

Opportunities and Challenges of BRI to Nepal: A Nepalese Perspective

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ABSTRACT

Despite geopolitical complexities riveting the Asian region, Nepal, as an immediate neighbor, has formally joined the China-led Belt and Road Initiative (BRI), with an anticipation to promote mutual beneficial cooperation in various fields including infrastructure up-gradation, economic development, and enhancement of the capacity in the service sector, technology transfer, cultural collaboration and above all growth of tourism sector. Because of the connectivity, millions of Nepalese and foreigners visit or go to China through Nepal. The BRI was introduced in 2013 aiming to build a trade and infrastructure network connecting Asia with Europe and Africa along the ancient trade routes. This research is done by using the secondary data: Journal articles, conference proceedings, various documents of government, books, newspaper articles, magazine articles, and websites. The paper explores future risk and current opportunities for Nepal when the Nepalese government engages in the contract with the Chinese government. However, BRI does not demonstrate as an opportunity for Nepal from American lens.

Keywords: Belt and Road Initiative, Nepal, China, Investment, Government.

Introduction

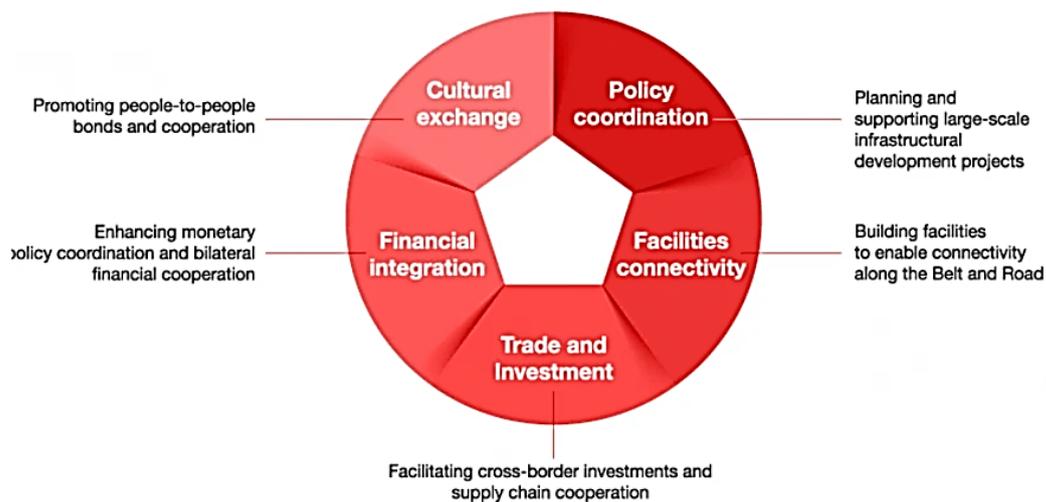
China and Nepal have a very long friendly relationship. When China adopts the Belt and Road Initiative (BRI), a historical initiative connecting the people over the world and facilitates various opportunities for global peace, Nepal cannot remain aloof. The main purpose of this study is to explore opportunities and challenges for Nepal under the background of "Belt and Road Initiative". It discusses with regard to political aspects. This study argues that Nepal and China will get economic and political benefits from these initiatives. It connects both China and Nepal through roadways and airways by coordinating policies of the governments. A strong mutual synchronization between China and Nepal is necessary to achieve the goals of Belt and Road Initiative through supportive law, policy, rules and regulations, proper strategy implementation, and social factors. It advises to ease the atmosphere for further investments. The need of completing continuing

projects on time to attract further capital and technology needs to be a key strategy.

Significance

It is seen that both Nepali and Chinese governments should promote the entry of products so that healthy trade and commerce thrive in future. Moreover, establishment of a mechanism on bilateral coordination and implementation of projects funded by China is very pivotal. The study carries an issue that is suitable for enhancing bilateral relations between Nepal and China. With insights on BRI as a base of economic prosperity of Nepal and gateway to China to observe entire south Asia especially India, will be a good raise of voice in favor of BRI. The issue is relevant in the present context and is significant to a wide range of readership including diplomatic relation to policy making level. The article seems to be focused on opportunities induced by BRI. Above all, it seeks a plethora of opportunities amidst a few risks to make it more convincing.

Conceptual framework



Belt and Road basics - Belt & road news. Retrieved from <https://www.beltandroad.news/belt-and-road-basics/>

The Belt and Road Initiative promotes the easy flow of money, goods and the services between China and Nepal by cementing new friendly relations among communities. “For developing and emerging economies in these areas, investment and trade accelerate development for the benefit of all” (Belt & Road News, 2019). The conceptual framework is based on the same model of BRI, which has the objective of facilitating cross-border investment and supply chain cooperation. Policy coordination, facilities connectivity, trade and investment, financial integration, and cultural exchanges are the key aspects of BRI.

Methodology

This is a qualitative research that mainly uses secondary data: Journal articles, conference proceedings, various documents of government, books, newspaper articles, magazine articles, and websites. Both the hardcopy and electronic resources have been used for gathering relevant information. Limitation of this study is that it is extracted from available secondary data only because it does not contain any primary facts and figures.

Findings

China and Nepal have a long history of mutual exchanges and cooperation. In the past, Nepal competently poised the relation by offering letters and gifts (tributes) to China, and recorded evidence of equal exchanges in Nepal. Nepal should exploit BRI either by endorsing the welfare or by

being the transit hub between China and India. Being a landlocked country, without being connected with rail-ways, sustainable development seems bleak, and out of other initiatives like trade, tourism and investment and people-to-people contacts, this seems more pertinent. Nepal and China have recently made the agreements, which have highlighted the economic aspects of regional cooperation. There has been some cynicism about the feasibility or potential benefits of some of the proposals.

Discussion

Historical ties

China and Nepal have a long history of bilateral exchanges and cooperation. It is usual as China is one of the two immediate neighbors of Nepal and they are land linked. According to historical evidences thousands of years ago, Kathmandu Valley was a big lake. A Chinese monk Manjushri drained the water from Chovar by chiseling the hills, one of the myths claims it. According to Hiranya Lal Shreshtha (2015), the first Nepali non-resident in China was Bhuddhabhadra, and following his footsteps, Newar merchants from Kathmandu visited Lhasa since the seventh century. Later following the marriage of Princess Bhrikuti (Green Star), Newars from Kathmandu expanded their trades from 1100 – 1400 AD. It has been ages since then. 2020 marks the 65 years of diplomatic relation. This has exalted social and economic development through investment, grants and infrastructure building.

Nepal skillfully balanced the relation by offering letters and gifts that were interpreted as tributes in China, and

recorded evidence of equal exchanges in Nepal. After the 1950s, Nepali youth started to go to Hong Kong as British Gurkhas, and later as traders. Some monasteries in Taiwan are led by Nepali monks. Recently the concept of bonding sister cities have been endorsed like that of Pokhara and Linxie. Despite not having similar sizes and geo-political sensitivities, Nepal and China have decorum of friendliness, generosity and cordiality. Therefore, Nepal and China have very strong ties.

Nepal should exploit this opportunity either by endorsing the benefits or by being the transit hub between China and India. By the virtue of it, no doubt, the number of tourists will increase by leaps and bounds, creating employment and income opportunities for the locals. Indeed, tourism has enormous advantages, and now it has been one of the major economic activities of Nepal. But, can Nepal manage the opportunities created by the BRI? This is one of the pertinent questions today (BK, 2017).

Duwadi (2016) opines that the Himalayan Rivers, which transcend boundaries, are the common source of water in India, Pakistan, Nepal and Bangladesh (p. 80). Also, China is the key member in different dimensions including mitigating climate change. The ethnic diversity and cultural wealth of the Hindu Kush Himalaya region is enriched by the Hindu Kush valleys in Afghanistan; the high mountains of Nepal, India, and Pakistan; the Tibetan plateau of China; and the Three Gorges in the Far East of China. However, since the Second World War, the region has been a hotspot of political and military conflict (Schild, 2008, p. 328).

China's Belt and Road Initiative is the most ambitious and expansive campaign announced by the Chinese government, one that signals China's intent to establish itself as a preponderant regional leader and an active driver of future globalization. Large amounts of financing currently being marshaled through various funding vehicles hint at the direct economic gains that could potentially emerge from the BRI's infrastructure projects (Dixit; 2017).

However, memorandum of understanding or cooperative agreements has been specific in the case of Nepal in spite of the fact BRI has been a great priority of the newly formed government of Nepal. According to Firstpost (2018), Nepal is gradually moving forward with political stability, full of possibilities; consequently, with the Chinese assistance, we can attain economic prosperity. This sounds reasonable as Nepal in the past could not avail of the Chinese aid like that of India.

Opportunities

China has been emerging as an economic power; therefore BRI has Tremendous size and scope in Nepal. BRI economies account for one-third of global GDP and trade, and close to two-thirds of world population (China's massive Belt and Road initiative, 2019). "If BRI projects are successful, they stand to benefit a large number of poor people and huge bands of the world's economies, with large positive spillover effects on global welfare" (Haomin, 2016). Nepal is obviously going to benefit from BRI in the long run.

According to The Hindustan Times (2018), "Nepal has expectations on the initiatives to contribute to the development of infrastructure, enhanced cross border connectivity through railways and roads, promotion of trade, tourism and investment and people to people contacts" (p.1). Being a landlocked or landlocked country, without being connected with railways, sustainable development seems bleak, and out of other initiatives like trade, tourism and investment and people to people contacts, this seems more pertinent.

E-initiative is the need of the hour resulting in many initiatives, which has transformed all sectors and higher education is no exception to this due its advantage (Mahalik, 2020, p. 83). Because of lock down, all schools and colleges have been shut down for months. Few institutions have started online education mainly in urban areas. However, lack of proper infrastructure and training linger around. Therefore, if BRI funds education institutes, it would be better to cope with the challenges emerging.

Asia Pacific Daily (2016, February) published an article about it. According to them Nepal can attract investment in industries and infrastructure building by taking advantage of its geostrategic location between China and India. Currently, as Chinese economy is slowing down (Sapkota, 2017), an increasing number of Chinese companies are looking to invest outside of China. Nepal can be a potential destination for such investment once necessary infrastructures are developed here. Tourism is the key sector that Nepal can take the most benefit from once the infrastructure is developed in line with BRI vision. It will also facilitate trade and investments here.

China has proved itself as a friend in need helping Nepal after the 2015 earthquakes. The Chinese Army helped Nepal Army to reopen Arniko Highway that links Kathmandu with the Chinese border. China also sent medical personnel, rescue experts and rescue supplies.

Nepal also adheres' One China Policy and supports all multinational forums including AIIB (Asian Infrastructure Investment Bank).

The enhanced connectivity to be ensured by the revival of the ancient Silk Road will help promote Nepal's tourism (Nepal Foreign Affairs, 2016). Several millions Chinese tourists have been visiting foreign countries. Therefore, if a small fraction of them visit Nepal. This will also help to increase setting up manufacturing base here as we can export and import goods from here to both Chinese and Indian markets. Another industrialist Mr Sooraj Vaidhya is more hopeful and argues that implementation of BRI will greatly contribute to reduce the time and cost of Nepal's international trade. As a landlocked country with poor infrastructure, Nepal's cost of trade is higher compared to other countries. For sure, the chief benefit is increased connectivity by land will bring more tourists to Nepal and it will boost our tourism industry. Bilateral businesses that are able to synchronize their own expansion plans with announced BRI activities would promote the overall business climate. Moreover, China has encouraged foreign private sector investors to directly participate in BRI efforts.

Improving connectivity will be another opportunity. It currently takes months to ship goods from China to Nepal, with most goods being transported by sea and dropping it to Indian ports. If railways lines are constructed and Nepal is linked with mainland China, shipping goods by train can cut transit time in many folds, and the costs can be reduced much more. There is a tradeoff between saving time and saving money: each day's delay in getting an item from the factory gate to the consumer is estimated to reduce trade by one percent (Ruta, 2018). Improving the capacity and network of railways and other transport infrastructure could lead to more cross-border trade, increased investment, and improved growth in Nepal's economies. China's cooperation on infrastructure improvements is needed to solve this challenge. If successful, BRI projects stand to make trade easier in one of China's most important and ancient neighbors.

China is considering extensively the railways, but growing Chinese interest in Nepal goes beyond railways lines with massive hydroelectric projects, airports, and pilgrimage center in Lumbini, the birthplace of Lord Buddha, one of the pillars of China and Nepal togetherness besides the Himalayas, getting their funding. As a transit route for China to penetrate into South Asia, including India, Nepal can reap benefits from the development of the transport infrastructure. Similarly, growth of industrial enterprises

will help to foster our national economy (Pokharel, p. 6). Besides, the economic perspectives, the cultural and religious standpoints have been reshaping Nepal-China relations. He adds, "The number of religious tourists for pilgrimage is likely to grow, resulting in strengthened socio-cultural ties. The promotion of tourism is also possible with the Tibetan and Chinese tourists getting improved access to Nepal's rich and unique nature and topography" (p. 7).

The BRI can be a development catalyst in Nepal, helping increase the country's financial cushion and improving social and economic conditions. Furthermore, as Nepal seeks to graduate from being a least developed country and become a middle-income country prior to 2030, economic collaboration under the BRI would minimize Nepal's singular dependence on India, which is forged not only by economic interests but by geography as well. Nepal's participation in the BRI would help foster economic aspirations without the fear of another blockade at the southern border of the country (Dixit, p. 11). Nepal, in fact, has been fully dependent on its southern neighbor India. This is the reason why India frequently pressurizes Nepal by clamping official and unofficial embargoes. Chalise (2018) argues:

For its part, China wanted to amplify support for its 'grand project' before the forum and to increase the count of participant countries. Across the border, the BRI presented Nepal with an opportunity to strengthen economic ties with China and lessen its singular economic and political dependence on India. This has been a particular concern for Nepal's government after its southern neighbor resorted to an unofficial border blockade over the country's constitution writing process in 2015. In that sense, the BRI has not been an especially tough sell to Nepal.

Moreover, China's BRI is the key to developing closer ties with Nepal. Both Beijing and Kathmandu restated their commitment to previous agreements on developing cross-border economic and transport links. According to Sapkota (2017), though its internal politics has delayed the signing of key agreements, Nepal has been trying to find a pragmatic and balanced way of integrating itself into the initiative and working out how best to leverage the optimal benefits from the Chinese initiative (7). Its options include establishing a joint mechanism to develop further projects. Moreover, to examine their economic viability to ensure Nepal does not fall into a debt trap is another option. This is what the majority of people of Nepal want to achieve in the coming days.

Risks of BRI

In spite of Nepal and China's recent agreements that have highlighted the economic aspects of regional cooperation, there has been some skepticism about the feasibility or potential benefits of some of the proposals. Action plan of BRI is unclear. Amongst other challenges, the security challenge would be the most important one. Who is going to invest where is unclear until today because rail, road, and water-transportation were included earlier, but now it comprises many other dimensions too.

The key source of such suspicion comes from geopolitical sensitivities rather than technical or economic considerations. Addressing some challenges will also be the key for Nepal's success. Firstly, Nepal will require a quality pool of human resources to initiate and upgrade the infrastructures and convert the trade deficit scenario into a profitable one. Handling consignment clearance and tax collection on Nepal's route under the BRI demands competency from Nepali officials (Pokharel, p. 6). Another challenge is that China has not shown too much concern about New Delhi's stance and has indicated it will continue trans-Himalayan development with or without India. Moreover, Nepal is not regarded as a key country in the BRI, which means China has had to consider the best way of integrating it into the project. O'Trakoun (2017) warns that given the importance of the BRI to China's leadership and the strategic considerations underlying the US-China relationship create a risk.

Nepal cannot alter its geography, therefore, it has to emphasize its policy of keeping an equal proximity to the two (Sapkota; 2017). Despite lingering differences on certain issues, Nepal's relationships with both its immediate neighbors have created multiple bonds and it is unlikely that it would want to go against their interests in the region. Above all, India and Bhutan have not endorsed it yet. Another question may be asked whether the concept of BRI is going to help the productive capacity of Nepal. Nepal, being sandwiched between India and China, must have a good relationship with both.

The atmosphere for further investments

BRI is also the blueprint of connecting Nepal with Eurasia transport corridors. It is known that feasibility study of railways from Keyrung – Kathmandu-Pokhara-Lumbini and doing viability studies of railways lines at other points in Nepal are in top priority. China wants to build important infrastructure in Nepal, notably to establish a new trade route from Tibet to Kathmandu, via Mustang, for some time.

"Its presence in the region has been seen by other countries, particularly India, as a move towards undermining support for the Tibetans: Nepal houses numerous Tibetan refugees and it is from there, China believes, that separatists continue to operate and receive succor" (Sheikh, 2017, p. 2). Particularly in the wake of political volatility and natural disaster, Chinese interventions support the material and imaginative projects of a Nepalese state seeking stability, security, and economic growth. Long perceived as peripheral to the state center, Rasuwa is rapidly becoming central to Sino-Nepal relations, particularly in the context of bilateral investments in hydro-power and transportation infrastructure (Murton; 2016). It is seen that Chinese development in Rasuwa has been increasing as support for territorializing practices of Nepal. It represents a "gift of development" that connects Nepali ambitions of development with Chinese anxieties over exile Tibetan populations and reflects a strategic reorientation of geopolitical alliances between Nepal and China.

Chinese goods flood in every Nepali market. In order to improve Nepal's international trade through China, the construction or completion of the following highways must be completed in the shortest possible time. Furthermore, these highways: Nijgadh-Kathmandu-Bidur-Mailung-Rasuwasgadhi, Chatara-Leguwa-Khandbari-Kimathanka, Gaidakot-Ridi-Beni-Jomsom-Korala, Surkhet-Khulalu-Simikot-Hilsa, and Kathmandu-Kodari/Tatopani, need to be converted into four-lane fast track highways by applying finances for these highway projects through the Asian Infrastructure Investment Bank along with the Chinese government (China Aids). According to an Lilamani Poudel, Nepal and China should have an agreement to use Guangzhou, Hangzhou, Tianjin, Chongqing, Horgos/Khorgos, and Kashgar sea ports and or land ports of China through the above-mentioned four-lane highways and other ten two-lane routes, to be constructed or completed in the near future.

China, in fact, plans to build two lines from Sigatse- one line leads to Kerung the nearest Chinese town from Nepal, from where Rasuwagadi will be connected and the second will lead to Yadong, on the India- Bhutan border.

Conclusion

China has given indication of starting mega projects in Nepal that are mandatory for economic transformation, and this is the main opportunity for Nepal which in the past was guided by not bilateral but unilateral

relations. BRI may give an opportunity for Nepal to convert from a 'landlocked' county to a 'land linked' country. Connectivity has emerged as the new dimension in Nepal and China relations despite geopolitical hindrances. Geoeconomics may slowly displace geo-politics. Though Nepal's neighbors India and Bhutan are indisposed to participate in BRI, it may prove to be a great opportunity for Nepal to play a bridging role between two big giant countries, and to have global connectivity, however, the same could be the reasons for enormous risk for implementing BRI successfully. China is Nepal's true friend indeed. Therefore, to embrace such a great friend in every occupation, Nepal ought to seek practical and sustainable policies to be benefited from BRI projects.

Recommendations

Nepal's foreign policy should not be trampled by the change of governments in Nepal, and the policy reform and cooperation needs to complement infrastructure projects to boost connectivity. A strong mutual synchronization between China and Nepal is necessary to achieve the goals of BRI through supportive law. Policy coordination should be reinforced and consolidated for expanding mutual trust connectivity and sharing experience for economic development. Unrestricted trade should be promoted for deepening financial integration and constructing the road for innovation, strengthening the people-to-people bond for mutual learning. Both Nepal and China should see each other with their own eyes by getting rid of the convention buffer mentality.

Competing Interest Statement

I declare that I have no significant competing financial, professional, or personal interests that might have influenced the performance or presentation of the work described in this manuscript.

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