Exploring Economic Growth and Development Strategies in South Korea and Nepal: Evaluating Risk and Opportunities in Investment Narratives

Dr. Newal Chaudhary ¹

Abstract
This article explores the narratives of investment in South Korea and Nepal, examining the risks and opportunities associated with each country. The study is based on a comprehensive review of existing literature, including academic research, government reports, and news articles. The analysis reveals that while South Korea is widely considered a safe and stable investment destination, with a well-developed infrastructure, skilled workforce, and strong regulatory framework, Nepal presents a more complex and challenging investment landscape, characterized by political instability, weak governance, and inadequate infrastructure. However, the study also uncovers a range of unique investment opportunities in Nepal, particularly in the areas of renewable energy, tourism, and agriculture. The article concludes by offering insights and recommendations for investors seeking to navigate these complex and dynamic markets. The findings suggest that while South Korea is widely perceived as a relatively safe and attractive destination for investment, with a highly developed economy and supportive government policies, Nepal faces greater challenges and uncertainties, including political instability, inadequate infrastructure, and limited access to financing. The study also highlights several areas of potential opportunity for investors in both countries, including in emerging industries such as renewable energy and technology, as well as in sectors such as tourism and agriculture. The study concludes with a discussion of the implications of these findings for investors and policymakers, and suggests areas for further research and analysis.

Keywords: Investment, South Korea, Nepal, Opportunities and Risks

1. Introduction:
Foreign investment refers to the transfer of resources for business purposes from one country to another, and can come from individuals, organizations, governments, or companies. It differs from donations, grants, or budgetary assistance to governments.

¹ Assistant Professor of Law, Nepal Law campus, T.U., Kathmandu, Nepal, Email: Nc2067@gmail.com
Foreign Direct Investment (FDI) is a crucial part of global economic integration, allowing businesses to establish a long-term presence in foreign markets, transfer capital, technology, and management practices, and expand their markets for higher returns. FDI can benefit both the host country and the investor by promoting economic growth, job creation, innovation, and increased competitiveness. Foreign investment is the process of moving resources, such as capital, technology, or expertise, from one country to another for business purposes. This investment can be made by various entities, including individuals, organizations, governments, or companies. It is an important aspect of global economic integration and plays a significant role in promoting economic growth and development. Foreign Direct Investment (FDI) is a specific form of foreign investment. It occurs when a company or individual from one country establishes a lasting presence in another country by investing in physical assets, such as factories, offices, or land. FDI goes beyond simply exporting goods or services to a foreign market. It involves establishing operations in the host country, which often includes transferring capital, technology, management practices, and expertise. This article aims to explore the concept of FDI, including its types, determinants, effects, challenges, and opportunities for both parties. Nepal has recently seen a rise in FDI across various sectors, and the government is offering incentives and simplifying regulations to attract more foreign investment. The Foreign Investment and Technology Transfer Act regulates and defines foreign investment in Nepal as any investment made by a foreign investor in an industry or company, including share investment, reinvestment in industry dividends, lease finance, venture capital, and investment in listed securities through the secondary securities market. Foreign direct investments (FDIs) refer to significant and enduring investments carried out by either a company or a government in a foreign entity. With the global economy's increasing globalization, foreign investment is becoming a critical aspect of economic development and growth. Therefore, defining foreign investment legally is important in promoting and regulating such investments. Additionally, this passage gives examples of specific FDI projects in Nepal, such as the Upper Tamakoshi Hydroelectric Project, the Pokhara International Airport construction, and the increasing foreign interest in Nepal's agriculture sector. Foreign investment is when a company from one country (the foreign investor) invests in a company in another country (the domestic company). The foreign investor typically seeks active participation in the day-to-day operations and key strategic expansion of the domestic company. While FDI can contribute to Nepal's

---

economic growth, job creation, technological transfer, and knowledge sharing, it's crucial to ensure that these investments are sustainable, equitable, and provide long-term benefits to local communities and the environment. South Korea and Nepal are two countries that have attracted significant attention from investor in recent years due to their economic potential and strategic location. Nepal is fertile for foreign investment as compared with Korea. One of the most remarkable phenomena in international law during the past two decades has been the extraordinary increase in the number of agreements concluded relating to the protection or liberalization of foreign investment. More than 2,800 such agreements now exist, with the great majority having been concluded since 1990. The law and policy towards investor in Nepal is more reflective of culture, customs and values associated with foreign investors. South Korea is a high-income, export-oriented country that has made remarkable progress in areas such as technology, innovation and infrastructure development. Nepal, on the other hand, is a lower-income, landlocked country with significant potential for economic growth, particularly in sectors such as tourism, energy, and agriculture. Despite their difference, both countries share a common goal of attracting foreign investment to support their economic development.

2. Literature Review:

Researcher reviewed literatures is required in accordance with rules and regulations of South Korea and Nepal related with FDI. The researcher visited the institutions and libraries viz. Central Law Library, Central library of T.U, Supreme Court Library, Attorney General Office library, FNNCI library, Ministry of Finance, Department of Industries, The Investment Board, Department of Commerce, Book shops etc.

Data and information on the relevant theses, research works, books, articles on various topics written, published by eminent authors and publishers, prepared by prominent researchers, edited by academic personalities, and published by different governmental bodies, academic and education agencies, institutions and organization. The primary sources of the study are international instruments, national legal frameworks and dictionaries. Other relevant books, research works, discussion papers, Journals, articles and officials publications. Similar source of literature have been taken as secondary source of the study. The literature review by the researcher during the course of study has been furnished below.

i. Rafael Leal Arcass, (2010), International Trade and Investment Law,
Edward Elgar Publishing Limited, USA

In this book the author has made an appreciable analysis of economy regarding foreign direct investment which there is the economic analysis of FDI and tried to give justification of the question. Is there a link between FDI liberalization and economic growth? This is very useful for making economic analysis of FDI in the Nepalese context for the researcher.

A. Books:


The author, among others has provided the provisions of foreign direct investment versus foreign portfolio investment (FPI) under which foreign institutional investors (FIIs), foreign direct investment, historical perspective, requirements of documents, summing up, early cautious approach. Liberal policy for foreign investment, portfolio investment inflows have been incorporated and discussed in brilliant way. This provision has been useful for the researcher for drawing the demarcation of various approaches of FDI, FIIs, FPI and so on.

B. Journal:


vi. Dr. Tara Prasad Sapkota, "Policy and Legislative Framework of Nepal


xii. Dr. Surendra Bhandari, has written an article on "Water Resources Development in Nepal with an Integrated and Multipurpose Approach: Possibilities and Prospects:"

xiii. Jeswald W Salacuse and Nicholas P Sullivan’s article titled “Do BITs Really Work?” published in the Harvard International Law Journal explore the goals motivating BITs, namely foreign investment protection, market liberalization and foreign investment promotion and assesses the success of BITs in achieving these goals.


xvi. Sanjiv Sharma, "Investment in Nepal: Materializing the Opportunities", ...


xviii. Saurya SJB Rana "Nepal Needs to Show Comparative Advantage to Foreign Investors to attract FDI", New Business Age, Vol.16, No. 8, May 2017


xxiii. Amanda Perry-Kessaris, "Finding and facing facts about legal systems and foreign direct investment in South Asia" Department of Law, Queen Mary University of London, June 2017


xxv. An Investment Guide to Nepal is highly informative document to foreign investors who want to invest in Nepal.


xxviii. South Asia Watch on Trade, Economics and Environment (SAWTEE), "Foreign Direct Investment in Nepal Current status, prospects and challenges"

xxix. Government of Nepal, Ministry of Industry and Ministry of Commerce and Supplies, Singha Durbar, Kathmandu, with the support of UNDP-ENTREC
3. Methodology:

This research is adopting doctrinal research methodology. The research for this article was conducted through a comprehensive review of academic literature, policy documents, and reports on investment in South Korea and Nepal. The data collected was analyzed through a comparative lens to identify the similarities and differences in the narratives of investment in these two countries. In addition to a comprehensive review of academic literature, policy documents, and reports on investment in South Korea and Nepal, this study also included an analysis of statistical data on investment trends in both countries. This data was collected from reliable sources such as the World Bank, International Monetary Fund, and the United Nations Conference on Trade and Development. The statistical data was used to provide context and support for the narratives of investment in each country. To ensure the accuracy and validity of the research findings, the study also incorporated a comparative analysis of the investment policies and incentives offered by both countries. This analysis included a review of government policies and initiatives aimed at attracting foreign investment, as well as the regulatory frameworks governing investment in key sectors such as manufacturing, energy, and services. Furthermore, the study also examined the experiences of foreign investors who have invested in South Korea and Nepal. Interviews were conducted with selected investors to gain insights into their investment experiences and the
challenges they faced in these countries.

Overall, the methods used in this study aimed to provide a comprehensive and nuanced understanding of the investment narratives in South Korea and Nepal, and the opportunities and risks associated with investing in these countries.

4. Results:

Foreign direct investment (FDI) has been a topic of much discussion in recent years, with many countries vying to attract foreign capital to bolster their economies. The positive effects of FDI on economic growth, employment, and technology transfer are well established, and numerous studies have explored the relationship between FDI and economic development. However, FDI is not a panacea, and its impact on host countries can vary depending on a range of factors, including the regulatory environment, cultural differences, and the availability of skilled labor. Our study shows that South Korea and Nepal offer significant investment opportunities in sectors such as infrastructure, technology, and human resources. The influence of FDI on migration pressure is channeled through economic growth, employment and the less tangible but equally important sense that people come to feel of hope and economic opportunity. With respect to economic growth, FDI typically includes a package of assets-capital, technology, managerial and organizational practices, training and trade-that linked together, help promote growth in the host countries. Foreign direct investment helps to reduce the immediate desire to migrate by providing employment to those seeking jobs or improved economic opportunity. South Korea has established itself as a leading destination for foreign investment, thanks to its history of attracting foreign investors and its reputation as a technology and innovation hub. The government has taken proactive measures to create policies and incentives that promote investment, including streamlined regulations, investment zones, and tax breaks. Nepal, however, has struggled to attract foreign investment due to a lack of infrastructure, corruption, and political instability. In recent years, the Nepali government has introduced policies to encourage investment in sectors like tourism, energy, and agriculture, resulting in a notable increase in foreign direct investment (FDI) inflows, which rose to USD 224 million in 2020, up from USD 79 million in 2019.4 In comparison, South Korea's FDI inflows reached USD 20.8 billion in 2020, reflecting the country's stable political environment, highly skilled workforce, and advanced infrastructure. Foreign investors in South Korea have reported a supportive investment environment, backed by a robust

legal framework, while investors in Nepal have reported encountering bureaucratic hurdles, corruption, and political instability. Despite the challenges, investors in Nepal have noted significant potential for growth, particularly in tourism, energy, and agriculture. Overall, investors must carefully evaluate the unique characteristics of each country and conduct thorough due diligence before making any investment decisions. Other factors to consider include cultural differences, market competition, and the regulatory environment. For investors interested in South Korea, focusing on areas of strength, such as technology and innovation, and partnering with established companies in those industries may be advantageous. Investors must also navigate the country's business culture and regulatory environment, which can be complex. Meanwhile, investors considering Nepal should be prepared for the challenges of political instability and corruption while exploring potential opportunities in sectors like tourism, energy, and agriculture. Conducting thorough due diligence and building relationships with local stakeholders can help mitigate risks and increase the potential for success.

3.1 Effects of Investment in South Korea and Nepal:

Investment can have significant effects on both the host country and the investor. In the host country, investment can lead to economic growth, job creation, and an increase in international trade. In South Korea, FDI has played a crucial role in the country's economic development. FDI inflows have helped to promote growth in the manufacturing and service sectors, resulting in job creation and increased export earnings.

In Nepal, FDI inflows have been concentrated in sectors such as tourism, energy, and agriculture. These sectors have significant potential for growth, and FDI inflows have helped to create jobs and improve infrastructure. However, the effects of investment in Nepal have been more limited than in South Korea due to challenges such as political instability, corruption, and a lack of infrastructure.

4.2 Determinants of Investment in South Korea and Nepal:

Several factors determine the level of FDI inflows in a country. These include economic factors such as market size, GDP growth, and inflation, as well as political factors such as political stability, governance, and the regulatory environment. In South Korea, the government has made significant efforts to create policies and incentives that promote investment, resulting in a stable political environment and advanced infrastructure that attract foreign investors. In Nepal, however, the country faces significant challenges in attracting FDI. The regulatory environment
is complex, and bureaucratic hurdles and corruption have hindered investment in the country. The lack of infrastructure and political instability have also deterred potential investors.

3.3 Challenges of Investment in South Korea and Nepal:

Despite the opportunities for investment in South Korea and Nepal, there are also significant challenges that investors must consider. In South Korea, investors must navigate a complex business culture and regulatory environment, which can be difficult for foreign companies. In addition, market competition can be fierce, particularly in sectors such as technology and innovation.

In Nepal, investors face challenges related to political instability, corruption, and a lack of infrastructure. The country's geographical location and landlocked status also present challenges for trade and logistics. However, investors who are willing to navigate these challenges can find significant opportunities for growth in sectors such as tourism, energy, and agriculture. Certainly, while there are opportunities for investment in South Korea and Nepal, potential investors should also be aware of the challenges they may encounter.

South Korea:

- Complex Business Culture: South Korea has a unique business culture that places a strong emphasis on personal relationships and hierarchy. Building networks and establishing connections, known as "guanxi" in Korean, is important for conducting business successfully. Foreign investors may face challenges in understanding and adapting to this cultural context.

- Regulatory Environment: South Korea has a complex regulatory framework that can be challenging for foreign companies to navigate. There may be bureaucratic hurdles, legal complexities, and specific regulations that need to be followed. It is crucial for investors to understand and comply with these regulations to operate smoothly.

- Market Competition: South Korea is known for its highly competitive market, especially in sectors like technology and innovation. Established domestic companies and global competitors pose challenges for new entrants. Investors need to carefully analyze the market and develop strategies to differentiate themselves and capture market share effectively.

Nepal:
• Political Instability: Nepal has experienced periods of political instability, which can create uncertainty for investors. Frequent changes in government, policy shifts, and political unrest can impact business operations and long-term investment plans. Investors need to assess the political landscape and stay informed about any potential risks.

• Corruption: Corruption can be a challenge in Nepal and may affect business operations. Transparency International ranks Nepal relatively low on its Corruption Perceptions Index, indicating the presence of corruption. Investors should be vigilant, implement robust internal controls, and conduct due diligence to mitigate corruption risks.

• Lack of Infrastructure: Nepal faces infrastructure challenges, including inadequate transportation networks, power shortages, and limited access to basic services. These deficiencies can hinder business operations, logistics, and the movement of goods and services. Investors may need to factor in additional costs and develop strategies to overcome infrastructure limitations.

• Geographical Constraints: Nepal's landlocked status poses trade and logistics challenges. Dependence on neighboring countries for trade routes and transportation can lead to higher costs and delays. Investors should consider the logistical implications and explore potential solutions, such as regional cooperation or alternative trade routes.

Despite these challenges, both South Korea and Nepal offer opportunities for growth in various sectors.

South Korea's strong technology industry, innovative capacity, and skilled workforce make it an attractive destination for investments in sectors such as electronics, automotive, biotechnology, and entertainment. Additionally, South Korea's well-developed infrastructure, advanced research and development capabilities, and strong intellectual property protection create favorable conditions for certain types of investments.

In Nepal, sectors such as tourism, renewable energy, hydropower, agriculture, and manufacturing have significant growth potential. Nepal's natural beauty, cultural heritage, and growing tourism industry offer opportunities for hospitality, ecotourism, and adventure tourism. The country's abundance of water resources presents potential for hydropower projects, while agriculture can benefit from
modernization and value addition. Navigating these challenges and capitalizing on the opportunities in South Korea and Nepal requires thorough market research, understanding local dynamics, building relationships, and adapting business strategies accordingly. Engaging local partners or consultants with knowledge of the local business environment can also be beneficial for investors.

3.4 Opportunities for Investment in South Korea and Nepal:

Until the 1960s, South Korea, officially known as the Republic of Korea, was recognized as one of the impoverished nations worldwide. During that period, both Nepal and South Korea had similar levels of per capita income, meaning they were on equal footing in terms of economic status. Despite the challenges, South Korea and Nepal offer significant opportunities for investment in various sectors. In South Korea, technology and innovation are areas of particular strength, and investors can benefit from partnering with established companies in these industries. The country's stable political environment, highly skilled workforce, and advanced infrastructure also make it an attractive destination for FDI. In Nepal, the tourism, energy, and agriculture sectors have significant potential for growth. The Nepali government has introduced policies to encourage investment in these areas, resulting in an increase in FDI inflows in recent years. Investors who are willing to navigate the challenges of political instability and corruption can find significant opportunities for growth. Nepal has a lot to learn from South Korea when it comes to attracting foreign investment. One of the key lessons is the importance of creating a stable and supportive business environment. South Korea has established itself as a leading destination for foreign investment by implementing policies and incentives that promote investment, including streamlined regulations, investment zones, and tax breaks. Additionally, the country's stable political environment, highly skilled workforce, and advanced infrastructure have also contributed to its success in attracting foreign investment.

Nepal can learn from South Korea's success and work to create a stable and supportive business environment by implementing similar policies and incentives that promote investment. The Nepali government has already taken steps to encourage investment in sectors like tourism, energy, and agriculture, but more can be done. For example, Nepal could create investment zones that provide tax breaks and streamlined regulations to attract foreign investors. The government could also work to improve infrastructure, reduce corruption, and provide more

political stability to attract more foreign investment.

Another lesson that Nepal can learn from South Korea is the importance of focusing on areas of strength. South Korea has become a leader in technology and innovation, and has attracted foreign investors by focusing on those areas. Nepal could also focus on areas where it has a competitive advantage, such as its natural resources, cultural heritage, and strategic location between India and China. By promoting these strengths and developing industries around them, Nepal could attract more foreign investment.

Challenges do exist for Nepal in attracting foreign investment, and the country must address them if it hopes to increase its investment capacity. One of the biggest challenges is the lack of infrastructure, particularly in rural areas. Nepal also faces issues with corruption, political instability, and a complex regulatory environment. Addressing these challenges will require significant reforms and investments in infrastructure, governance, and education.

In terms of opportunities, Nepal has significant potential for growth in sectors like tourism, energy, and agriculture. The country's natural beauty, cultural heritage, and strategic location make it an attractive destination for tourists. Additionally, Nepal has abundant water resources that could be used to generate hydroelectric power, which could be exported to neighboring countries. Finally, Nepal has a large agricultural sector that could benefit from foreign investment in infrastructure and technology.

Overall, Nepal has much to learn from South Korea when it comes to attracting foreign investment. By creating a stable and supportive business environment, focusing on areas of strength, and addressing the challenges that exist, Nepal can increase its investment capacity and realize its potential for growth. ND development in Nepal.

4. Discussion:

The narratives of investment in South Korea and Nepal highlight the importance of government policies and incentives in attracting foreign investment. South Korea's success in this area can be attributed to a combination of factors, including strong economic growth, political stability, and a well-developed infrastructure. In contrast, Nepal's investment narrative has been hindered by political instability, weak infrastructure, and corruption. However, the government's recent efforts to create a more attractive investment environment have the potential to change this narrative. The discussion of the study's results highlights the key opportunities and
challenges associated with investment in South Korea and Nepal. South Korea offers a low-risk, high-return investment environment due to its well-developed infrastructure, skilled workforce, and stable political environment. Additionally, the country's policies and incentives aimed at attracting foreign investment have been successful in maintaining high levels of FDI inflows. However, with such a well-developed investment environment, competition for investment opportunities in South Korea can be fierce, and investors must be prepared to navigate a highly competitive market. In contrast, Nepal presents a higher level of risk but also offers significant potential for growth, particularly in sectors such as tourism, energy, and agriculture. Neo-liberalism claims that the most effective economic system is FDI and the most important economic agents are MNCs. If any country wants to prosper in New World Order then it must marry with the MNCs and invoke the miracle of FDI. Economic globalization is not only the vision of the economists in USA and Britain but also of the IMF, World Bank, Asian Development Bank and the supporters of the New Economic Policy of India since 1991. The journals of capitalism such as, The Economist of U.K. and The Business Week of USA are intellectual instruments of liberalization and globalization. The country's government has introduced policies aimed at incentivizing foreign investment and improving the investment environment. However, investors must be prepared to navigate a challenging bureaucratic system, corruption, and political instability. Nevertheless, for investors willing to accept these risks, Nepal presents opportunities for high returns on investment in sectors with untapped potential. The study's results also highlight the importance of conducting thorough due diligence and understanding the unique characteristics of each country before making investment decisions. Investors must consider factors such as regulatory frameworks, labor laws, cultural differences, and political risks when deciding where to invest. In addition, the study's findings have implications for policymakers in both countries. Policymakers in South Korea must continue to adapt and improve their policies and initiatives aimed at attracting foreign investment to maintain their competitive edge. In Nepal, policymakers must address challenges such as corruption and political instability to create a more attractive investment environment and unlock the country's potential for growth.

Overall, the study's findings provide valuable insights into the narratives of investment in South Korea and Nepal and the opportunities and challenges associated with investing in these countries. Investors and policymakers can use this information to make informed decisions and create policies that encourage sustainable investment and economic growth.

5. Conclusion and Recommendations:
Investment in South Korea and Nepal presents different levels of risk and opportunities. While South Korea offers a strong investment environment with high potential for returns, Nepal presents more significant risks and challenges but with untapped potential for growth. Investors should carefully consider the unique characteristics of each country and conduct thorough due diligence before making investment decisions. To further enhance their investment narratives, Nepal should prioritize infrastructure development and address issues of political instability and corruption. At the same time, South Korea should continue to develop policies and incentives to maintain its reputation as a hub for innovation and technology. In conclusion, the study has provided a comprehensive assessment of the narratives of investment in South Korea and Nepal, and the opportunities and risks associated with investing in these countries. South Korea presents a low-risk, high-return investment environment, while Nepal presents a higher level of risk but also offers significant potential for growth in sectors such as tourism, energy, and agriculture. Our study provides recommendations for investor and policymakers to help mitigate the risks and capitalize on the opportunities in South Korea and Nepal.

Investors must conduct thorough due diligence and consider the unique characteristics of each country before making investment decisions. Policymakers must also continue to adapt and improve their policies and initiatives aimed at attracting foreign investment to maintain their competitive edge and unlock the potential for economic growth. Based on the study's findings, the following recommendations are suggested for investors and policymakers:

**For Investors:**

i. Conduct thorough due diligence on the investment environment, regulatory frameworks, cultural differences, and political risks in each country before making investment decisions.

ii. Consider investing in South Korea for a low-risk, high-return investment environment, and Nepal for opportunities for high returns on investment in sectors with untapped potential.

iii. Be prepared to navigate a competitive market in South Korea and a challenging bureaucratic system, corruption, and political instability in Nepal.

**For Policymakers:**

i. Continue to adapt and improve policies and incentives aimed at attracting foreign investment, such as tax breaks, investment zones, and streamlined
regulations.

ii. Address challenges such as corruption, political instability, and lack of infrastructure to create a more attractive investment environment and unlock the potential for economic growth.

iii. Foster cooperation and partnerships with foreign investors to create mutually beneficial investment opportunities.

6. Conclusion:

South Korea and Nepal present unique investment narratives, and investors and policymakers must carefully consider the opportunities and risks associated with investing in each country. By doing so, they can create sustainable investment and economic growth and unlock the potential for a prosperous future. Investing in South Korea offers opportunities in technology, innovation, and infrastructure, thanks to the country's stable political environment, skilled workforce, and advanced infrastructure. The South Korean government has taken proactive measures to create policies and incentives that promote investment, making it an attractive destination for foreign investors. However, investors must navigate the country's complex business culture and regulatory environment, which can pose challenges. On the other hand, Nepal has struggled to attract foreign investment due to challenges like political instability, corruption, and a lack of infrastructure. However, the government has introduced policies to encourage investment in sectors like tourism, energy, and agriculture, resulting in a notable increase in foreign direct investment inflows in recent years. Despite the challenges, investors have noted significant potential for growth, particularly in the tourism, energy, and agriculture sectors. Overall, it is crucial for investors and policymakers to conduct thorough due diligence, evaluate the unique characteristics of each country, and consider the challenges and opportunities associated with investing in South Korea and Nepal. By doing so, they can create sustainable investment and economic growth, ultimately leading to a brighter future for both countries.

7. References:

i. Rafael Leal Arcass, (2010), International Trade and Investment Law, Edward Elgar Publishing Limited, USA,

ii. Kulwant Singh Phull, (2014), Foreign Institutional Investors And Capital Market In India, Anasari Road, Daryaganj, New Delhi,


