



Discussion Paper


Belt and Road Initiative: Prospects for Nepal-China Cooperation



Kamal Pandit

Council for Technical Education and Vocational Training, Bhaktapur, Nepal

Email: panditkamal@gmail.com

 0000-0002-3471-6619

Abstract

Connectivity has always been a hindrance for landlocked countries to efficiently deliver their products and services across the globe. Such issue is no different in case of Nepal. Being a mountainous and landlocked country, Nepal is facing problems in trade, transportation and economic development. The introduction of the Belt and Road Initiatives by China to improve trade and connectivity among its member countries brings a new hope of economic prosperity. One can simply argue on the dark side of the project through media evidence illustrating the case of Hambantota Port, Sri Lanka. The purpose of the paper is to identify and formulate strategies for implementing the BRI projects in Nepal for enhancing economic development through connectivity. Paucity of academic discourse on the implementation strategies of the BRI project in Nepal was one of the motivating factors for this research. Literature review forms the major portion of research methodology and critical analysis has been done to derive conclusions. During the last 4 decades, China had an impressive achievements transforming

itself from agricultural economy to world class digital powerhouse. It was found that from a hardworking farmers, they have moved to become a traveller for pleasure and business. And now with its global development strategy involving infrastructure development and investment in more than 150 countries, it is at the edge of becoming the super power of the world. Nepal's participation in the BRI goes beyond physical connectivity as we share history immemorial in terms of trade, religion, ideas and culture. The connectivity projects will definitely shape the trade of Nepal through exposure and efficient custom and transit transport procedures overcoming the problems in trade, transportation and economic development.

Keywords: *Belt and Road Initiative; Geo-economic Strategy; Connectivity; Economic Development; Nepal*

Introduction

Belt and Road Initiative or the 21st Century Maritime Silk Road or One Belt One Road Initiative, is a development strategy adopted by the Chinese government that involves infrastructure development and investments in countries in Europe, Asia and Africa. One Belt One Road (OBOR) Initiative launched by the People's Republic of China in 2013 is currently the biggest globally undertaken industry investment portfolio (Radunovic, 2018). China's bold, farsighted, historic as well as pragmatic initiative known as OBOR offers a grand scale proposal for the future geo-political vista resulting in 'One Economic World' (Dahal, 2017). According to Casadei (2015), in autumn 2013, the freshly elected Chinese leaders President Xi Jinping and Premier Li Keqiang announced two ambitious foreign policy initiatives, the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", with the aim of transforming the Eurasian continent with a thick web of connections on its lands and on its seas.

The One Belt refers to the Silk Road Economic Belt, a recreation of the old land-based Silk Road trade routes from China

through Central Asia and on to the Middle East and Europe (Weiping & Daxiang, 2018). The Road consists of a network of ports and other coastal infrastructure from China's eastern seaboard stretching across South East Asia, South Asia, the Gulf, East Africa and the Mediterranean, forming a loop terminating at Piraeus (Greece), Venice (Italy) and Rotterdam (Netherlands) in Europe and Mombasa (Kenya) in Africa (Purushothaman, 2015). One Belt and One Road initiative is geographically structured along six corridors to connect China to Europe, the Middle East, Central Asia, and South Asia, and the maritime Silk Road (Weiping & Daxiang, 2018). According to Saran (2015), the main objectives of the BRI are policy coordination across the Asian continent, trade liberalization, financial integration and people to people connectivity.

OBOR/BRI hence can be discussed as a network initiatives of roads, railways, ports and other infrastructural projects meant to connect China to the world. China is in active search of means and ways to change its identity, to strengthen its international presence and thus become the leader of the economy of the world. The participating

territories cannot ignore the scale of investment and therefore must observe it in broader geo-economic prospects. The primary objective of such a mega project can be portrayed as enhancement of business and trade by overseas direct investment. Nevertheless, it is the act of the receiving nation on how they view it and prepare strategy about it.

China's belt and road initiative is a classical silk route backed by the 21st century maritime development policy of China to improve its connectivity and regional cooperation. According to Julan and Yifie (2018), OBOR initiative (i.e. the Silk Road Economic Belt and the 21st Century Maritime Silk Road policy) is a great vision for economic integration of China with Asia, Europe and Africa. The initiative provides a blueprint of a strong integration of China into the world economy and represents the commitment of the Chinese government to a more open economy (Julan & Yifie, 2018). BRI has been emerged as one of the biggest economic development models around the globe in the past few years and has followed the principle of open participation with a principle of cooperation on equal footing (Sangraula, 2018). As the initiative progresses, policy makers, analysts and researchers are trying to answer a few open questions of which the most common are: How can a country best benefit from the BRI? How should projects be prioritized and sequenced? What opportunities emerge as a result of participating in the initiative? (Derudder, Liu, & Charles, 2018).

Emerging in 1999, the Going Global strategy sought to bid farewell to the Mao-era mind

set of self-reliance, urging Chinese firms to take advantage of booming world trade to invest in global markets (China Policy, 2017). Now it is one of the world's major capital-export countries and has concluded many bilateral investment treaties (BITs) with most of the countries in the world (Chen, 2016). To complement and support Belt and Road Initiative and to help its partners finance the BRI projects, China is setting up financial institutions such as Asian Infrastructure Investment Bank (AIIB) and Silk Road Fund. According to Lim (2015), AIIB aims to close the global development gap by offering to finance for infrastructure projects to those low-income countries which normally would have difficulty securing such financing from traditional IFIs like the World Bank and the Asian Development Bank (ADB). Lim (2015) further states that AIIB will also allow the private sector to invest in AIIB-funded infrastructure projects, thereby helping state borrowers avoid increasing their public debt. According to Weiping and Daxiang (2018), the proposed multilateral bank has an authorized capital of \$100 billion, 75% of which will come from Asian and Oceania countries. They also state that China will be the single largest stakeholder, holding 26% of voting rights.

The tendencies and attitudes of becoming the supreme is a natural process since the inception of the phrase "survival of the fittest" from Darwinian evolutionary theory. Once a county gets stable or sustained in its internal strengths, or economy to be specific, it tends to expand its wing to external entities which is metaphorical to natural tendency of any or many natural beings. One may argue that China's BRI is solely aimed at its own

interest in international affairs. One can easily be sceptical about this visionary project, as there is a huge investment in least developed countries as well. The participating countries especially of Asia and Africa must observe analytically on how to execute the projects of the BRI for the benefits of the residents of their territory. A nation like Nepal cannot be indifferent to the BRI. Nepal not only shares border with the creator of this gigantic project but also shares history and culture. Beyond the economical relation between these two nations, there is a deep and cultured relationship between the people of these two nations.

The discourse of the BRI is not a new topic. Newspaper articles appear now and then on China's enormous investment project. However, how this projects links to Nepal has been scanty discussed. Therefore, the topic is timely and pertinent for our consideration. Some try to endorse it as a potential for Nepal to uplift its economic status by increasing trade volume while other criticize it as a debt trap. The MOU on cooperation under the BRI signed by Nepal on 12th May 2017 has opened new directions of bilateral cooperation between Nepal and China. The purpose of this paper is to examine the Nepal-China relationship and also how this initiative contributes to improving trade and transport of Nepal.

History of Nepal-China Relations

Apart from being totally different in size and economy, Nepal and China share borders to the north of Nepal which calls for a mutual cooperation for the benefits of both the nations. Hence, both the countries must

ensure a sound geo-political relations. The history of Nepal China relation dates back to time immemorial. According to Prasad (2015), the first recorded official relations between Nepal and China dated from the middle of the seventh century, although unofficial contracts between these two countries began in the fifth century. Similarly Tuladhar (2017) states that by the time of seventh century, Nepal had adapted Buddhism as the main religion, so when Princess Bhrikuti was married off to the powerful Tibetan King Tsrong Tsong Gyampo, around 624 A.D., she took great tureens of Buddhism and Buddhist, teachers, arcticians and traders to Tibet, along with her. Hence, we can also account Buddhism, a religion for the long history of Nepal China relations. The government of Nepal has also published online information about the relations between Nepal and China. A research by Singh (2015) reveals that China and Nepal are bounded together by a long history of cultural and social relationships established through Buddhism in the middle of the seventh century A.D.

According to the Ministry of Foreign Affairs, Nepal (2018), the historic and multi-faceted bilateral relations between the two countries have evolved since the days of Nepali monk and scholar Buddhahadra (Jue Xian Fa Si, early 5th Century), Princess Bhrikuti (first half of the 7th Century) and Araniko (Anige, Second half of the 13th Century) and early visits of Chinese monks and scholars like Monk Fa Hsian (Jin Dynasty), Monk Xuan Zang (Tang Dynasty). They also indicate that the two countries formalized their relations on 1 August 1955 by establishing diplomatic relations. A research by Singh (2015) reveals

that China and Nepal are bounded together by a long history of cultural and social relationships established through Buddhism in the middle of the seventh century A.D.

Contemporary Nepal-China Relations

From time immemorial, Nepal and China have been close neighbours sharing common border on a side. Although two neighbouring countries, Nepal and China are different in size and stage of development, the relations between these two countries are vital and highly important for both. The history of Nepal's struggle for survival as an independent nation had hinged upon deep relations with its northern neighbour. Nepal has been influenced in the past, apart from India, by Chinese and Tibetan traditions. The two countries share a range of around 1400 kilometres border in the Himalayan range of the northern side of Nepal. The two countries formalized their relations on 1 August 1955 by establishing diplomatic relations (Ministry of Foreign Affairs, 2018).

The Nepal-China economic cooperation dates back to the formalization of bilateral relations in 1950's (Ministry of Foreign Affairs, 2018). In 2005, Nepal and China celebrated the 50th anniversary of the establishment of diplomatic relations between Nepal and China (Prasad, 2015). The Nepal-China have Joint Consultation Mechanism, led by the Foreign Secretary of Nepal and the Vice Minister of the Foreign Ministry of China. This forum is instrumental in discussing overall aspects of bilateral relations (Ministry of Foreign Affairs, 2018).

With the signing of the Memorandum of Understanding on Cooperation under the Belt and Road Initiative on 12 May 2017 in Kathmandu between Nepal and China, new avenues for bilateral cooperation in the mutually agreed areas are expected to open (Ministry of Foreign Affairs, 2018). Under this initiative, cooperation between Nepal and China in various fields such as economy, environment, technology and culture is expected. The long standing relations between Nepal and China has not been able to enhance various economic indicators like trade, investment, tourism etc. and therefore it is needed to focus on economic endeavours between these two countries in coming days (Prasad, 2015).

In today's world, where technology has contracted the world into a more or less single unit, a small country like Nepal has to maintain proper and friendly relation with the rest of the world and more so with China, its next door neighbour. The BRI can be criticized but one cannot deny the fact that it has opened doors for new opportunities. Connectivity is at the core of the BRI. With increased connectivity along the northern side, the sole dependency of Nepal to use only southern border for trade can be reduced. With many newspaper articles and several seminars and conferences on bilateral cooperation one cannot ignore the discussions and discourses on the BRI in Nepal.

The talk about linking Nepal with Chinese railway network has been going on for nearly a decade since former Prime Minister Pushpa Kamal Dahal 'Prachanda' chose China for his maiden foreign visit as the head of the

government in 2008 and proposed with Chinese leaders to make Nepal a ‘dynamic bridge’ between China and India (Tiwari, 2019). The plan of action designed to achieve the long term or overall aim of Nepal to extract benefits from the BRI for the betterment of Nepalese from the BRI is still elusive. The cooperation on the BRI was signed between Nepal and China in May 2017. With almost two years passed and sluggish process in negotiation with the Chinese counterpart, we are still unaware of the projects that will be executed under the BRI. The recent update on the projects to be executed under the Belt and Road Initiative in Nepal has been limited to less than 25% of the projects proposed by the government of Nepal. According to Giri (2019), the Chinese side insisted that Nepal bring down the number of projects under Beijing’s flagship foreign policy initiative to the single digit. The recent projects under consideration according to Giri (2019) are:

- Upgradation of Rasuwagadhi-Kathmandu road
- Kimathanka-Hile road construction
- Dipayal to south border with China
- Tokha-Bidur road
- Galchhi-Rasuwagadhi-Kerung 400kv transmission line
- Keyrung-Kathmandu rail (feasibility study)
- Tamor hydroelectricity project (762MW)
- Phukot Karnali Hydro Electric Project (426MW)

The above mentioned projects not just seem to bring positive ambience to the development of Nepal but can also make a huge difference in the trade and connectivity

of Nepal with China. We already share relations that are time immemorial both people to people and trade. This research paper discusses the geo-economic strategy of Nepal to prosper itself in the areas of trade, people to people connection and tourism. Trade liberalization which is one the objective of the BRI will also open doors to intervene the existing policies to remove and reduce the restrictions or barriers on the free exchange of goods between Nepal and India. Increasing people to people connectivity is also the topic of discussion in the paper. The BRI can be discussed as a project to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of Nepal and China. Hence, the central points of discussion of this paper revolved around unimpeded trade, people to people connectivity and tourism for changing the status from landlocked to land-linked.

Conclusion

The Belt and Road Initiative is a significant milestone that aims at promoting connectivity and cooperation among the countries and people in the region and beyond. The BRI will open door for Nepal in the international market and encourage investment in productions. The potential of Nepal in agriculture and hydropower must be realized and should be priority domains of investment under the BRI. The Trans-Himalayan Multidimensional Connectivity Network consists of investment in transportation and infrastructure including cross-border railway. Hence, it can be concluded that the BRI will reduce time to trade for international market. It can also be

concluded that including Lumbini in the BRI projects will harness the potential of tourism sector of Nepal. Modernization in production system of agriculture and export of agricultural products is expected for self-dependence. The possibility of cooperation in education will produce skilled manpower who can work for the welfare of both countries.

Nepal can gain huge benefits from the progress and development achieved by China in technology and technical education sector. Development brings challenges, too. Nepal will face many challenges such as environmental, security and employment during pre or post BRI implementation. Hence, the Government of Nepal must carefully examine the BRI projects to be implemented in Nepal taking into account the issues such as environmental, security and employment.

Competing Interests

The author declares that no competing interests exist.

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