Foreword

China is a much-discussed country in Nepal, but efforts have been limited to discussions and reports that get stacked on shelves. Photographs of people taking pictures and posting them flood social media, but then I keep asking why Nepal has so little to show for it.

I have been watching this cycle for nearly three decades. I keep wondering about the future of Nepal between two economies that will be the world's two largest. When the two countries dominated global GDP share, Nepal benefited as a bridge, and the question is whether history can repeat itself. But the bridge metaphor has always been more aspiration than reality, and nowhere is the gap between aspiration and reality more visible than in Nepal's economic relationship with its northern neighbor.

The Nepal-China 101 Study is NEF's attempt to move beyond the aspiration and into the evidence. Over two years, our researchers examined Nepal's economic engagement with China across three sectors: business and trade, renewable energy, and tourism. They conducted extensive key informant interviews, visited three Nepal-China border crossings, and reviewed over a hundred and fifty sources. The result is the most systematic cross-sectoral analysis of this relationship produced from within Nepal, by Nepali researchers.

What they found should not be comfortable reading. Nepal has zero-tariff access to over eight thousand product categories in China, yet exports almost nothing. Nepal has 83,000 megawatts of theoretical hydropower potential but no power trade agreement with its largest potential energy partner. Nepal received Chinese Approved Destination Status in 2002, yet is still not effectively competing for Chinese tourists nearly a quarter century later.

The study's central finding is blunt: the binding constraints are not primarily Chinese, Indian, or geopolitical. They are Nepali. The absence of testing laboratories at northern border crossings, the non-functional export registration system, the power trade agreement that has been discussed since 2018 without conclusion: these are failures of implementation, not of access.

Nepal's institutional gaps are not new, but the cost of leaving them unaddressed is rising. The question this study poses is not whether Nepal should engage more with China. It is whether Nepal has built what it needs to benefit from the engagement it already has.

NEF does not publish this report to add to the shelf. We publish it because the diagnosis is clear and the people who can act on it are in Nepal's government, private sector, and policy institutions. I hope this study finds its way into their hands, and into their work plans.

I want to thank the Nepal Economic Forum research team for two years of rigorous work on a subject that deserves far more serious attention than it has historically received.

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