to the export trade of Nepal.

What about the next in future in China Nepal Trade after OBOR is forecasted by employing time series model for next 50 years from 2019 to 2050(Figure 1). It will get a positive trend. In case of export trade, Nepal has to internalize its stakeholder negative externalities to improve total factor productivity and scale of production based on comparative advantage.



Tourist Arrival Inflow Benefit

In 2018, the population of China is of 1.38 billion out of which 145 million Chinese residents travelled more than 100 destinations of the world by 134 million trips contributing 2611 million USD in the world's tourism revenue in 2018. Its growth rate is estimated more than 1000 percent. Let us imagine its potentials.

Since 2003, Chinese tourists have preferred this neighbor country Nepal as destination of religious, business, conference and recreation. Over 15 years period, about 0.1 million population

have made their destinations (Figure 2). With a better connectivity and infrastructure development, its growth rate will be unexpectedly immense after OBOR initiatives. Its forecasting estimates 0.6 million tourist with 441.8 million USD worth revenue generation after OBOR initiatives in connectivity and infrastructure development, if Chinese tourist spend 54 USD per day staying for 13 days long in Nepal (Table 3). It would be not more than a miracle driver to backward and forward linkage development towards higher economic growth rate, massive employment opportunities, factors productivity and welfare of the people.

Figure 2: Forecasting of Chinese Tourist inflow

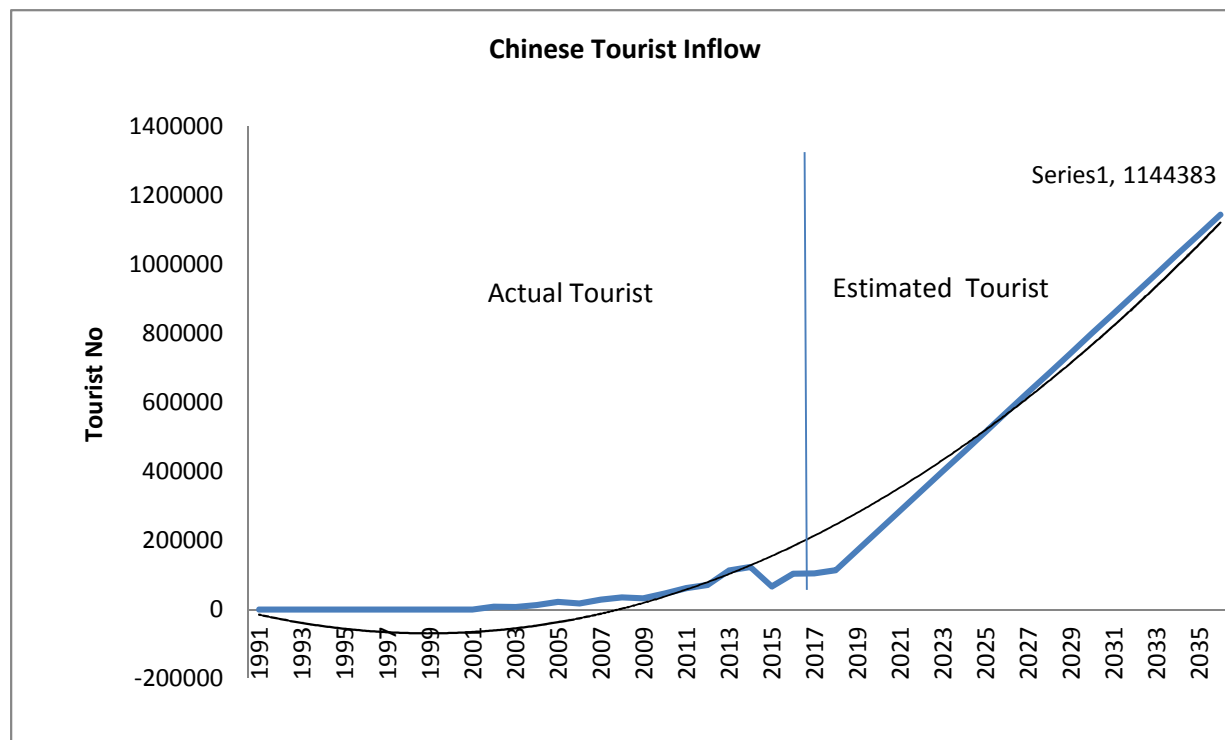


Table 3: Summary of Chinese Tourist

Forecasting Variables	Mean
Per Day Spending of Chinese Tourist(\$)	54
Spending Days of Chinese Tourist	13
Tourist Arrival (No) per year	603173
Expected Revenue per year US\$	441846242

FDI and Technological Transfer

OBOR initiatives have 35 projects out of which there is not only infrastructure and connectivity related but also manufacturing, hydro and service industries. Its size of investment is approximately 2.4 billion USD. It indicates OBOR initiatives pulling Chinese big investment in different sectors as well as creating doing business environment to MNC of the world looking and waiting to Invest in Nepal. Therefore, its positive impact falls on FDI and technological Transfer. (Please find its details in next session)

6. Challenges and Risk

Macro Risks

China has been initiated OBOR simultaneously and aggressively in 68 countries of Asia, Europe and Africa to build *big infrastructure projects for future connectivity and infrastructure*. Its finance source is huge *Chinese soft debt* for this long-term project at unsustainable way. Its examples are Kunming-Singapore Railway of Lao DPR section and Hambantota Port of Sri Lanka.

Case I: Lao DPR

- In Lao DPR, the Kunming –Singapore Railway is an important connectivity under OBOR initiation and success. Its estimated cost is US\$6 billion (40% of GDP of Laos of 2016). The government of Lao has limited its participation around US\$0.7 billion, out of which its 71 percent finance is under Chinese soft debt to the government of Lao DPR (World Bank, 2018). Thus, Lao DPR has felt in the huge debt trap.

Case II: Sri Lanka

- Sri Lanka welcomed OBOR initiative of China for better connectivity and infrastructure for export promotion and FDI. Therefore, In 2009, Sri Lanka signed a 1.1 billion USD deal to sell a 70 percent stake of the strategic Hambantota port to China, amid concerns over the massive debt the island nation incurred in building the port (The Hindu, Sri Lanka, China sign \$1.1 billion Hambantota port deal, July 29, 2017). Interestingly, Sri Lanka felt in commercial loan trap. Therefore, The government handed over the control of the southern sea port of Hambantota to China on a 99 year lease against the soft loan (the New Indian Express, Sri Lanka part of China’s One Belt, One Road Initiative, 02 August 2018 India).

Above case provides a strong evidence of macro debt trap’s risks to Lao DPR and Sri Lanka instead of better connectivity, infrastructure, also Chinese FDI, and big market. Therefore, the mega infrastructure project and its Chinese debt initiative module will be looking attractive and motivational to member countries, like Nepal but there will have a macro risk of debt trap to Nepal too.

Weak Capacity of Institution and its mechanism

Let us remember the last budget of 12.65 trillion out of which capital budget is 25 percent (i.e. 3 trillion) followed by 50 percent (6 trillion) regular expenditure and 25 percent (3 trillion) financial management. Naturally, the government cannot allocate 100 percent capital budget on OBOR but should allocate 50 percent capital budget at the cost of other development activity. Otherwise, Nepal could not meet five years OBOR completion. It is possible when Capital Budget should be enlarged. In declining bilateral and multilateral foreign aid, Nepal should depend on soft debt to finance such level of investment. Thus, OBOR may lead “*debt trap*” to Nepal.

Nepal has so called a strong, efficient and effective bureaucracy. When we see 22 percent, size of capital expenditure over six months, the bureaucracy has leakage: corruption and bribery. The bureaucracy has not a capacity to mobilize such resources within a project time.

In addition, Nepal is murmuring lovely to sing a political song and to make a god to political leaders instead of escalating development first approach and grooming development leadership. Therefore, power imbalance and brokering are main business of the country. Its negative margarine has fallen all economic institutions, agency and activity. Therefore, debt may be easygoing approach without thinking its debt trap and consequences.

Risk in Export promotion

Nepal has identified about 198 exportable items: agro based and handicrafts to export China (See its list below). Its ratio with import is 1:44, despite a huge potential market of 1.38 billion Chinese populations. OBOR initiatives will make a better connectivity and infrastructure directly to Chinese Market, along with adjusting all custom and technical barriers. Certainly, export volume, flow and diversity of Nepalese commodities will accelerate optimally.

Table 4: List of Exportable Items

Vegetables	Packing related plastics	Mattresses of Rubber or Plastics
Rosin and Resin Acids	Iron and Steel Products	Sacks and Bags of Jute or other textile fibers
Tea	Rags, Twine and Rope	Oil Cake
Herbs and Essentials Oils	Ghee	Carpets
Lentils	Brans	Ornamental Ceramic Articles
Ginger	Aluminum Wires	
Buckwheat (millet and related seeds)	String Musical Instruments	

However, over three decades, Nepal has not added high value and competitive commodity in above list and 198 commodities. We have today whatever we had. When we talk about its volume potentiality, we have not regular mass scale productive capacity: skills, capital, raw materials and environment because of disturbing backward linkage and supply chain issues. Zero custom duties are not properly utilized. If we talk about exportable items of China, we can infinite looked like list and its high scale exportable quantity because of high scale total factor productivity and production capacity, available high and semi-skilled human capital and large scale market demand led innovative business and production ideas exploration and research. In all these sides, Nepal has not initiated even to domestic markets with respect to international markets. Therefore, export promotion will be unexpectedly constant in future, despite its immense potentials. Therefore, OBOR may be negative BOP induced instable macroeconomic stability risk game to Nepal because of resist and passive factors of production, innovative thinking, research, institution, resource allocation and policy measures.

Risks involved with major infrastructure projects

Nepal is quiet sensitive to multi hazards risk in which Nepal is at 11th ranking in the world and 4th ranking in the climate change because of its divergent altitudes and landscapes. In Hilly reason, Geologist explains the weak masses to large and small hills and cracks due to the earthquake. Annually, multi hazards have created to fragile and vulnerability to households. Therefore, Nepal is environmentally concern country, where weak governance and higher corruption have made critical to these issues. In this context, above 35 OBOR projects in Nepal are almost all mega projects related to road and rail network, along with hydro projects. During the construction, Chinese company will use tunnel technology and mega machines to construct road, rail and hydro projects. First it encounters seriously and substantially geology and bio diversity to complete within the dead line. There may encounter landscape structures and composition towards more vulnerable and fragile. Its consequences may be disasters. Secondly, these projects may destroy natural habitats and its related ecosystems and biodiversity to the wildlife. There will be danger

to birds and animals. Thus, natural beauty of Nepal may be in danger and the people will lose their natural livelihoods. Thirdly, mega projects have a huge finance. Due to corruptive character and behavior of the politician and bureaucratic machines, the corruption will be substantial. Its cost will be higher in these project's negative impacts.

Strategic Dragon's "hidden"

OBOR initiatives are a look like a beautiful connectivity and infrastructure development stuff to drive the member countries towards industrialization and higher economic growth. Its hidden agenda is to create China as economic as well as military power and its presence in the global power balance.

In South Asia, Chinese interest is to engage Nepal not only to balance Indian and Western Interest but also to push back from Nepal because Chinese understand Nepal's vulnerability and fragility having safe and easy situation to the Western Allies to sow conspiracy seeds against China and then India and Nepal through religious activities as well as intelligence activities. How much it is beneficial to Nepal is sensitive concern to Nepal but it is also strategic trap between China and the Western Allies. It will endanger Nepal's independence, freedom, existence and sovereign.

7. Conclusion

OBOR initiatives, despite economic and strategic Chinese interest and invisible and visible challenges and risks are an opportunity to Nepal and Nepalese interest particularly on trade, investment and market for rapid economic growth and welfare of the country. Therefore, the government should improve its institutional and policy capacity to optimize this opportunity through innovative and research on market dimension and dynamics for deciding *what to produce, how to produce, how much to produce and for whom to produce* for industrial and agriculture expansion and export intensive growth.

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