

Chinese investment generates more employment

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KATHMANDU: China's investment in labour intensive sectors has created more employment in Nepal as compared to Indian investments.

Though Indian investment in Nepal accounted for 70 per cent in the last fiscal year 2010-11, Indian foreign direct investments were expected to have provided only 30 per cent employment, whereas though China's foreign direct investments accounted for 12 per cent it was expected to have provided 28 per cent employment, said chief executive director of South Asia Watch on Trade, Economics and Environment (SAWTEE) Ratnakar Adhikari while addressing a seminar on 'High Growth Trajectory in China and India: Opportunities and Challenges to Harness Development Potentials in Nepal,' here today.

"By fiscal year 2010-2011, foreign direct investments from India and China registered with the Department of Industry were 501 and 401, respectively," he said, adding that volume wise Indian foreign direct investments reached Rs 32 billion, 4.6 times higher than Chinese foreign direct investments of Rs 7 billion.

"In last fiscal year 2010-2011, India and China accounted for 82 per cent of all foreign direct investment commitments to Nepal, according to the department.

However, conducting negotiations with China for obtaining greater market access and signing of the Bilateral Investment Promotion and Protection Agreement (BIPPA) and Double Taxation Avoidance Agreement (DTAA) will further boost Nepal's trade, added Adhikari.

Apart from providing matching incentives offered by Indian states bordering Nepal, the country should expedite the passage of law and operation of special economic zones, address major binding constraints on investment climate by ensuring better political, and law and order situation, and policy related problems to attract more investments from India and China.

Trade preferences provided by China are hardly useful to stimulate foreign direct investment, he said, adding that Chinese foreign direct investments will be predominantly catering to the domestic market in the medium term but may make some headway in exporting to India and other preference granting countries in the long run.

Similarly, Indian investments can be divided into four major categories; export-oriented — mainly targeting the Indian market like Dabur Nepal and Unilever Nepal; domestic market-oriented like Asian Paints, Surya Nepal and McDowell's; services sectors like Nepal SBI Bank, Oriental Insurance, Everest Hotel, UTL and Manipal Medical College; and infrastructure-related like GMR Infrastructure and Sutlej.

"But only some investments have contributed to trade expansion with highest linkage with trade guaranteed market, limited non-tariff barriers and limited bureaucratic hassles, according to the data published by the Department of Industry.

Indian investments in the last fiscal year 2010-2011 can be divided into six sectors. Manufacturing, agro-related and mineral based, which have export prospects account for 51 per cent of Indian foreign direct investments, he said, adding that Nepal needs to attract more Indian investments to optimise Nepal's trade performances.