Strengthening Nepal - Korea Trade and Economic relations

- **Cultural and Historical Ties:**

1. The cultural and historic ties between the two countries share common beliefs of the religious, cultural and social values based on the Buddhism which entered into Korea centuries ago from Nepal. Korea as an emerging economic tiger of the East Asia region, there is good prospects for increasing cooperation in various social, political, economic and cultural fields of Nepal.

- **Diplomatic relations and Exchange of Visits**

2. Nepal’s trade and economic ties have increased more after the establishment of the diplomatic ties between Nepal and Korea in 1975. Korea established its Embassy in Kathmandu in 1974 while Embassy of Nepal in Seoul was established in 2007. Two countries have forged friendly and cooperative relations in a variety of fields. Nepalese people are endeavoring to achieve national integration and overcome poverty. It is quite notable here that Nepal has many tourist attractions, water resources, and labor force. Moreover being the birthplace of Gautam Buddha, Nepal deserves special mention in promoting tourism and promoting bilateral ties, as well.

3. With a view to further promote economic and commercial links between Nepal and Korea, there has been frequent exchange of visits, trade missions and delegations and participation in fairs in Korea and in Nepal as well. This has added a new impetus in growing ties between the two countries. More frequent high-level exchanges have succeeded in vitalizing bilateral cooperation in various fields: political cooperation, economic cooperation, development cooperation, employment cooperation and cultural cooperation, as well as cooperation on regional and international fora.

4. On the occasion of the 40th anniversary of the establishment of bilateral diplomatic relations, the second Policy Consultation Meeting took place in Seoul in March 2014.
Nepalese foreign minister paid visit to Seoul in May 2014 and met with Korean Foreign Minister. It was the first foreign ministers’ meeting between the two countries in 18 years.

The bilateral relationship has made gradual progress in both the private sector and the government sector. People-to-people exchanges between Korea and Nepal have become more vibrant these days, with direct flights operating between Seoul and Kathmandu twice a week.

**Tourism Promotion**

Nepal welcomes more than 30,000 Korean tourists every year. Koreans and Nepalese are becoming more interested in each other’s cultures and societies.

**Assistance through KOICA**

Korea has done its own part to help Nepal to achieve the aim of alleviating poverty and achieve the high growth rate. The Korean government has been providing support through the Korea International Cooperation Agency (KOICA). With the alleviation of political instability in the country, the Korean government is increasing its development assistance. KOICA is implementing its programs in the areas of Construction, hydropower, road and infrastructure development, health, e- governance, etc. Some of the ongoing projects which are under way and recently completed are: ICT Centre at Institute of Engineering, Modernization of Customs Administration, health service Improvement in Tikapur, Establishment of technical training Centre at Kathmandu University, and the master Plan for the Lumbini World peace City Preservation and Development.

Likewise, Disaster recovery Centre in Hetauda, Improving maternal and Child health Care in Mugu are slated to be completed by 2015. National health Insurance Support Program to be completed in 2017 and MDGs Development Effectiveness Enhancement Project 2014-16 are also underway.
8. KOICA’s attention is not limited only to those programs that are currently underway. KOICA recently organized a successful “Institute – Industry” partnership workshop in cooperation with the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) and the Council for Technical Education and Vocational Training (CTEVT). That workshop was undertaken with a view to the full utilization of the Korea-Nepal Institute of Technology (KNIT) in Butwal and the Kathmandu University-Technical Training Center—both of which were established as the result of KOICA projects in the technical and vocational education and training sector. KOICA is getting a good reputation for its development programs from various Nepalese partners, owing to its sincerity and affection throughout the whole process.

9. KOICA has continually increased the volume of its development assistance, which now amounts to $12 million or $13 million (USD) per year. Compared with major donors such as European countries and Japan, KOICA’s programs are small in scale; therefore, the agency tries to maximize their impact by focusing on its regional and sectoral base.

10. KOICA has initiated the $8 million (USD) Nawalparasi Inclusive Rural Development Project in cooperation with Ministry of Federal Affairs and Local Development. It will be KOICA’s first sizable project in the agriculture sector, and will draw upon Korea’s Saemaul or New Village movement as a model. It is understood that the Korean government will either maintain or increase the volume of its ODA to Nepal through KOICA, in keeping with Korea’s economic status, especially in the health, education and agriculture sectors. In 2015, KOICA will launch a capacity-building program in partnership with CTEVT-TITI to support the technical and vocational education and training sector

- **Korea’s ODA in Nepal**

11. Currently, the Korean government has designated 26 ODA Priority Partner Countries, and Nepal is one of them. In addition, the Korean government has drafted a Country
Partnership Strategy for Nepal in consideration of the Nepalese government’s economic development strategy. KOICA’s priority sectors—health, education and agriculture—were determined through discussions between the two governments in 2012 and 2013. Korea has also assisted Nepal with soft loan through Economic Co-operation Fund (ECDF) and signed an agreement in this regard in 1997.

- **Korea in SAARC**

12. Korea acquired SAARC Observer status in 2006, and since then it has been continually striving to strengthen cooperation with SAARC.

13. Korea's lessons and experiences acquired in the process of economic and social development are still very much alive in the hearts of all Koreans. The Korean people and government are ready to share as much of their expertise and experience as possible with Nepal.

14. Unemployment in Nepal has created serious problems in the country and the Korea, as an emerging economic power of the East Asia, is in need of labor due to the rapid industrialization. Many Nepalese are working in South Korea and Korea needs more work forces with the rapid growth of its economy in the coming days and Nepal can supply the workers needed for the Korean market. About 26,000 Nepali workers have been working in Korea under the EPS. Currently, Korea accepts foreign workers from 15 sending countries, including Nepal, through the Employment Permit System (EPS). Nepal began sending workers in large numbers in 2008 after the two countries signed an MOU in 2007. To date nearly 27,000 Nepalese workers have gained employment in Korea through the EPS, accounting for 5.6 percent of all EPS guest workers from the 15 sending countries.

15. **Number of Nepalese workers in Korea**

A look at Korea’s annual employment statistics, the percentage of Nepalese workers is increasing every year. In 2013, there were 5,234 Nepalese participants in the EPS—8.9 percent of the total. In 2014, as of December 12, the figure was 5,831 workers or 12 percent. The quota of eligible Nepalese workers relative to workers from all 15 sending
countries is also increasing rapidly. In 2013 the quota for Nepalese workers was the fifth-
highest among participating countries, and this year it was the second-highest.

Korean employers are also showing a greater preference for Nepalese workers. In one
particular case this year, all 320 Nepalese workers who sought re-employment at a
Korean company were successful—this represents the second-highest number among
the 15 sending countries. The reasons for this increasing preference for Nepalese
workers include their kindness and their strong work ethics. Nepalese are becoming
role models for workers from other countries.

16. Korea and Nepal in the recent past had concluded an agreement to avoid double taxation
and prevent income tax evasion. This will provide an important legal framework to boost
bilateral trade and economic relations between the two nations. Nepal is the 57th country
with which Seoul has signed a double taxation avoidance pact.

• Trade Gap

17. Nepal is facing a wide trade gap in trade between the two countries. The trade gap with
Republic of Korea was to the tune of Rs.2749 million in the fiscal year 2004/2005,
showing the export at Rs.36 million and the import at Rs. 2785 million rupees.. There
has been a quantum jump in the trade deficit in about a decade in 2013/14 to Rs. 3990
million showing total import at Rs.4102 million and export to the tune of Rs 111 million
rupees.

18. The major products of Exports are: Woolen shawls, scarves, mufflers, mantillas, veils and
Veils and the like shawls, W&G cotton jacket, not knitted, wollen Carpet, lentils,
Imitation Jewellery, Coffee- neither roasted no decaffeinated.

19. The major items of import are: Motor vehicle and parts, Machinery electronic goods,
Polypropylene, Newsprint, in roll or sheet, Lubricating Oil, copper, steel and iron wires,
Vaccine for veterinary medicine, Floor covering of plastic Dioctyl orthophthalates etc.
20. Nepal could export NTFP, honey, tea (orthodox), Coffee, pashmina shawls, handicraft items to UK in a sustained manner.

**Korea's Economic Investment in Nepal**

21. Hydropower Projects:

   A. Chameliya Hydropower Project: It is a 30 MW run off the river type hydro project situated in Darchula District, Nepal. Korea Hydro and Nuclear Power (KHNKP) are involved in this project as a consortium partner. It is under construction phase.

   B. Upper Trishuli 1 Hydropower Project. It is a 216 MW Hydropower project that Korean Investors as consortium partners are going to build in Rasuwa District. Korea South East Power Company (52% stake), Daelim Industrial (16%), Kyeryong Construction Industrial Company (10%) are the Korean consortium partners in this project.

   C. Upper Modi II Hydropower Project: It is a 47 MW Hydropower project that K-Water is planning to build as a consortium partner. It lies in Parbat district.

1. Samsung is trying to open a Representative Office in Nepal.

2. In the 40th Anniversary of the diplomatic relations between the two countries, a Korean trade delegation came from South Chungcheong Province in Oct 15, 2014. The delegation held business-to-business meetings with Nepali businessmen for the first time, and they achieved meaningful success. Other trade delegations are also expected to visit Nepal and the Nepali delegation to Korea.

3. Korea’s foreign aid contribution to Nepal through KOICA is about $12 million or $13 million per year.
4. South Korea ranks third in amount of Foreign Direct Investment (FDI) contributed to Nepal (from the beginning till now). Cumulative FDI amount is Rs 8759 million.

5. People to People Exchange:

As of 2013/14, 194 Industrial enterprises are under Korean investment on Electronics, Hotel industry, Chemical industry, medicinal goods and mineral industries showing the total approved foreign investment of 6685 million rupees.

13 Korean volunteers in Nepal

Korean volunteers in Nepal are delivering the know-how, knowledge and technology that Korea gained as a result of its development experience. These volunteers can also learn from the local people and put their ideas for the future of Nepal together with those of the Nepalese.

14. Korea Exchange (KRX) and the Nepal Stock Exchange (Nepse) have signed an agreement to develop a capital market in Nepal. Under the agreement, the KRX will provide its advanced stock trading and information technology systems that run in line with international market standards. KRX is primarily supposed to help Nepal’s stock exchange financially acquire and install new trading systems. The NEPSE is all set to acquire new trading systems to boost the capital market that is going through challenging times at present.

22. Since, KOICA is providing various supports to Nepal, it will be worthwhile, if the assistance could be sought in the areas of:

   a. Technology Transfer
   b. SMEs Development
   c. Human Resource Development
   d. Tourism Promotion
23. Tourism, Hydro power, Human Resource Development, information technology are some of the areas, where there is high prospects of Korean Investment in Nepal.
## Nepal’s Trade with Korea

Value in Million Nepalese Rs.

<table>
<thead>
<tr>
<th>Year</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
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<tbody>
<tr>
<td>2004/05</td>
<td>36.2784</td>
<td>2784</td>
<td>-2749</td>
</tr>
<tr>
<td>2011/12</td>
<td>39.5461</td>
<td>5461</td>
<td>5422</td>
</tr>
<tr>
<td>2012/13</td>
<td>61.4599</td>
<td>4599</td>
<td>4538</td>
</tr>
<tr>
<td>2013/14</td>
<td>111.4101</td>
<td>4101</td>
<td>3990</td>
</tr>
<tr>
<td>2014/15</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Tourist Arrival from Korea

<table>
<thead>
<tr>
<th>S.N</th>
<th>Year</th>
<th>Number of Tourist arrival</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2011</td>
<td>24,888</td>
</tr>
<tr>
<td>2</td>
<td>2012</td>
<td>26,004</td>
</tr>
<tr>
<td>3</td>
<td>2013</td>
<td>19,714</td>
</tr>
<tr>
<td>4</td>
<td>2014</td>
<td>&gt;30,000</td>
</tr>
</tbody>
</table>
List of Industries Approved for Foreign Investment
(F.Y. 2069/70)

Number of Industries Approved for Foreign Investment by Country of Origin (F.Y. 2069/70)

Rs. million

Note: Hard Copy will follow