Memorandum of Understanding (MOU)
between the Government of Nepal and
the Government of the People's Republic of China
on Cooperation under the Belt and Road Initiative

Being cognizant of importance of cooperation between the Government of Nepal and the Government of the People's Republic of China (hereinafter collectively referred to as "the two sides") to promote mutually beneficial cooperation with full respect to each other's sovereignty and laws;

Being desirous to promote cooperation on mutually beneficial areas between the two countries under the principles of proposed framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative (hereinafter referred to as "the Belt and Road Initiative") to realize equitable sharing of benefits from integration of goods, technology, capital and human resources;

Realizing that sharing of experiences between the two sides in formulating development strategies, enhanced policy dialogue for mutually beneficial cooperation on fields such as economy, environment, technology and culture will help contribute to rapid development and economic prosperity of both countries;

Hereby the consensus has been reached as follows:

Article I: Objectives of Cooperation and Guiding Principles

I. The two sides shall, taking advantage of good neighbourly ties, promote mutually beneficial cooperation, under the Belt and Road Initiative as per mutually agreed terms and conditions, to realize economic growth and sustainable development; thereby enabling the two sides to further develop friendly relationship, enhance economic ties, deepen cooperation and promote people-to-people exchanges. Cooperation between the two countries under this framework will result in strengthened connectivity and transit-transport facilities, enhanced economic partnership characterized by openness, inclusiveness, balanced development, shared benefits and environmental sustainability between the two countries and other benefits. The two sides shall ensure the sustainability of the programs and projects by taking into account of the economic, social and environmental dimensions, and enhance cooperation in areas of climate change and disaster management, among others.

II. The two sides shall adhere to the following principles in their cooperation:

(i) respecting each other's core interests and major concerns, enhance mutual trust and promote win-win cooperation to realize prosperity and development;
(ii) cooperation to inject new vigor in economic and social development in accordance with each other's applicable laws and international obligations;
(iii) strengthening connectivity and mutual support, draw on each other's strength and best practices by making full use of the existing bilateral mechanisms, regional cooperation mechanisms and multilateral forums where applicable.

Article II: Areas of Cooperation

The two sides agreed to facilitate cooperation in the following areas:

I. **Policy Exchanges:** Carry out dialogues and exchanges in areas of major development strategies, plans and policies.

II. **Facilities Connectivity:** Strengthen cooperation for connectivity by enhancing cooperation on transit transport, logistic systems, transport network security and related infrastructures development through joint studying and promoting cross border infrastructure projects, including railway, road, civil aviation, power grid, information and communication. Also push for the development of major projects beneficial to both sides and strengthen mutual recognition of standards and information sharing.

III. **Trade Connectivity:** The two sides shall conclude the joint feasibility study of China-Nepal Free Trade Agreement within 2017 and if viable, will start negotiations on the Free Trade Agreement (FTA) to further open up markets and expand two-way trade, with a view to achieving a win-win outcome; establish cross-border economic cooperation zone at the existing ports; improve investment landscape with a view to developing mega projects in the areas of power generation, water conservancy, road, railway line, cross-border transmission line, information and communication technology infrastructures etc., strengthen bilateral cooperation on customs, entry and exit control, inspection and quarantine and mutual recognition of standards as well as certification and accreditation.

IV. **Financial Integration:** The two sides shall endeavor to expand the use of national currencies in bilateral trade transactions and investment according to practical situation. The two sides shall encourage financing support and service for investment and trade cooperation, and provide facilitation and

supportive policies; enhance cooperation on credit management, and facilitate to establish the branches of financial institutions in each other's territory and enhance the matchmaking between the financial institutions in both countries.

V. **People Connectivity:** The two sides shall promote people-to-people exchanges, cultural exchanges, encourage the establishment of sister-city relations; facilitate cooperation agreements on media, education, health, culture, art, tourism, biodiversity protection, poverty alleviation, public welfare, agriculture development and etc.; step up regular exchange programs of the parliamentarians, people of bordering regions, media persons, think tanks, students and youth, among others.

VI. The two sides shall formulate the framework of cooperation plan, as and when necessary, to assess the economic, environmental, legal and other associated risks and opportunities.

VII. Other areas of cooperation as agreed by the two sides.

Article III: Cooperation Modalities

The two sides shall take full advantage of the existing bilateral mechanisms, and regional and multilateral mechanisms where applicable, to promote connectivity under the Belt and Road Initiative between the two countries and explore new opportunities and areas for bilateral cooperation and modalities for collaboration on major transnational issues of common interests.

I. Cooperation modalities between the two sides shall include, but not limited to, the following:
   (i) Exchange of high-level visits and existing governmental and non-governmental mechanisms, establishment of multi-level information sharing platform in diverse fields through multiple channels to realize information sharing, increase transparency and mobilize the people's participation for development and enhanced cooperation;
   (ii) Carrying out pilot programs, joint research, personnel exchanges and professional training through collaborative analysis, joint planning, economic and technological exchanges and cooperation as well as knowledge sharing and capacity building as per needs;
   (iii) Adoption of appropriate modes of cooperation for mutual benefit to support development and implementation of major programs under the Belt and Road Initiative between the two countries; and provision of investment, financing

and technological support for these programs through mutually agreed sources of funds; and strengthening of exchanges and cooperation to ensure program's sustainability and safety.

II. For cooperation in any specific field, the two sides shall sign agreements or other cooperation documents based on mutually agreed terms and conditions.

Article IV: Settlement of Differences

The two sides shall settle the differences in the interpretation and implementation of this MOU through friendly consultation.

Article V: Commencement, Amendment and Termination

I. The MOU shall enter into effect on the date of signing and shall remain valid for three years.
II. The two sides shall modify and supplement the MOU, when necessary, and any agreed revision in writing shall be considered as an integral part of this MOU.
III. Either side intending to terminate this MOU shall give written notice to the other side through diplomatic channel at least three months prior to the expiration of this MOU. Termination of the MOU will not affect any ongoing projects.
IV. This MOU shall be automatically renewed for another three years thereafter unless and until terminated by either side by giving written notice at least three months in advance to the other side prior to the expiration of the present MOU.

Done at Kathmandu on May 12, 2017, in duplicate, in Nepali, Chinese and English languages. Each version is equally valid. In the case of any divergence of interpretation, the English text shall prevail.

Representative
Government of Nepal

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Shanker Das Bairagi
Secretary
Ministry of Foreign Affairs

Representative
Government of the People's Republic of China

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Yu Hong
Ambassador Extraordinary and Plenipotentiary
of the People's Republic of China to Nepal