



Business, Trade and Investment

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Chapter Overview

Nepal's bilateral trade relationship with China is defined by a 130:1 import-to-export ratio that has widened despite a decade of preferential access commitments. This section examines why zero-tariff access has failed to generate meaningful export growth, tracing the barriers to GACC registration complexity, the absence of accredited testing laboratories at border crossings, informal payment mechanisms, and chronic underinvestment in northern border infrastructure. It sets out a prioritized policy agenda for closing the gap between Nepal's export potential and its current performance.

02

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Nepal's trade relationship with China is defined by a paradox. The architecture of bilateral economic engagement looks, on paper, like one of the most favorable in the region: seven decades of formal relations, zero-tariff access to the Chinese market for over 8,000 Nepali products since 2009, a Transit Transport Agreement granting access to Chinese ports and dry ports, and a BRI framework that positions Nepal as a node in China's continental connectivity strategy. Yet the economic outcomes of this relationship have remained deeply asymmetric. Nepal's imports from China have risen from approximately USD 56 million in 2002 to USD 2.67 billion in 2025; its exports stand at USD 17.3 million — a trade deficit where imports exceed exports by roughly 130 times. Nepal exports more in value terms to the United States, Germany, and the United Kingdom than to its immediate northern neighbor.

The problem is not market access. It is the institutional, infrastructure, and supply-side constraints that prevent Nepali producers from using the access they already have. Stakeholders repeatedly emphasized that Nepal continues to approach trade with China using frameworks and assumptions developed primarily for trade with India, despite the Chinese market operating under fundamentally different regulatory, logistical, linguistic, and consumer systems. This requires Nepal to develop differentiated Standard Operating Procedures (SOPs) specifically tailored for trade with China, particularly in areas such as customs processing, certification, logistics, product standards, and payment systems.

At the same time, Nepal's economic engagement with China must be viewed within the broader scale of the Chinese economy itself. China accounts for approximately 13% of total global household consumption. Yet Nepal represents only a negligible share of China's external trade, ranking around 150th in China's imports and 103rd in China's exports according to stakeholder discussions during consultations. This asymmetry highlights that Nepal cannot assume automatic Chinese prioritization of Nepali trade or infrastructure concerns. Rather, Nepal must proactively build the institutional systems, infrastructure, and export competitiveness necessary to participate meaningfully in the Chinese market.

The barriers therefore extend beyond tariffs. GACC registration requirements that demand Chinese-language documentation and facility-level inspections; the absence of accredited testing laboratories at border crossings; informal payment mechanisms that operate outside the banking system; border infrastructure that remains chronically underfunded and seasonally

unreliable; and limited understanding of evolving Chinese consumer preferences all continue to constrain Nepal's export performance. This section examines each of these constraints systematically, and sets out a prioritized policy agenda for closing the gap between the relationship's potential and its current performance.

Foreign Direct Investment: Flows, Patterns, and Realities

Historical Evolution of Chinese FDI in Nepal

Economic cooperation between Nepal and China commenced with the signing of the Economic Aid Agreement in October 1956, establishing the foundation for subsequent development assistance and investment flows (Ministry of Industry Commerce and Supplies, 2078). However, significant Chinese Foreign Direct Investment in Nepal only began to materialize in the early 2000s, considerably later than China's broader "Going Out" strategy that encouraged Chinese firms to invest abroad.

The mid-2010s marked a transitional period as China's economic influence in Nepal began to expand more visibly. A significant milestone occurred in FY 2012/13 when China surpassed India in investment commitments to Nepal for the first time. Chinese investors committed NPR 3.06 billion across 91 projects compared to India's NPR 2.50 billion from 37 projects. While investment commitments do not automatically translate into actual capital flows or project implementation, this shift signaled growing Chinese corporate interest in the Nepali market.

Bilateral Investment Framework

Nepal and China have established several institutional frameworks intended to facilitate and protect bilateral investment. The Bilateral Investment Promotion and Protection Agreement (BIPPA), signed in 2018, provides legal protections for investors from both countries, including provisions on national treatment, most-favored-nation treatment, expropriation protections, and dispute settlement mechanisms. The same year, both countries signed a Memorandum of Understanding on Investment and Cooperation on Production Capacity, aimed at encouraging Chinese investment in Nepal's manufacturing and industrial sectors.

The 2016 Agreement on Transit Transport, while primarily focused on trade logistics, also carries implications for investment by potentially reducing transportation costs and improving market access. More recently, the Agreement on Economic and Technical Cooperation signed in 2024, along with the Framework Agreement on the Belt and Road Initiative finalized in December 2024, signal continued political commitment to deepening economic ties. However, the gap between framework agreements and implementation remains substantial, with many bilateral commitments yet to translate into operational mechanisms or tangible investment flows.

Scale and Sectoral Distribution

Chinese FDI in Nepal exhibits a bimodal distribution characterized by a small number of large-scale industrial

projects alongside numerous micro and small enterprises concentrated in retail, hospitality, and services sectors. The most prominent large-scale investments include the cement sector joint ventures. The Hongshi-Shivam Cement joint venture, established in 2018 in Nawalparasi district, stands as Nepal's largest foreign joint venture investment project. The venture involves 70% ownership by Hongshi Cement (Hong Kong Red Lion Group) and 30% by Nepal's Shivam Cement, with an initial investment of NPR 36 billion. The project was developed in two phases: Phase 1 established a production capacity of 6,000 tons per day, while Phase 2, initiated in 2021 with an additional NPR 20 billion investment, doubled capacity to 12,000 tons daily (New Business Age, 2021). The project was expected to generate over 1,000 direct and indirect jobs and contribute NPR 4.9 billion annually in revenue, income tax, and customs duties.

However, the Hongshi-Shivam collaboration also illustrates the implementation challenges facing foreign investors in Nepal. Despite government assurances of infrastructure support, the company faced significant operational hurdles. Located 26 kilometers from the East-West Highway, the factory had to construct its own dirt road at a cost of NPR 1.2 billion because government-promised road infrastructure did not materialize. Similarly, the Nepal Electricity Authority failed to extend transmission lines from Bardaghat Substation as agreed, forcing the company to generate expensive electricity from diesel-thermal captive plants rather than accessing 40MW from the national grid as planned. These infrastructure deficits constrained the factory to producing only 5,000 tons of cement daily despite having capacity for 12,000 tons, while employing 520 Nepali engineers, managers, and workers (Nepali Times, 2019). This case demonstrates how infrastructure gaps and implementation failures can undermine investor confidence and prevent projects from realizing their full economic potential.

The second major cement investment, Huaxin Cement, operates as a 100 percent Chinese-owned enterprise in Dhading district. Following a Project Investment Agreement signed with the Investment Board of Nepal in June 2018, the project represents a total investment of NPR 14 billion with Phase 1 production capacity of 3,000 tons per day (Subedi, 2019). The project was expected to create over 1,000 direct and indirect jobs, generate NPR 12 million annually in economic benefits including revenue and taxes.

In the aviation sector, Himalaya Airlines, established in 2014 as a Nepal-China joint venture, represents the largest FDI from China in Nepal's aviation industry. The airline was initially structured as a partnership between Nepal's Yeti World Investment Group (51%) and China's Tibet Airlines (49%) when operations launched in May 2016 (The Himalayan Times, 2019). However, the ownership structure underwent significant restructuring in September 2019 when Tibet Airlines' shares were transferred to Tibet Civil Aviation Development and

Investment Company (TCADIC), a state-owned enterprise. Following this restructuring, Chinese ownership increased to 65% while Nepali ownership declined to 35% (The Himalayan Times, 2019).

As of 2025, Himalaya Airlines operates four aircraft and employs over 325 people. The airline serves destinations in South Asia and the Middle East, while maintaining routes to five Chinese cities: Beijing, Qingdao, Shanghai, Chongqing, and Lhasa (Himalaya Airlines, 2025). Despite its strategic positioning connecting Nepal with China's major urban centers, the airline has faced ongoing challenges related to profitability and market competition in Nepal's competitive aviation sector.

Buffalo meat processing has also attracted Chinese investment interest. The Department of Industry approved a FDI proposal worth NPR 20 billion from Chengdu Jian Co. Ltd., a Chinese company, for establishing a modern buffalo meat export facility in Nepal. The investment will fund construction of a state-of-the-art slaughterhouse and buffalo-rearing center, with production targeted at the Chinese market. The proposed industry aims to produce 200,000 metric tons of buffalo meat annually, along with 55,000 metric tons of byproducts such as hides, internal organs, and heads, creating direct employment for 5,156 people (New Business Age, 2025).

However, actual export flows remain constrained by stringent veterinary and quarantine requirements that Nepal's current infrastructure cannot yet meet. Exports initially scheduled for June 2025 were postponed to September 2025 and subsequently delayed further due to land acquisition challenges, disruptions from protests, and most critically, delays in obtaining Environmental Impact Assessment (EIA) clearance. Additionally, stringent Chinese requirements pose ongoing challenges. China's General Administration of Customs has stipulated that buffalo meat exported from Nepal must come from animals born and raised in Nepal and under 30 months of age, a condition that effectively excludes Indian-sourced buffalo meat even if slaughtered and processed in Nepal (Biznessnews, 2025).

Beyond these large-scale industrial investments, Chinese FDI is conspicuous in tourist destinations such as Thamel in Kathmandu and Lakeside in Pokhara, where Chinese nationals operate numerous small retail shops, restaurants, and guesthouses. These micro-enterprises, often operated as mom-and-pop establishments, cater primarily to Chinese tourists and reflect migration-linked business patterns rather than strategic industrial investment.

The accommodation and food services sector illustrate this pattern. According to Nepal Rastra Bank's Field Survey 2023, FDI stock in accommodation and food services from China totaled NPR 943.8 million, representing approximately 2 percent of total Chinese

FDI in Nepal. Chinese hotels and restaurants collectively employ around 10,000 people in Nepal. As of 2022, approximately 150 Chinese restaurants and 24 hotels operated in the Thamel area alone. (Dhungana, 2018)

Debunking the Dominance Narrative

Despite widespread perceptions that China dominates FDI flows into Nepal, empirical data presents a more nuanced picture. While Chinese investment has indeed increased and become more visible, particularly in certain sectors and locations, it does not constitute the overwhelming majority of total FDI stock or annual flows when comprehensively compared with investments from India, other South Asian countries, and third countries such as the United States, United Kingdom, and European nations.

Several factors contribute to the perception-reality gap. First, large-scale Chinese infrastructure and industrial projects receive significant media attention and political visibility, creating an impression of dominance that exceeds actual financial magnitudes. Second, the concentration of Chinese micro-enterprises in highly visible tourist areas amplifies perceptual impact despite representing relatively small capital flows. Third, data limitations and inconsistencies in FDI reporting make precise comparisons challenging, particularly when distinguishing between committed capital, approved investments, and actual disbursed funds.

A more rigorous analysis comparing Nepal with other least developed countries (LDCs) or landlocked developing countries would provide valuable context for assessing whether Chinese FDI in Nepal is exceptional or follows broader regional patterns. Nepal's experience is consistent with China's investment patterns in other small South Asian economies, where investment remains selective, project-based, and concentrated in infrastructure and resource sectors rather than broadly distributed across manufacturing and services.

Trade Dynamics: Deficit, Composition, and Constraints

Historical Context of Nepal-China Trade

Trans-Himalayan trade between Nepal and Tibet has ancient roots, predating modern state formation. Historical exchange centered on Tibetan salt moving southward in exchange for grains, textiles, and other goods from Nepal's Tarai and hill regions. Newari traders from the Kathmandu Valley established commercial presence in Lhasa, developing sophisticated trading networks and cultural connections across the Himalayan frontier (Mulmi, 2021).

This traditional trade regime operated through open-border arrangements that allowed relatively free movement of people and goods. Borderland communities maintained social ties across the mountains, with traditions such as marriages between ruling families of Lo Manthang in Mustang and Tibetan nobility exemplifying the porous nature of the frontier. Seasonal migration for grazing livestock and informal exchange of goods characterized the border economy, with minimal state intervention or formalized customs procedures. Tibet's integration into the People's Republic of China in the 1950s fundamentally altered these dynamics. The imposition of modern border controls, formalization of customs procedures, and regulation of cross-border movement gradually transformed the once-fluid frontier into a regulated international boundary. Trade routes shifted from traditional high-altitude passes to formalized customs points, with Kodari-Tatopani emerging as the principal gateway, later supplemented by Rasuwagadhi-Kerung and other designated border points.

This transition from open frontier to regulated borders has created ongoing tensions between formal and informal trade practices. While official statistics capture trade flowing through designated customs points, substantial volumes of traditional goods including yarsagumba, herbs, cashmere, and handicrafts continue to cross the border through informal channels, creating significant data blind spots that complicate policy analysis.

Contemporary Trade Trends

Nepal-China trade has experienced explosive growth in absolute terms over the past two decades, though overwhelmingly concentrated on the import side. According to IMF Direction of Trade Statistics, imports from China rose from approximately USD 56 million in 2002 to USD 2.67 billion in 2025, making China Nepal's second-largest trading partner after India. Imports have grown more than forty-fold in nominal terms.

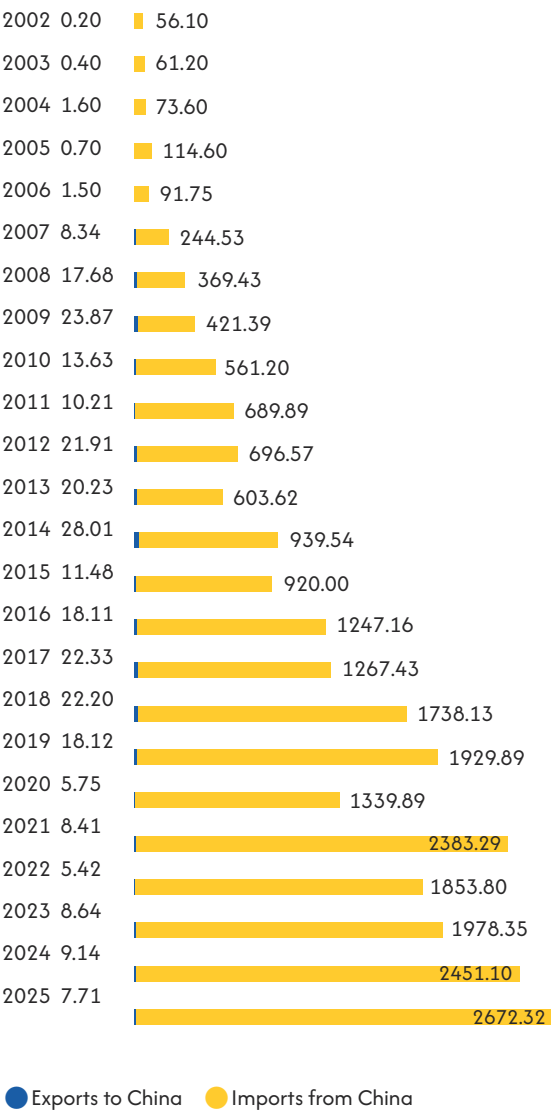


Figure 1. Nepal-China Trade Trends, 2002–2025 (USD millions)

Note: Nepal's imports from China have grown from USD 56 million in 2002 to USD 2,672 million in 2025, while exports remain negligible at USD 7 million.

Source: Calculated from IMF Direction of Trade Statistics (IMF DOTS) data

However, this expansion has been almost entirely one-directional. Exports to China remain marginal and have even declined in certain years. In FY 2081/82 (2024/25), Nepal exported merely USD 17.3 million worth of goods to China against imports of USD 2.2 billion, resulting in a trade deficit exceeding USD 2.2 billion (Department of Customs, 2025). The import-to-export ratio of approximately 130:1 ranks among Nepal's most severe bilateral trade imbalances.

To contextualize this asymmetry, Nepal's trade relationship with India, while also characterized by a significant deficit, maintains a far more balanced ratio of approximately 5:1. In FY 2024/25, Nepal imported USD 7.05 billion from India while exporting USD 1.48 billion, yielding a trade deficit of USD 5.57 billion with an import-to-export ratio of 4.8 (Department of Customs, 2025). Although the absolute deficit with India is larger, the relative imbalance with China is far more extreme. Strikingly, Nepal exports more in value terms to geographically distant markets such as the United States, Germany, and the United Kingdom than to neighboring China. This pattern underscores that Nepal's inability to penetrate the Chinese market reflects structural and institutional constraints rather than mere geographic distance or transportation costs.

China's trade position with Nepal mirrors broader regional patterns. Across South Asia, China maintains substantial trade surpluses with most countries except Indonesia, where trade is more balanced. Using 2024 IMF data, China's export-import ratios with regional partners include: Nepal (58.8:1), Bangladesh (19.6:1), Sri Lanka (12.7:1), Pakistan (7.15:1), India (6.65:1), and Indonesia (1.08:1). Nepal's position as one of the most imbalanced reflects both China's manufacturing dominance and Nepal's specific supply-side weaknesses.

Historical Context of Nepal-China Trade

Nepal's import basket from China is dominated by manufactured and technology-intensive goods. Major categories include electrical machinery and equipment, mechanical appliances, vehicles (particularly electric vehicles), plastics and plastic articles, footwear, garments and apparel, iron and steel products, and consumer electronics including mobile phones and computers.

Electric vehicles have emerged as a defining feature of recent trade trends, reflecting both China's global dominance in EV manufacturing and Nepal's policy environment favoring electric mobility. In FY 2024/25, EVs accounted for approximately 73% of all four-wheeled

Product label	2020-21	2021-22	2022-23	2023-24	2024-25
Telecommunication Equipment and Parts	31,552	36,027	25,110	25,998	30,737
Readymade Garments	17,968	20,337	16,674	23,085	28,084
Other Machinery and Parts	21,187	25,709	19,143	24,459	23,902
Textiles	13,537	15,913	15,689	19,741	21,976
Electrical Goods	16,709	18,353	15,926	18,353	21,347
Computer and Parts	12,039	16,060	9,957	10,884	13,014
Apple	5,824	5,990	5,156	7,575	9,742
Chemical Fertilizers	9,025	7,010	12,586	11,837	9,312
Shoes and Sandals	5,555	7,078	6,132	8,277	8,142
Garlic	1,049	1,044	1,105	2,224	6,700

Table 1. Nepal's top 10 imports (goods) from China in NPR millions

Source: Compiled from Current Macroeconomic and Financial Situation based on annual data, Nepal Rastra Bank

passenger vehicle imports into Nepal, one of the highest shares globally, with Chinese brands dominating the market (Prasain, 2025). In the first four months of the current fiscal year alone, EV imports from China totaled NPR 4.5 billion, illustrating the consumer goods orientation of Nepal's import dependence (Prasain, 2025).

By contrast, Nepal's export basket to China remains narrow, traditional, and low in value. Carpets, particularly hand-knotted woolen carpets, have historically constituted a significant export category, though Nepal has lost competitiveness to Chinese machine-made alternatives. Felt products, handicrafts, musical instruments, raw hides and skins, medicinal plants and herbs, and niche agricultural goods dominate current exports. Although China has granted zero-tariff access to over 8,000 Nepali products since 2009, Nepal has been largely unable to capitalize on this preference due to supply-side and institutional barriers (B360, 2024).

Several products show emerging potential despite remaining at low volumes. Orthodox tea exports to China increased by 88.31% in the first eight months of 2024, reaching NPR 10.53 million (approximately USD 79,000), following Nepal's participation in the World Black Tea Quality Evaluation Competition organized by the China Tea Marketing Association and visits by Chinese tea buyers to Nepal (Prasain, 2024) (New

Business Age, 2023). While this represents a marginal proportion of Nepal's total orthodox tea exports, growing Chinese interest signals a potential market diversification opportunity.

Haylage exports marked another breakthrough. In July 2023, Nepal exported its first shipment of haylage (fermented animal fodder) to Tibet's Shigatse city, with the exporting company planning to scale up to 30,000 tons annually worth approximately USD 30 million (Paudel, 2023). This development demonstrates Chinese demand for Nepali agricultural products when supply-side capabilities and logistics can be aligned.

Product label	2020-21	2021-22	2022-23	2023-24	2024-25
Woolen Carpet	223	235	300	392	717
Handicraft (Metal and Wooden)	142	90	103	265	209
Readymade Garments	50	92	168	160	150
Pashmina	16	24	13	35	53
Other Handicraft Goods	166	88	54	36	31
Agarbatti (Incense Sticks)	3	4	8	20	24
Noodles	0	8	514	150	24
Rudrakshya	38	12	22	27	20
Tea	0	0	1	1	7
Readymade leather Goods	1	0	0	15	2

Table 2. Nepal's top 10 exports (goods) to China in NPR millions

Source: Compiled from Current Macroeconomic and Financial Situation based on annual data, Nepal Rastra Bank

Structural Barriers to Export Growth

Nepal's inability to capitalize on proximity to one of the world's largest consumer markets stems from a complex web of structural constraints spanning quality standards, certification systems, payment mechanisms, product development capacity, and data collection.

Quality Standards and SPS Requirements

Among the most technically complex challenges are sanitary and phytosanitary (SPS) standards and certification requirements. China enforces stringent quarantine measures, administered through a regulatory system led by the General Administration of Customs of China (GACC) and related agencies. These impose detailed requirements on product safety, traceability, processing conditions, and facility-level inspections that many Nepali producers are not equipped to meet (FDI China, 2025).

The absence of accredited testing laboratories and SPS facilities at Nepal's northern border points—including Rasuwagadhi, Tatopani, and Korola creates a critical infrastructure gap. In contrast, stakeholders noted that China maintains laboratories at approximately 300-400 customs points across its territory, enabling immediate quality verification of imported goods. Nepali exporters must send product samples to laboratories in third countries such as India, Hong Kong, or Thailand for certification, significantly increasing transaction costs, delays, and uncertainty.

Stakeholder consultations revealed numerous illustrative failures. High-quality products from Nepal, including premium mineral water and herbal products like yarsagumba, cannot be exported because the certification process is so cumbersome and expensive that it effectively prevents market entry. Even products eligible for duty-free access under Least Developed Country (LDC) provisions, such as alcoholic beverages, have failed to meet China's export requirements. While Sri Lankan coconut-based alcohol has successfully entered the Chinese market, Nepal's beverages could not pass the necessary standards, illustrating that the primary challenge lies in meeting non-tariff technical requirements rather than overcoming tariff barriers. In sectors such as buffalo meat exports, for instance, the absence of internationally recognized veterinary and quarantine infrastructure has slowed efforts to access Chinese markets despite growing Chinese demand (Gyawali, 2023).

One stakeholder revealed that while 170 personnel received training from the Ministry of Agriculture for deployment at Rasuwa and Tatopani border points to manage SPS requirements, these trained individuals showed no interest in staying at the border locations due to inadequate facilities and incentives and were consequently not deployed. This example encapsulates

Nepal's institutional implementation gap and systemic constraints.

GACC Registration and Market Access

Nepal-China trade is also constrained by weak business facilitation mechanisms. A major obstacle is the mandatory registration process with China's General Administration of Customs (GACC), required for most food and agricultural exports entering the Chinese market. The GACC registration system requires the exporting firms to submit extensive documentation on production facilities, food safety management systems, traceability mechanisms, and product standards.

While such requirements are designed to ensure product safety, they have become a significant barrier for Nepali exporters due to limited technical knowledge and institutional support. Government officials note that many Nepali producers are unaware of detailed compliance requirements or lack technical capacity to complete the registration process. Exporters must often navigate Chinese-language documentation, complex digital submission systems, and product-specific regulatory categories.

As a result, even when Chinese demand exists for Nepali goods such as tea or herbal products, firms are unable to formally access the market due to incomplete registration. Unlike Western markets where a single certification (such as USDA Organic) is often recognized across multiple countries and requires only periodic renewal, China demands separate, product-specific registrations involving lengthy processes, especially for organic products.

Payment Systems and Financial Integration

Payment systems present an additional challenge. Due to regulatory constraints and limited financial integration between the two countries, Chinese buyers often face difficulties transferring payments directly to Nepali bank accounts. Stakeholders described instances of traders carrying "sacks of cash" to trade fairs or relying on informal mechanisms such as transfers through WeChat Pay accounts held within China.

While these informal methods allow transactions to occur, they operate outside formal banking systems and increase risks related to transparency, taxation, and financial compliance. The absence of an established Mutual Recognition Agreement (MRA) for payment systems or formalized banking channels for Nepal-China trade forces businesses into gray-area financial practices that limit scale, prevent proper documentation, and expose traders to regulatory and commercial risks. Language barriers compound payment challenges. Negotiations conducted through informal translation, combined with delays in resolving payment issues, can result in perishable goods spoiling before transactions are

completed, particularly problematic for agricultural and food products.

Supply-Side Constraints and Product Development

A recurring theme in stakeholder consultations was Nepal's weak supply-side capacity and the absence of systematic product development support. While demand exists in the Chinese market particularly for Nepali tea blends, organic products, and handicrafts, Nepal lacks the production infrastructure and knowledge systems to meet this demand consistently at scale.

Chinese consumers were described as highly brand-conscious and quality-focused, with packaging often valued as much as the product itself. Nepali businesses, unfamiliar with these preferences and lacking resources to invest in branding and packaging, struggle to position their products competitively. Chinese market participants are also noted to be highly price-sensitive, making it difficult for Nepali products to compete unless they can offer clear differentiation through quality, branding, or niche positioning.

Stakeholders also emphasized that farmers and small producers remain disconnected from information about market requirements, quality specifications, and processing standards necessary for export. Without bridging this knowledge gap through training programs, technical assistance, and accessible testing facilities, Nepal's agricultural and handicraft sectors cannot transition from low-value informal exports to high-value formal trade.

The conversation touched upon missed opportunities for value addition and supply coordination. Participants noted that certain Nepali products, such as orthodox tea and white tea blends, are particularly appealing to Chinese consumers because China already dominates green and black tea production but values Nepali specialty varieties. However, developing these niche markets requires investment in quality consistency, branding, and distribution networks—areas where government support has been minimal.



High Demand, High Friction: Nepali Orthodox Tea in China

China's domestic tea consumption market is estimated at approximately USD 58 billion, making it one of the largest tea markets in the world. Despite being one of the world's largest tea producers itself, China's evolving consumption patterns increasingly favor premium, specialty, and differentiated tea products, particularly among urban middle-class consumers with rising purchasing power. This presents an important opportunity for Nepal's tea industry, particularly in premium and niche market segments.

China offers duty-free access to 98% of Nepali products, including tea, creating strong potential for Nepali tea in the Chinese market.¹ Nepali orthodox teas have gained visibility after winning recognition at the World Black Tea Quality Evaluation Competition organized by the China Tea Marketing Association. The second edition was organized in Fujian province of China in March 2023.² In 2024, Nepali tea also entered China for the first time via the Gyirong land port in Xizang, demonstrating the commercial relevance of northern trade corridors.³

Export momentum is evident as orthodox tea exports to China increased by 88.31% in the first eight months of 2024, reaching NPR 10.53 million.⁴ Stakeholder consultations and focus group discussions further highlighted that Chinese consumers demonstrate a strong preference for blended, white, and gold teas from Nepal, with branding and packaging playing a decisive role. Unlike mass-market green tea segments already dominated by Chinese producers, Nepali orthodox tea possesses comparative advantage through quality differentiation, Himalayan branding, organic cultivation practices, and premium positioning.

However, the sector also illustrates the broader structural barriers affecting Nepal's exports to China. Tea exporters participating in the Business Focus Group Discussion emphasized that the Chinese

market operates under markedly different conditions compared to Western markets such as the United States and Europe. Western export destinations generally provide more transparent pricing systems, streamlined logistics through international carriers such as FedEx and UPS, and certification systems that are mutually recognized and require only periodic renewal. In contrast, access to the Chinese market remains constrained by lengthy China-specific certification procedures, GACC registration requirements, limited domestic testing and certification capacity, language barriers, and restricted payment mechanisms.

Stakeholders noted that exporters continue to face challenges related to understanding Chinese consumer preferences, identifying relevant trade fairs and distribution networks, and developing Chinese-language branding and marketing materials. These information and coordination gaps are relatively low-cost problems that Nepal could realistically begin addressing through targeted, near-term interventions. Recommended measures include:

- Exposure visits and market immersion programs for Nepali exporters
- Dedicated support for GACC registration and certification processes
- Training on branding, packaging, and Chinese consumer preferences
- Information support regarding Chinese fairs, standards, and distribution systems
- Partnerships with successful Nepali exporters already operating in China
- Strengthening domestic laboratory and SPS infrastructure to reduce dependence on third-country certification systems

The tea sector demonstrates a broader lesson for Nepal's economic engagement with China. Success in the Chinese market depends not only on tariff access, but on Nepal's ability to understand evolving Chinese consumption trends, develop premium export positioning, and build the institutional systems necessary to support competitive market entry.

¹"Nepal's Trade Imbalances with China", B360, March 8, 2024, <https://www.b360nepal.com/detail/21984/nepals-trade-imbalances-with-china-2024-Mar-08-328500>

²"Nepali Tea Companies Win Gold Medal in International Competition", New Business Age, March 3, 2023, <https://newbusinessage.com/news/17170/nepali-tea-companies-win-gold-medal-in-international-competition/>

³"Nepalese tea debuts in China's Xizang via land port", Xinhua, 06 March, 2024, <https://english.news.cn/20240306/5f0524327a5c4bc2b-540483cb352f781/c.html>

⁴Krishana Prasain, "Chinese eye Nepali orthodox tea", The Kathmandu Post, March 24, 2024, <https://kathmandupost.com/story/2024/03/24/chinese-eye-nepali-orthodox-tea>



Informality and Data Blind Spots

Significant volumes of goods cross the Nepal-China border without being recorded in official statistics, creating data blind spots that undermine evidence-based policy design. Products such as yarsagumba, orthodox tea, handicrafts, cashmere products (changra), buffalo meat, timber, animal fodder, and bamboo products frequently move across borders through unauthorized channels.

Stakeholders noted that China's import rules, which do not require invoicing for transactions below USD 300, further complicate data collection. While this provision may facilitate small-scale trade, it ensures that a significant portion of transactions remain unrecorded. Stakeholders emphasized that the real scale of Nepal-China trade is likely much larger than official figures suggest, but without better data collection mechanisms at border points and systematic surveys of informal trade flows, policymakers lack the information needed to design effective interventions.

The "Missing Exports" Paradox

In 2021, the Nepal Development Update Report by the World Bank introduced the concept of "missing exports" to Nepal's trade discourse, suggesting that Nepal's exports could increase by up to twelve times their current levels, with China offering the most promising market, potentially worth USD 2.2 billion (NPR 291.48 billion) annually (World Bank, 2021). This estimate was based on gravity model analysis comparing Nepal's actual exports with predicted export levels based on economic size, distance, and trade policy variables. The gap between this theoretical potential and current export volumes of under USD 20 million annually illustrates the magnitude of missed opportunity (World Bank, 2021).

On paper, the conditions for export growth appear favorable. China provides zero-tariff treatment for 8,030 products originating from Nepal as part of its LDC preferential access scheme. According to research by the South Asia Watch on Trade, Economics, and Environment (SAWTEE) covering 2020-2022, more than 90% of the value of goods sent from Nepal to China fell under the zero-duty list for LDCs (SAWTEE, 2023).⁵

The paradox lies in the convergence of multiple structural barriers that compound rather than offset each other. First, the preference utilization averaged only around 68% during 2020-2022, indicating that one-third of preferential access remained unused (SAWTEE, 2023). This reflects not a lack of awareness but an inability to comply. To benefit from zero-tariff advantages, Nepali exporters must meet strict rules of origin requirements, demonstrating that products are substantially produced in Nepal rather than merely trans-shipped through Nepal from third countries. Moreover, key Nepali export items such as pashmina products, woolen carpets, and certain

⁵Nepal's scheduled graduation from Least Developed Country (LDC) status introduces an additional consideration. LDC graduation could affect the terms of Nepal's zero-tariff access to Chinese markets, which currently operates under LDC preferential arrangements. Concluding a bilateral preferential trade agreement with China prior to graduation would be one mechanism to preserve favorable access. This risk was raised at the May 2026 policy dialogue.

handicrafts are excluded from the zero-tariff list, limiting benefits for traditional export sectors where Nepal has established production capacity.

Second, even for products qualifying for preferential access, the quality infrastructure gap creates an overwhelming barrier. As the World Bank report emphasized, unlocking export potential hinges on robust quality control infrastructure and compliance with sanitary and phytosanitary standards. Yet as documented in Section 3.4, Nepal lacks accredited testing laboratories at border points. Stakeholders repeatedly emphasized that Nepal still lacks adequate domestic certification and testing systems capable of meeting Chinese regulatory requirements. As a result, exporters frequently rely on laboratories and certification bodies in third countries such as Hong Kong, Thailand, or other international facilities to obtain the documentation required for Chinese market entry. The additional process is reported by stakeholders to be so expensive and time-consuming that it effectively negates any tariff advantage. The GACC registration requirement compounds this challenge, demanding facility-level documentation and technical submissions that most Nepali producers cannot navigate without institutional support that currently does not exist.

Third, payment system constraints and supply-side weaknesses prevent scaling of businesses. The absence of formal banking channels forces reliance on informal mechanisms like WeChat Pay or cash transactions, limiting the size and transparency of deals. Meanwhile, producers remain disconnected from information about Chinese consumer preferences for branding and packaging, and lack coordination mechanisms to aggregate supply for bulk orders. The experience of tea exporters where Chinese demand exists but certification complexity, payment uncertainty, and branding requirements block access exemplifies how multiple barriers interact to prevent market entry.

Another major concern raised during consultations relates to Nepal's graduation from Least Developed Country (LDC) status. While China currently provides preferential zero-tariff access to thousands of Nepali products under LDC arrangements, stakeholders warned that Nepal's graduation could affect the continuity and scope of these preferences if alternative bilateral arrangements are not proactively negotiated.

Participants highlighted that several African LDCs have successfully secured more structured and formalized preferential trade arrangements with China, including long-term market access frameworks and clearer implementation mechanisms. Nepal, by contrast, continues to rely heavily on unilateral tariff concessions without sufficiently institutionalized bilateral trade arrangements.

This suggests the need for Nepal to pursue stronger institutional trade frameworks with China, including sector-specific protocols, SPS agreements, customs cooperation arrangements, and long-term preferential trade mechanisms that can continue beyond LDC graduation. Without such preparation, Nepal risks losing already underutilized market access advantages at a time when export diversification is becoming increasingly important.

The 2016 Transit Transport Agreement illustrates this pattern of unrealized potential. Despite establishing Nepal's transit rights through Chinese ports, only a single shipment (15 tons of turmeric powder from Vietnam via Tianjin Port in September 2023) has utilized the agreement. This underwhelming implementation reflects the broader reality. While framework agreements signal political intent, translating them into operational trade facilitation requires addressing multiple interconnected institutional and infrastructure constraints documented throughout this section. Until these structural barriers are systematically addressed, Nepal's "missing exports" to China will remain unresolved, regardless of preferential market access provisions.

Bordernomics: Infrastructure, Corridors, and Cross-Border Dynamics

Border Points

Nepal shares a 1,414-kilometer border with China as per a treaty signed in 1961, which plays an outsized role in Nepal's geographic and strategic relation (Embassy of Nepal, Beijing, n.d.). Officially, fourteen traditional border points exist between Nepal and China, though in practice eighteen nakas (checkpoints) operate with varying degrees of formality and functionality (Shakya, 2024). Six border points are officially designated for trade: Kodari (Tatopani)-Zhangmu, Rasuwagadhi-Kerung,

Nechung-Lizi, Hilsa-Burang, Olangchung Gola-Riwu, and Kimathanka-Chentang (Embassy of Nepal, Beijing, n.d.). Nepal operates merely nine customs offices at the northern border, compared to twenty-seven at the southern border with India, reflecting the asymmetry in trade volumes and institutional capacity (Rana, 2020). In late 2015, Nepal and China agreed to initiate processes for opening seven additional commercial trading points beyond Tatopani and Rasuwagadhi: Olangchunggola (Taplejung District), Kimathanka (Sankhuwasabha), Lamabagar (Dolakha), Larke (Gorkha), Korala (Mustang), Nagcha (Mugu), and Hilsa (Humla). Establishing proper road connectivity, customs facilities, dry ports, quarantine and immigration offices, and border outposts are prerequisites for operationalizing



these points. Although unofficial trade has been carried out at several of these locations for generations, formal operationalization remains incomplete.

Existing border points face severe operational constraints. Tatopani, the principal overland trade gateway prior to 2015, accounted for approximately 25% of Nepal's total trade with China in FY 2013/14 (Kharel, 2018). However, the April 2015 earthquakes caused significant damage, and the border point has yet to regain full functionality despite periodic reopenings and repair efforts. Stakeholders report inconsistent operations, with goods sometimes permitted and sometimes blocked without clear predictability. Rasuwagadhi-Kerung emerged as an alternative route and experienced growing traffic, but suffered a major disruption when floods and landslides damaged the bridge on July 8, 2025, severing cross-border connectivity and effectively halting exports through this corridor (The Kathmandu Post, 2025).

Korala in Mustang district has emerged as an increasingly important alternative, particularly after its year-round opening in November 2023. Within three months of full operation, Korala recorded trade worth NPR 11.01 billion, though imports accounted for the overwhelming majority. (New Business Age, 2025b) However, infrastructure remains rudimentary. The border point lacks central heating systems, making it barely functional during harsh winter months when extreme cold prevents border personnel from stationing there comfortably. Accommodation, warehousing, and laboratory facilities are similarly inadequate.

Hilsa in Humla district, one of the most remote border crossings, sees limited formal trade due to difficult terrain, lack of road connectivity, and minimal infrastructure. Yet it remains strategically significant as a potential transit point should Nepal-China relations deepen in northwestern Nepal.

A 2014 agreement saw China commit to providing 10 million Yuan (equivalent to USD 1.63 million or NPR 215.76 million) annually from 2014 to 2018 to support development of Nepal's districts adjacent to China (Rana, 2020). However, the sustainability and impact of these funds remain unclear, with limited evidence of transformative infrastructure development at border points.

Border Infrastructure

Stakeholders repeatedly emphasized that predictability at border points is as important as physical infrastructure itself. Frequent closures, inconsistent operating procedures, seasonal disruptions, and limited communication regarding operational changes significantly undermine private sector confidence. Businesses are reluctant to invest in export-oriented production or logistics systems when border operations remain uncertain.

Participants also highlighted the need for “mirror logistics facilities” at key border crossings, similar to the integrated logistics systems operating along the India border. Such facilities would include warehousing, customs clearance, cold storage, quarantine services, testing laboratories, truck terminals, digital customs systems, and coordinated inspection mechanisms on both sides of the border.

Importantly, stakeholders stressed that Nepal cannot expect China to independently finance or prioritize northern border infrastructure development because Nepal-China trade volumes remain relatively insignificant from China's perspective. This implies that Nepal must take greater ownership over financing, planning, and implementing northern corridor infrastructure rather than waiting for external support.

Trade Corridor Dynamics

Nepal-China trade is highly sensitive to corridor infrastructure and route reliability. Despite northern corridors being geographically shorter, they remain less preferred than southern routes via Indian ports for the majority of Nepal's international trade. This preference reflects several factors beyond mere distance.

Reliability and predictability are critical. Northern border points face frequent disruptions due to natural disasters, particularly earthquakes, floods, and landslides that damage roads and bridges. The 2015 earthquakes, subsequent flooding events, and the July 2025 Rasuwagadhi bridge collapse illustrate how vulnerable these routes remain to environmental shocks. In contrast, while India's border points also experience occasional disruptions, the multiplicity of crossings and greater institutional capacity for maintenance provide more consistent access.

Insurance and logistics infrastructure strongly favor southern routes. International insurance companies provide comprehensive coverage for goods transiting through established Indian ports and corridors, whereas coverage for northern routes through China remains limited and expensive when available. Similarly, formalized logistics providers, freight forwarders, and customs brokers have far more experience and infrastructure supporting trade through Indian ports such as Kolkata (Haldia) and Visakhapatnam than through Chinese ports.

Time efficiency comparisons present a nuanced picture. Stakeholders noted that goods take approximately twelve days to reach China via northern border crossings, compared to roughly forty-five days when routed through Visakhapatnam port in India and shipped to Chinese ports. The northern route appears significantly faster. However, these time estimates assume optimal conditions without accounting for seasonal closures, unpredictable border shutdowns, or infrastructure failures that can extend transit times indefinitely.

Cost differentials are surprisingly modest. Stakeholders report that the additional cost of routing goods through Visakhapatnam compared to northern crossings amounts to only about USD 500 per container. Given this small differential, businesses often prefer the perceived reliability and established insurance coverage of southern routes despite longer transit times.

A 2022 study by the Center for Social Innovation and Foreign Policy (CESIF) highlighted an additional constraint specific to the Kodari-Zhangmu border (CESIF, n.d.). Exclusive passage rights granted to border citizens had spawned a transportation syndicate charging exorbitant rates ranging from NPR 350,000 to NPR 400,000 for transporting goods from Khasa to Kathmandu, far exceeding the expected fare of NPR 30,000 to NPR 50,000 (CESIF, n.d.). These inflated charges rendered trading via Kodari-Zhangmu financially impractical for many traders, illustrating how local monopolies and rent-seeking can undermine trade facilitation even when infrastructure exists.

Transit Potential and Strategic Positioning

Several Nepal-China border points hold potential to transform into transit routes facilitating India-China trade, positioning Nepal as an entrepot for commerce between its two giant neighbors. This vision has been articulated in various strategic planning documents and carries significant economic promise if infrastructure and regulatory frameworks can be aligned.

According to CESIF research, China has shown interest in operationalizing Yari (Humla)-Purang and Nechung (Mustang)-Lizi border points specifically for cross-border trade, potentially representing a strategic shift from primary reliance on Tatopani and Rasuwagadhi. (CESIF, n.d.) If developed with appropriate multimodal connectivity, these western border points could link to emerging transit corridors serving broader regional trade.

The Kaligandaki corridor has been designated as a national pride project and is often described as potentially the most dependable and efficient trade route between India and China passing through Nepal. (Nepal News, 2024) This corridor would connect Lumbini in Nepal's Tarai plains with Mukti-nath in the high Himalayas, providing a north-south axis that could facilitate India-China goods movement. The Tamakoshi corridor represents another strategic option, potentially offering the shortest route from Nepal to Tibet if developed with appropriate all-weather roads and border facilities. However, government investment in these alternative corridors has been limited, with resources concentrated primarily on repairing and maintaining existing routes rather than developing new strategic infrastructure.

The example of Laos, which has been utilized by China to access Bangkok and other Southeast Asian markets, serves as both an opportunity and a cautionary

tale. While transit trade can generate revenue and catalyze infrastructure development, it can also create dependence and political vulnerability if not managed strategically through appropriate regulatory frameworks and infrastructure investments that ensure Nepal captures value from facilitation services.

Border Management Challenges

Border management between Nepal and China suffers from fragmented institutional responsibility and weak coordination mechanisms. Unlike some of Nepal's border crossings with India where integrated check posts (ICPs) consolidate customs, immigration, quarantine, and security functions under unified management, northern border points operate with separate, poorly coordinated agencies.

Nepal's customs, immigration, quarantine, and border security offices at northern crossings function independently with limited information sharing or joint operating procedures. This fragmentation creates inefficiencies, increases processing times, and provides opportunities for rent-seeking as traders must navigate multiple agencies with overlapping jurisdictions.

In contrast, China has moved toward unified border management at many of its customs points, consolidating customs, quarantine, and immigration functions under integrated systems. This asymmetry in institutional organization creates friction, as Nepali procedures remain cumbersome and unpredictable while Chinese systems operate with greater efficiency and standardization. The absence of joint operating protocols between Nepal and China exacerbates unpredictability. Stakeholder consultations revealed that border openings, closures, and operational hours can change with minimal advance notice, creating planning difficulties for businesses.

Emergency response capacity at border points is minimal. When natural disasters such as floods, landslides, or earthquakes damage roads or bridges, response times are slow, and coordination between Nepali and Chinese authorities is weak. The July 2025 Rasuwagadhi bridge collapse exemplified these challenges, with hundreds of Nepali truck drivers stranded and limited coordinated response to evacuate personnel or establish temporary alternative arrangements.

Seasonal closures due to weather conditions, particularly affecting high-altitude crossings like Korola, further reduce operational reliability. Without adequate winter infrastructure including heating systems, proper accommodation, and equipment for snow clearance, these border points effectively shut down during harsh weather months, limiting their utility as year-round trade gateways.

Policy Recommendations

Nepal has several policy frameworks intended to promote export growth, including the National Trade Integration Strategy (NTIS 2080). However, implementation has been weak, particularly regarding trade with China. Export promotion remains heavily dependent on participation in trade fairs and expos, which, while useful, do not provide sustained market access, certification support, or business-to-business linkages.

Addressing Nepal's structural constraints in economic engagement with China requires coordinated, institution-led reforms rather than promotional efforts or incremental adjustments. The following recommendations reflect evidence from trade data analysis, stakeholder consultations, and comparative assessment of successful export facilitation models.

1. Establish Nepal-China Trade Corridor Authority

Nepal should establish a Nepal-China Trade Corridor Authority housed under the Ministry of Industry, Commerce and Supplies, with representation from Customs, Transport, Finance, and the private sector. This authority would provide integrated governance over corridor infrastructure development, customs operations, logistics, insurance, payment settlement, and emergency response.

The authority's mandate should include:

- Coordinating infrastructure investments across multiple border points
- Developing and enforcing joint operating protocols with Chinese counterparts
- Managing emergency response during natural disasters or infrastructure failures
- Facilitating insurance coverage and financial settlement mechanisms
- Maintaining real-time information systems on border operations
- Serving as a single point of contact for businesses seeking to utilize northern trade routes

Critically, this authority should establish formalized standard operating procedures with Chinese border management agencies to ensure predictability, transparency, and continuity of operations. The current vulnerability of border operations to unilateral and unpredictable administrative disruptions undermines business confidence; institutionalized protocols would provide greater certainty.

2. Invest Strategically in Border Infrastructure

Border infrastructure must be treated as strategic economic investment rather than peripheral connectivity expenditure. Immediate priorities should include:

Making Existing Priority Crossings Fully Operational

Year-Round: Rasuwagadhi, Tatopani, and Korala should receive investments in all-weather roads, warehousing facilities, heating systems for winter operations, and adequate accommodation for border personnel. Without these basic facilities, declaring border points "operational" remains largely symbolic.

Developing Alternative Corridors for Resilience: Given the vulnerability of northern routes to natural disasters, Nepal should actively develop alternative corridors such as the Tamakoshi corridor to diversify transit options and reduce dependence on single routes. As SAWTEE research emphasizes, evaluating routes solely through short-term cost comparisons overlooks the strategic value of multiple transit options and supply chain resilience. (Kharel, 2018)

Establishing Dry Ports and Logistics Hubs: Integrated logistics facilities with warehousing, cold storage, container handling, and customs processing capacity should be developed at strategic locations near major border crossings. These facilities would enable consolidation of goods, improve inventory management, and facilitate more efficient border clearance processes.

3. Build Quality and Certification Infrastructure

Unlocking Nepal's export potential requires establishing accredited laboratories and SPS facilities at major border points. Specific interventions should include:

Border Laboratory Facilities: Constructing and accrediting testing laboratories at Rasuwagadhi, Tatopani, and Korala capable of conducting food safety testing, phytosanitary inspection, and quality certification would significantly reduce the cost, time, and uncertainty associated with meeting Chinese regulatory requirements. These laboratories should be staffed with trained personnel provided with adequate incentives and working conditions to retain expertise.

National Quality Infrastructure: Beyond border points, Nepal requires strengthened national Metrology, Standards, Testing, and Quality (MSTQ) infrastructure. This includes upgrading existing laboratories, training technical personnel, and achieving international accreditation for key testing facilities to ensure Nepali certifications are recognized in major export markets.

Facility-Level Compliance Support: Targeted technical assistance programs should help production facilities meet international facility standards required for export

certification. This may require government support for capital investments in processing equipment, cold chain infrastructure, and quality management systems.

4. Strengthen Producer and Exporter Capacity

Systematic capacity building is essential to enable Nepali producers and exporters to understand and comply with Chinese market requirements:

Targeted Training Programs: Trade and Export Promotion Center (TEPC) and other trade promotion agencies should implement comprehensive training programs for farmers, manufacturers, and exporters covering Chinese product standards, certification requirements, branding, packaging, labeling, and consumer preferences. These programs should extend beyond Kathmandu to reach producers in agricultural regions such as Ilam (tea), Jumla (herbs), and Chitwan (haylage).

Technical Assistance for Product Development: Government should operationalize existing product development mandates with clear implementation roadmaps, supporting transition from raw commodity exports to higher-value, processed, and branded offerings. This includes assistance with packaging design, quality consistency, and market positioning tailored to Chinese consumer preferences.

Export-Ready Product Certification Programs: Establishing programs that guide producers through the process of developing export-ready products complying with Chinese import regulations and quality standards would bridge the current knowledge gap. These programs should provide hands-on support for GACC registration, documentation preparation, and quality compliance rather than generic informational seminars.

5. Formalize Payment and Financial Systems

The absence of reliable payment mechanisms constitutes a major barrier requiring government-to-government resolution:

Bilateral Payment System Establishment: Nepal and China should establish formalized banking channels and payment settlement mechanisms enabling transparent, documented transactions. This could include correspondent banking relationships between major Nepali and Chinese banks, integration of digital payment platforms, or establishment of trade settlement accounts in mutually agreed currencies.

Addressing WeChat Pay and Digital Payment Integration: Given the prevalence of WeChat Pay in Chinese commercial transactions, Nepal should explore regulatory frameworks allowing legitimate integration of such platforms for business-to-business payments, subject to appropriate oversight for foreign exchange management and taxation.

Trade Finance and Insurance Facilities: Development of specialized trade finance products and insurance coverage for Nepal-China trade would reduce commercial risks and enable businesses to engage in larger-scale transactions with confidence. This may require government backstopping or international development assistance to establish initial facilities until commercial sustainability is demonstrated.

Conclusion

Nepal's economic relationship with China embodies a profound paradox of geographic proximity coupled with institutional distance. Despite sharing a 1,400-kilometer border with the world's second-largest economy, Nepal remains largely excluded from value-generating participation in bilateral commerce. The 130:1 import-export ratio, the minimal utilization of preferential market access, and the persistent inability to translate border proximity into export growth reflect not mere market dynamics but structural exclusion rooted in infrastructure deficits, regulatory asymmetries, institutional weaknesses, and informality.

The evidence presented in this section demonstrates that neither promotional efforts nor incremental reforms will be sufficient to rebalance this relationship. China's export-oriented economic structure, stringent regulatory framework, and sophisticated quality control systems create high entry barriers that require equally sophisticated institutional responses from Nepal. The challenge is not simply to promote exports but to fundamentally build the quality infrastructure, certification systems, producer capacity, payment mechanisms, and corridor governance necessary for competitive participation in the Chinese market.

Importantly, Nepal should resist simplistic narratives about Chinese investment dominance or inevitable trade asymmetry. While Chinese FDI has indeed increased and become more visible, empirical data reveals more modest flows than popular perception suggests. Similarly, trade deficits with China, while severe, reflect broader regional patterns rather than Nepal-specific exploitation. Countries across South Asia face similar challenges in accessing Chinese markets, underscoring that these are structural issues requiring patient, coordinated policy responses rather than quick fixes.

Nepal's northern border need not remain merely a site of import dependence and missed opportunity. With appropriate investments in human capacity, physical infrastructure, and institutional frameworks, it could become a dynamic economic corridor connecting Nepali producers with one of the world's largest and fastest-growing consumer markets. Realizing this potential requires establishing a Trade Corridor Authority, investing strategically in border infrastructure, building quality and certification systems, strengthening producer capacity, formalizing payment mechanisms, and enhancing data collection.



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