

# **Interaction Programme on “OBOR & Nepal’s Development Prospects” 07 March 2018**

## **Introduction**

The interaction programme was held on Hotel Shangri La between 1400- 1800 Hrs between the eminent group of total 25 that included scholars , intellectuals ,economists, academia, diplomatic and security experts and senior media persons who shared their valuable opinions throwing lights on the requirement of an audacious national approach to realize the positive advantage of Belt and Road initiative ( BRI ) of China in the our national development perspective.

Earlier, the Chairman of NISS, Lt Gen Vivek K Shah welcomed the guests and NISS Secretary Brig Gen ( Retd ) Keshar B Bhandari moderated the program allowing every individual to share his/her views . Gen Bhandari introduced the institution and highlighted about the echoed opinion NISS was able to put forth to the public and for the consumption of stake holders in different similar issues/or affairs over the period since its existence.

## **Speakers**

### **Lt Gen Vivek K Shah ( Retd ) Chairman , NISS**

Gen Shah threw light on the importance of connectivity, and viewed the initiative would be a game changer in our undertaking. Given our geostrategic location and national prestige in global stage, Nepal was at par with several countries in Asia in the sixties. Notably, India became independent in 1947; China in 1949 and Nepal in 1941 (from the 104 years Rana rule) but we should rightly analyze the cause of the sluggishness in Nepal’s prosperity as compared to other neighbors. Nepal has more than 4-5 Million youths, who work as low skilled labor force abroad. We have experienced four blockades during last 7 decades and this has given us more clarity for our quest of connectivity. As Chinese railway will soon develop connection from Sigatse, and later towards Gilgit, Kasgar, and Urumqi and up to central Asia. Therefore, we must capitalize the significance of connectivity to transform nation to prosperity.

### **Prof. Upendra Gautam, PhD, General Secretary of China Study Center Nepal**

I found interaction program note prepared by NISS concise and sensitive to Nepal's context. I will like to appreciate NISS for its correct understanding of China's BRI/OBOR initiative. We happen to be in a community where senior public position holders' ignorant and absurd comments on BRI even enthusiastically quoting foreign sources give us a poor face.

As mentioned in the interaction program note, the program has two-fold objective: deliberation on Nepal's current i) policy-plan and ii) project status vis-à-vis OBOR.

On a score card of 100, I will give 10 marks to Nepal on achieving anything on OBOR in terms of policy-planning coordination and project development status. The eligible recipients of this 10 too are persons/organizations like this on both sides of the border.

One of the pillars of OBOR is aligning development planning strategy with China's. There is no information in the public domain that informs Nepali people that NPC or any other agency entrusted with development planning strategy has right institutional counterpart link in China.

Another pillar of OBOR is infrastructural connectivity. In this context, the news mostly appearing in the media relates to China-Nepal railway connectivity. The essence of information that is obtained from Nepal's Department of Railway is: the necessary formal agreement between the two countries is being awaited for the works to proceed.

Thus, besides complying with some requirements, Nepal's OBOR connectivity remains in a huge policy planning and operational gap.

But, we may recall, the vote of the general Nepali people in the last elections conclusively suggests that they know well why things are not happening on the China front.

For the landlocked and least developed mountainous Nepal, transport and green energy connectivity must be the primary priority for projects under OBOR. And the NISS note has suggested rightly, the locals should be the first recipient of the OBOR benefits.

We need to be aware that the 21st century diplomacy is influenced by communication, energy, transport technology and artificial intelligence; all of these reduce biases of traditional geopolitics.

A 1500 MW transmission line has already reached Kerung/Gilong. By 2020, Golmud-Lhasa railway will be extended to Kerung from Sigatze. In the immediate first phase, under the OBOR financing and technical assistance and with the support of the local governments, Nepal and China can cooperate to take care of the 15 to 30 km or critical gap in the bilateral transport and energy connectivity. This connectivity model could be replicated in all the development regions of Nepal.

But the prerequisite of laying appropriate and proven infrastructural connectivity technologies is institutional alignment of bilateral development planning strategy so that it is legitimate, sustainable, accountable and internalized. Our eyes naturally should be on new PM Oli and the national team he is trying to build.

### **Former Ambassdor Rajeswor Acharaya**

Chinese Chairman Mao had already had vision of the railway to reach Tibet and further connectivity to South Asian Countries. We should appreciate their foresightedness and their demonstration of global performance. On the contrary many development projects of Nepal could not sustain or be implemented due to difference in opinions and even due to the red tapism. We realize the significance of OBOR. I think Chinese President Mr Xi is serious about his 2030/ 2049 vision. We should not forget the scenario of Indian blockade to us. I opine we need to construct a mechanism of think tank (joint Body) of permanent nature to deal with both China and India, because our interest is equally connected with these both countries. Therefore, what I recommend is we should do away with these (few) existing hurdles. The importance of Syaprubesi Kerung road was envisioned in my time. In several other cases, the commitments done by the government must be consistent to our national interest, but not of any political party (s), and we must live as a sovereign country and decide on our common national agenda. I think the agreement of OBOR will assist to reduce our poverty; hence,

more importance should be given to its planning and policy formulation. Nepal's resource on agriculture, herbal medicinal plants, and other cooperation areas are significant in this regard.

**Brig Gen (Retd ) Dr Prem Singh Basnyat , Ph D**

I plan to write on Nepal and China relations in future and currently studying that. In my view what Nepal can do as far as OBOR is concerned are basically:

(a) We are geographically locked and hence we must open northern border crossing with good roads. We should exploit maximum axis.

(b) Let us rebuild /reconstruct or resume the industries that were standing during King's rule.

(c) Importance of Hydro Support.

(d) We may ask many scholarships in education sector from China, that could be the backbone of our prosperity. We have a bitter experience of quite a few numbers getting even university degrees including Ph D ) in India since their early childhood .

(e) The schools not having proper class rooms are found organizing class in open fields.

(f) In China, very less people know about Nepal, its history , culture etc. We do not find any literature written about Nepal in Chinese language either, which leads to further ignorance /or unfamiliar to us , hence we can do more in language , or print hundred thousand of books in Chinese language and sell or share it to them. It is Nepal's responsibility to do that.

(g) The peasants T farmers who lack technology ) should visit to China for understanding technology in China, but not the senior bureaucrats.

(h) There awas an ancient T Horse route, as it passed through Tibet and Bangladesh. I came from Sichuan, Tibet, up to Bangladesh. We can check in Google Map as well.

(j) We have a history that when Chinese travelers were harmed in India , Nepal had sent her troops to rescue them.

(k) We must develop track two , track three diplomacy.

He concluded with a great hope if we realize the national priorities along with our wisdom.

**Mr Prashidda Bahadur Pande, Managing Director Hotel Shangri La**

I feel Think Tanks like NISS can bring many ideas for policy, plans and I am quite confident that we do have extremely professional experts in such think tanks. In this regard, as there is an importance of having development partners and technology advancement such think tanks may suggest the options, possibilities to set off the priorities. In the context of paradigm shift due to technology, now we should think is, how to get into the environment , how to create atmosphere of partnerships and take benefit from a rising China by enhancement of good relationship. Tourism is a major sector of cooperation and development. I take example of Tibet where the tourists flow drastically had increased after having a railway connection there which was still low when it was only connected by

Air and the general road. It is a great example that tourism which can be backbone of prosperity comes after having connectivity.

The connectivity in a larger dimension improves trade between other SA nations with China making rest of other things automatically integrated. We have the priority of infrastructure development and then capacity enhancement comes there accordingly.

**Dhruba Hari Adikari, Writer, Senior Journalist**

I recall when the recent visit of Prime Minister of Pakistan Mr Abbassi had said about the importance of connectivity and the independence. I think he tried to relay his message well. OBOR , as referred as BRI since May last year , is a huge investment project after the Marshall Plan in post second world war, and more than 60 Countries will be involved in it. It is a great matter of interest to many , and it is quite normal as Nepal shares border with China in more than 1400 KM , it is very significant to have in every one's mind. But there is dilly dallying and confusion in us especially on its interest, initiative and implications. What are our preparations? I think we may have to go into specifics after having abroad policy guidelines. For a country which has a major advancement in technology, education, literature etc, I recall once a professor of Gorge Town University in US, many years ago during my education trip there had said "they fear China except none ". These days US considers China as a major competitor (sometimes refers rival or a threat). If it is so, then we also need to be alert for our safety, and here I am not telling you the physical threats. The media hype in the neighbors threatens the public as well. (Referring one Sudarshan TV show). Nepal's case may not be like the classic example of some smaller countries in the history who had suffered a physical intervention by neighbors but it can be otherwise with many more challenges of global phenomena. We should, therefore, have clarity in our policy directives. The countries in the SAARC should maximize OBOR's benefits in their national interest. Former PMs and Maoist Party leaders Prachanda and Baburam Bhattarai had brought the idea of the tri lateral cooperation and a concept of a bridge between China and India , which seems to be vague. As Upendra Yadav of No 2 Province had viewed their province cannot run with only the coins offered in Janakpur Temple, signifying that economic dimension and potential resource management is a must in the integration. Our national production will face an increased value as compared to the Indian and Chinese goods. We should avoid being in a debt trap as issues brought by other speakers.

**Keshav Prasad Bhattarai , Writer, Strategic Analyst, Columnist**

I have given attention to two things. One is our sovereignty and other is our security. One important aspect is Nepal's sovereignty, freedom, independence, stability and the possibilities of prosperity and development in this platform. We were prosperous with the business ( trade) with Tibet in the past. China had asked the route to Kerung and King gave the Kuti route. ( during King Narendra Dev's Rule ). Samudra Gupta was in India. We had assisted India in many occasions. Ancient history shows that China once had attacked India through Nepal's route, as well. If there is blockade in Raxual, we panic here for supplies. Connectivity is must for the survival of a nation. Irony is, it has been 3 years that Kodari border crossing is not functioning and except the locals no government has shown seriousness in this regard. Marshall Plan was of 130 US Billion Dollar and OBOR is of 21,000 Billion Dollars. Bangladesh has started utilizing the pledged 24 Billion Dollars. So Nepal, of course,

would be benefited with the amount of money for infrastructure development but we must be wise and rightly utilize it. China has purchased a island in Greece and take Hambantota (Port in Sri Lanka) on lease. The OBOR project needs to be utilized with Nepal's export market as well. We suffered a misery of blockade (s) and we did not find China too emphatic to Nepal's suffering at that time , except with some petrol assistance . And, Mr KP Oli's government was replaced after he had signed the agreement in China. Nepal does not have any infrastructure to carry out the project and therefore Nepal should be careful in launching such huge projects. I think, any institution, which is above the party interest and is neutral should be empowered to study and bring out the implementation plan of these huge projects. I think a composite institution can manage this. I argue that, had US, EU and Japanese or some Multinational industries been in Nepal during Maoists insurgency the insurgency would not have just taken place. Hence, if we can attract multinational industries in Nepal , and also increase our export market including that of medicinal herbs and makeover more touristic destinations then we can rightly benefit from OBOR.

**Maj Gen ( Retd ) Himalaya Thapa, Security Analyst, Guest Lecturer MIRD ( TU )**

I think it is very pertinent topic as an important national security issue. I hope NISS can suggest the government in this aspect. Let us mull why President Xi Jin Ping brought out this concept? The goals of President must be fulfilled; one; building a moderately prosperous nation wiping out their poverty and two; to transform China into a fully developed country by year 2049. China's economy will be triple to that of US in 2049, if it succeeds. China is trying to control the sea ports in Djibouti, Bangladesh, Pakistan , Sri Lanka and Burma. As AT Mahan said " who rules the heartland rules the whole world ". No powers conquered Euro Asian, now China seemingly is to control it. Many scholars show debt trap fears; especially in 8 Countries. So we want to be critical in what we are taking from China. Pakistan is being financed by China with her 46 Billion US Dollar CPEC project. And Pakistan said there was no choice. Nepal should be careful in signing OBOR (although already signed).There could be huge security risks. Trust deficit between China and India, CPEC have various implications in the region. We should be sure that smaller nations like Maldives and Nepal should not fall on debt trap. India, on the other hand, is thinking that the project will harm their sovereignty. ( eg in J and K and in Arunachal Pradesh ). May be in the near future I will step in the process. CPEC flagship program will disturb them. Recently China, Japan and US are discussing alternatives to OBOR. No argue that, if the cost of labor becomes high in China, Nepal can be a great investment destination where we have a cheap labor force. There are however, benefits of Nepal and we should keep these points in mind.

(a) Sovereignty, National interest.

(b) India should be convinced, and our relation with China should not disregard our special relationship with India.

Finally, Success of OBOR will depend on how Nepal considers its nation development strategic framework without falling into a debt trap.

**Prof Dr Khadga KC, Dept Head MIRD, TU**

I am not in a position to take OBOR negatively. We cannot compare the Marshall Plan with OBOR illustrating that it was built in the interest of colonialism. I also do not agree to ask more from others. The point is how to get way with the asymmetric dependence with south. And, I do not see the necessity of convincing the immediate neighbor (for example India ) for implementing the OBOR project in Nepal. India as a so-called larger democracy in the world had imposed us a blockade while we were making our constitution. After signing the agreement we have not yet signed the protocol. And it seems we lack the courage. The officials in the Ministry of Commerce have not acted in the desired pace. Therefore, I wish the protocol of trade and transit should be pushed forward. I also feel skeptical about the Kodari Border point not resuming yet. Are there only geographical reasons? As Late King Mahendra had opened Kodari Highway, we must reduce our dependency on Southern neighbor. Since we have MOFA and other national instruments we may not require any independent commission to work for OBOR. New Government must take its leadership and identify multi sector development areas and if Chinese come with new projects we must welcome them. eg in Hydropower sectors , for revival of old industries, FDI to be industrialized, . We know that China progressed with FDIs, and we should realize that our labor market is good, vibrant We do not need a mediators. We can have collaborative works as think tanks. There are various prospects but mindful should be too much loans also will not be necessary.

**Dr Indra Adhikari, Deputy Executive Director , Institute of Foreign Affairs**

I do not want to repeat those which have already been covered by previous speakers. We all are witnessing OBOR seriously. In Nepal we have a psyche, in every aspect or in the inception phase by itself, there comes debate . We are divided in every issues. One section tends to advocate something without having a clear idea in the cost of India and China, which is very critical. What exactly is China's interest ? Is it a power or not. We tend to forget the past suffering and fall in its court. We should not be dependent in this manner. We should raise our interest ( rights ) with China too. Unless we do it we will be dependent on both ways. We suffer if India does not help us, and there are issues where China has not blindly supported in our trouble. When Nepal suffered from India ( blockade ) , China did not act except with words. There are more links between China and India, especially in Trades , population etc. We can not guarantee that China will roll down with OBOR in India's cost in Nepal. Instead of identifying China's interest which is beyond India, we should throw light on Nepal's interest too. We should discern where Nepal's and China's interests converge. We should consider the issues and where all the conflicts are. I do not think that there are other issues as you have raised here. People to people relation is important and we have only a small component which understands China better. To know each other we need to engage each other and to understand China and do a holistic analysis . Government vows to make a prosperous Nepal but it does not have any alternatives as adequate funds for infrastructure development. I do not think we should hastily welcome what China says but we need to take help from our neighbors. Actually, the exercise should be done by government and political commitment is required. As poverty and challenges emerge as constraints we can not only have agreements to show it to others because these are difficult to be implemented and may even be pending . Tibet issue and International attention is also equally important aspect. There countries who take interest in Tibet component and Nepal should be alert especially in security issues. Although there is no industrialization but we do have small industries and are we going in line with China's TOR and we should thing upon how to save these small

industries. Free trade and Zero tariff will be a zero sum. We take example of Bangladesh where the garment industries have suffered. There will be no revenues . And, let u examine has china trusted us irrespective of any government ? We are in the middle of two countries. We do not need to ask but there should be a convincing point in each other's interest. We should also discern the hidden interest of OBOR, is it only till Nepal ? There roads in the rural villages but there are no production ,rather they buy ready made things from urban centers. If there are roads from China what are expected to be exported ? Are these tourists. Hence , we should find out what china is giving us ? China was wanting a free trade. Nepal I also exercising it. I wish a mature decision will be taken.

### **Former Ambassador Keshav Raj Jha**

The foreign policy will be reflected through MOFA in smaller countries. In Nepal , persons are assigned in big portfolio who lack knowledge of it. MOHA and MOFA are the component of a country and they are ineffective. That is why China has no confidence on us. Nepal should work by understanding the sensitivity of neighbors. I have been speaking with the ambassadors of China, India and Pakistan. Our foreign policy is moreover engaged with China and India only. Other countries have been warning us not to be in debt trap of OBOR. It is not that easy – they say . They are found to advocate their interest will be jeopardized by China's interest in South Asia . They are openly saying this. The milestone achieved by Late King Mahendra in foreign affairs that time , now have been challenged . It is a matter of just 10 day ago. We have made planning commission ( NPC ) as a political organization. Even there were better plans made by previous governments that are placed as scrap and the fate of millions of people are in stake. There is no continuity. They adopt one policy while in government and replace that if they are in opposition which in fact should be the same irrespective of government .

### **Prof Dr Bindu Lohani, Development Economist**

On the very outset , I am not a diplomat. I was in devp business, solely economic business. 4specially regional eco cooperation, OBOR and different parts of SA, Central Asia, ASEAN and what are other countries in the region. If you look into our region 4 areas of cooperation are there. There are many important areas of cooperation, for example, Cross border trades, infrastructure development , trade and investments, trade facilitation, financial integration and defense cooperation ( ? ) (Not laudable). As far as regional cooperation is concerned, regional FDI, and intra regional FDI would be required that triumphs over our economic difficulties. If we look at the regional picture in some sectors they are in advantage and successful but in other parts they are not succeeding as desired. ASEAN is a successful example. Let me quote one instrument of regional cooperation in the neighborhood , for example , Laos, Cambodia, Vietnam, Myanmar and Yunan Province of China and it is getting a good progress. In similar way, after having identified the potential areas China and Nepal can work together at the governmental level and in many cases there could be a bottom up approach too, keeping in mind the requirement at the lower level and the people. We need lots of funding and in that case a decision making at highest level is necessary and building a trust between P to P is also necessary. There is OBOR in the region along with TAPI (Tajikistan, Afghanistan, Pakistan and India trade cooperation) searching for more opportunity to trade expansion. And, at this moment we need not check their benefits at the outset. Of course, these are opportunities. The question is how we go about it. In the strategic connectivity, a group of people think strategic relationship and we have to decide on its strategic aspects. Other is infrastructure, China has a lot of

money in the investment basket but we should be aware where we can utilize that money by answering whether we do need that huge money and it also needs to be decided.

Construction of transport ways, railways, is important issues and here we should also evaluate our win win attitude. We agree Nepal should take the benefit and similarly China also thinking to be benefitted and that is normal. Ministry of Foreign Affairs officials sometimes view that it could be 80 /20 ratio or something else. At this point winning 20 % is also okay but we should be getting more gradually.

There is anxiety of manufacturing agency too. Countries will be industrialized or will be reindustrialized. They try to find out these type of project whether will benefit Nepal or not.

China has factories, and projects in Africa to create job opportunities. In our context also, China has money and we need that money or FDI in good terms.

The other area is climate change and technology. You can make a long list and think big with a small list. It is good to go in 3- 4 areas first. , and we are different than central Asian people and others. Finally, anytime I read the newspaper I see in many cases there are arguments that India will be angry if we do so or that. It is cold war mindset as believing Friend of your enemy is your enemy. We should get rid of Cold war mindset. All these projects we anchored should be given due respect.

### **Dr Chandramani Adhikari, Economist, Analyst**

Many important issues have been covered from intellectuals. How to get the good result of connectivity is a major aspect. We are experiencing trade deficit. In 1850 the economic share of Asia was more than 51 %. Now to enhance the image of Asia China and India are the great players. China is number one and India is following in no 5. We possess all resources and we need to have connecting point for cooperation and coordination. China or US which ever would be, they look for national interest. It is said that there is Cold war between China and US. We could not take benefit from SAFTA. The TPP Is dismantled. There are many areas where Nepal can expand its relation in terms of her economic cooperation. Keeping in view of border security, we can note that the distance from Rasuwa to Thori is just 181 KM, and in the East it is 191 KM average and China is looking in a strategic point of view. We need to work keeping in view our national integrity. We should increase materials to generate more exports. The major powers of the world also eye on water resources. Besides tourism promotion we should increase our trade as well, especially with increased materials, goods etc. The challenge is how to increase the quality and quantity as well. For example Sagarmatha brand name can create more. We should increase production in economic scale and explore new areas. Herbal, agricultural sectors (including Maize, rice, wheat etc), high value goods, like Yarchagumba , Budhachitta , Ridrakshya are also important products. We should also assess the work of our ministries ( Trade and Commerce, Agriculture, Finance ) . For example Commerce ministry will work for increased trade, Agricultural ministry take responsibility of increasing production, and Ministry of Home can work for security etc. China and India would be having own interests but we should not shy away thinking their interests. There would be problem to bring more FDIs. To materialize the pledge (commitment) is a challenge.

## **Dr Surya Dhungel, Law Expert**

I do not find more from legal point of view of China in OBOR. There are many instruments such as BRICS, ASEAN and also OBOR where I view that legal aspects are to be considered. I found All India Lawyers Association had signed a MOU with five countries (India, Singapore, Indonesia, Malaysia, Thailand ). There is a thought of opening an International organization that relates to BRI . It is a important to note that as Chinese President Xi has launched the BRI project we should know where Nepal would fit in it. Presently in Nepal, the state is not fully functioning and although agreement was signed, there is not any visible follow up. We should wait and see what PM Oli government would do.. Unless the state functions and gets operationalize such projects will be in delay. We should have smooth policy and coordination. The question would arise how to capitalize? How much is our political commitment? We do not have common ground. We are reactive in different manners and are conditional. Chinese see that there is economic dimension of law and in serious manner; hence we should not see it lightly. We have not yet observed the legal aspect and policy software. We have not yet prepared a soft ware for the benefit of state and people in FDI arrangements in corporate sector in reference to OBOR. There is no clarity where one should approach such issues. They say “yes “but the responsibilities and mandates including that of Think Tanks needs to be clear.

## **Dr Dwarika Nath Dhungel, Former Secretary**

I see many important issues are already discussed here. I feel that we are also a bit influenced with the reaction of neighbors. OBOR now has become unstoppable. We should now see its further progression and process. Nepal also has signed on it. Nepal does not want to suffer from 5<sup>th</sup> or 6<sup>th</sup> Blockade. If that is so then it should be taken as an opportunity. WE should utilize OBOR to reflect our independence, sovereignty, freedom, prestige in international arena. We do not intend to discard one’s dependency to begin other’s dependency. How to capitalize the westward movement of development of China ? In a stable political environment we can have more with such projects. The Chinese should not be questioning our credibility as it happened in many cases in the past. They will ask us “are you committed? “. How much we are committed to implement our projects in line with OBOR? I think there is a requirement of some institution of intellectuals which will have in depth study about our engagements / relations with China and India and Nepal’s position in it. That can benefit more to the nation. We can have many interactions with China as well as far as such projects are concerned.

## **Conclusion**

Many thanked Nepal Institute for Strategic Studies ( NISS ) for organizing a very significant and important program in the topic, “One Belt One Road (OBOR ) and Nepal’s Development Prospects “ in the background of Nepal’s signing of the agreement with China in Kathmandu in May , 2017 , however, its application was not much visible for the public as compared to other South Asian countries. The intellectuals further stressed the importance of Trans border economic project , emphasized on expanding Nepal’s strength of trade, translate connectivity and capitalize OBOR’s multi sector dimension best to our interest . The speakers highlighted the requirement of reforms in National Security Council to look into nation’s strategic issues.