

Making BIMSTEC a Regional Vehicle for Nepal's Economic Growth

By Sunil KC

Recently, the government of Nepal, led by Nepal Communist Party Chairman KP Sharma Oli who ascended to power in 2018, came up with an integrated foreign policy that reflects rapid changes in both the domestic and geopolitical spheres. The new foreign policy has shifted from a traditional course to a modern one with “Economic Diplomacy” as the main driver. With the slogan of “Happy Nepali, Prosperous Nepal”, Foreign Minister Pradeep Kumar Gyawali has prioritized engagement with regional groupings. It is in this context that the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation or (BIMSTEC), established in 1996, with a permanent secretariat in Dhaka, Bangladesh, could serve as an important platform in achieving Nepal's foreign policy goals of development and prosperity.

Sunil K.C. founder at the Asian Institute of Diplomacy and International Affairs (AIDIA), explains that “Now, with a stable government in power, Nepal must look at regional forums as important gateways for conducting business and national development.”

Nepal became a member of BIMSTEC in 2004. BIMSTEC acts as a vital bridge for Nepal to connect with South and Southeast Asia to expand its trade, economy, business, investments, and cultural connections. However, due to an unstable domestic political environment, Nepal has not been utilizing regional forums in advancing the nation's interest. Now, with a stable government in power, Nepal must look at regional forums as important gateways for conducting business and national development.

Trade & Transit

Nepal, which is landlocked, lacks an internal maritime gateway, and depends on India for third-party access via Kolkata, Haldia, and Vishakhapatnam ports. Even so, Nepal faces high charges and delays in cargo arrivals due to the unavailability of deep-sea port services in India.

With the successful arrangement of the BIMSTEC Free Trade Area Framework Agreement (BFTAFA), Nepal will have an opportunity to use deep-sea ports in BIMSTEC member countries beyond India.

To diversify its connectivity and lessen dependence on India, Nepal has signed a transit agreement with its northern neighbor China. Still, due to geographical conditions, crumbling infrastructure on Nepal's side, distance between Chinese seaports and Nepal, feasibility and comparative advantages of Nepal's third-party trade via Chinese seaports remains unknown. For instance, Tianjin, the nearest Chinese seaport is around 4000 kilometers from the Nepal's border- which is four times further than the Kolkata port of India.

On the trade front, in 2020, Nepal imported goods worth \$6.31 billion from India, accounting for 64% of its total trade. From other BIMSTEC members, Nepalese imports stood at \$37.28 million from Bangladesh, \$8.23 million with Bhutan, \$33.31 million with Myanmar, \$69.14 million with Thailand and \$1.56 million with Sri Lanka. Similarly, Nepalese exports in 2020 stood at \$62.7 billion with India, which is 69% of the total export, Bangladesh with \$4 million, \$0.4 million with Bhutan, \$0.75 million with Myanmar, \$0.41 million with Thailand and \$0.12 million with Sri Lanka. Whereas, China is the second largest trading partner of Nepal constituting 12.7% of Nepal's total trade in 2020. On the other hand, Bangladesh offered Nepal the use of Chittagong and Mongla Port for third country trade, an offer which has not been utilized. Primarily, for security reasons, there is a lack of cooperation from the Indian side in granting full transit facility to Nepal for third-country trade via ports in Bangladesh, and this has barred Nepal from benefiting from its agreement with Bangladesh.

Except for Bhutan and Nepal in the BIMSTEC regional grouping, all other member countries are connected directly through sea routes and lanes. Currently, countries are negotiating a BIMSTEC Coastal Shipping

Agreement and once it comes into force, all of the cargo movement between the member countries shall be done through cost-effective, environmentally sustainable methods.

Connectivity, a Potential Game Changer

In August 2018, Nepal hosted the 4th BIMSTEC Summit in Kathmandu. As an outcome, the BIMSTEC Grid Interconnection was established, and an MoU came into force for prioritizing multi-dimensional connectivity where trade and investments will work as the key enablers to economic integration in the region. Nepal also needs to harness its hydropower potential of 45000 MW to support such connectivity and integration. The generated power can be sold to BIMSTEC member countries who are energy-hungry. Nepal should propose to establish BIMSTEC Energy Funds and allow public-private partnership in electricity projects to bring investment and technological experience.

Transport Connectivity can be another area for the free flow of trade within the sub-region. Landlocked Nepal should get connected with Southeast Asia through road connectivity. This would allow an inflow of tourists to Nepal, which is a destination for Southeast Asian Buddhists, and for those visiting Mount Everest. For this purpose, a BIMSTEC Tourist Visa should be created by Nepal with special features to encourage tourists.

Way Forward

Apart from working hand-in-hand with other member states in bolstering trade, tourism, and investment and enhancing and expanding physical and people-to-people connectivity for the development and prosperity of the region, Nepal should also think in terms of proposing new initiatives and leading in some of the emerging issues. For instance, Nepal can initiate the establishment of a BIMSTEC Bank with headquarters in Kathmandu to help Nepal emerge as a financial center in the region, and to help it rebuild its image as an investment destination. A BIMSTEC Bank would attract robust economic connectivity in the region. This initiative could also be paramount in poverty alleviation, one among the fourteen priority sectors of BIMSTEC led by Nepal.

The comprehensive report released by the International Centre for Integrated Mountain Development (ICIMOD), entitled "The Hindu Kush Himalaya Assessment 2019" outlines severe scenarios such as two thirds of Himalayan glaciers could melt by this century if the existing carbon emissions trajectory continues. And, indeed it is truly alarming for the region which holds more than 1.6 billion people. In this backdrop, Nepal can also take the lead in Climate Change discourse as a Himalayan country. The ICIMOD is located in Kathmandu, and by setting up a BIMSTEC Climate Research Institute, Nepal could become a leader in the climate change campaign.

Correspondingly, Nepal should also actively take the lead in promoting the mountain economy. Of the seven member states of BIMSTEC, five – Bangladesh, Bhutan, India, Myanmar, and Nepal – comprise a considerable part of the Himalaya. Mountains as the pivotal source of water for the region, contribute significantly for ensuring enhanced food security, meeting the soaring energy demand, preserving biodiversity, and promoting recreational tourism. Notwithstanding, considering the complex and fragile nature of mountain ecosystems, BIMSTEC countries should come together to develop the right mix of policies for preserving it and in the meantime ensuring for the incredible economic potential, it has at its disposal. The fourth BIMSTEC Summit declaration, underscores the imperative of tangible effort for the conservation of mountain ecosystems. Similarly, welcoming the concept note, developed by Nepal, on promoting mountain economies in the BIMSTEC region - the summit made the decision to set up an Inter-governmental Expert Group to develop an action plan. Nepal needs to play vital role to take this initiative to its logical end.

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