

VOLUME 29, ISSUE 1, JANUARY - MARCH, 2022

ISSN 0972-5563

Journal of Peace Studies

ISSN 0972-5563

Journal of Peace Studies

VOLUME 29, ISSUE 1, JANUARY - MARCH, 2022



PUBLISHED BY INTERNATIONAL CENTRE FOR PEACE STUDIES

Journal of Peace Studies

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International Centre for Peace Studies

C-11 Jangpura Extension

New Delhi - 110 014

Tel: (91-11) 49989230, +91-9810317972

<http://www.icpsnet.org>

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Printed at:

A.M. Offsetters

Kotla Mubarakpur, New Delhi

PIN- 110 003, TEL: 2463 2395

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Re-linking the Land-locked Countries: India's Connectivity Initiatives and Options for Nepal and Bhutan

Nihar R Nayak*

Abstract

The neighbourhood holds a central position in India's foreign policy. The importance of building partnerships with the immediate neighbours have been driven by 3Cs as stated by India's current minister of external affairs: connectivity, commerce, and contacts. Given the geographical contiguity, civilizational linkages, and open border with Nepal and Bhutan, India believes that if the two Himalayan countries are not politically stable, economically prosperous, and strategically safe, then extra-regional powers might enhance their influence in the region which could be detrimental to its core security interests in the region. Therefore, India has supported evolution of multiparty democracy and extended all possible economic and technical assistance to Nepal and Bhutan in infrastructure development and economic growth. Since Nepal and Bhutan are part of India's northern frontier, after independence, India deemed it proper to undertake a large number of both transboundary connectivity projects in these two countries. This has been strengthened further under the neighbourhood first programme in 2014. Connectivity in general and physical connectivity in particular has been an important initiative being pushed by India in its neighbourhood in recent decades. In this context, the article analyses India's renewed connectivity initiatives with Nepal and Bhutan in the backdrop of the changing geopolitical dynamics in the Himalayan region.

Key Words: *Nepal, Bhutan, Himalayas, connectivity, neighbourhood, highways, railways, green energy, waterways, British India, frontier, landlocked, BRI, BBIN, Gati Shakti, Mission Purbodaya*

*Geography has made us neighbours. History has made us friends.
Economics has made us partners, and necessity has made us allies
- John F. Kennedy*

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The Himalayas have always remained a challenge as well as an opportunity for countries around the highest mountain range of the world. It has been an opportunity for India as the Himalayan Mountain range acted as a formidable barrier for threats from the west and the north. However, this barrier lost its significance due to the Chinese occupation of Tibet in the 1950s, the building of Kathmandu-Kodari Road in the 1962, and trans-Himalayan multi-Dimensional connectivity network (THMDCN) under the Belt and Road Initiative (BRI), which is now under implementation. At the same time, the Himalayas have posed major challenges for smaller countries like Nepal and Bhutan. Given the constraints of geography, it has made them dependent on India for their trade. Around 60 per cent of Nepal's trade is conducted with India. The proposed THMDCN offers them an alternative to connectivity through India. However, this is unlikely to address Nepal's connectivity requirements. Even if Nepal shares 1,439 km of border with China, the difficult Himalayan terrain and the forbidding distance between Nepal and the Chinese mainland and its seaports does not make transit through China economically viable. Traditionally, Nepal's trade with China has mostly been with Tibet

through the Kodari-Tatopani trading route. The second border trading route between China and Nepal was operationalised in August 2017 at Rasuwagadi (Nepal) and Kerung (China). While these routes may improve connectivity with China to some extent, Nepal will continue to be dependent on India for its trade with the wider world.

As far as Bhutan is concerned, absence of diplomatic ties with China apart from geographical limitations have made it dependent on India and Bangladesh for its trade and transit. China's territorial claims on Bhutan is also another inhibiting factor. Since Bhutan is part of the Bangladesh, Bhutan, India, Nepal (BBIN), a sub-regional group formed in 2015, and a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the connectivity programmes under these two sub-regional arrangements would offer multiple alternatives to carry out both bilateral and transit trade with the South East-Asian region as well as with other countries.

In comparison to the countries that have easy access to sea, economic growth of Nepal and Bhutan is slower, primarily because of their distance from seaports, poor external and internal physical connectivity, and high import tariffs, cumbersome

clearance procedures in the transit countries, and poor infrastructure and industrial base. Historically, these challenges have been there for Nepal and Bhutan in their trade and transit negotiations with India for a long time. Coming to India's role in enabling and enhancing the capacity of Nepal and Bhutan to link with the wider world by offering easy transit, some would argue that due to security concerns, India has been perhaps slower in developing connectivity infrastructure in the border areas which would help these two countries in their transit trade.

Against this backdrop, China's announcement of BRI in 2013, and Nepal's decision to join it in May 2017 raised the concerns in New Delhi. India analysts fear that India is gradually losing ground to China in the neighbourhood. Though India was engaged in infrastructure projects in these two countries, the delivery deficit in terms of delay in completing projects has been a major concern in both the countries. While New Delhi has been serious about undertaking multimodal transport infrastructure projects in Nepal and Bhutan, some of the private transport cartels or syndicates in both India and these countries have been opposing such initiatives and they do not want these projects to come up on time, fearing loss of business. For example, in February 2016, the Indo-Nepal Truck and Trailer Association

(INTTA) stopped supply to Nepal as a pressure tactic aimed at increasing collections from the freight and demurrage.¹ The INTTA also organised a protest to this effect in February 2019.² There are also local interest groups in West Bengal who are not interested to shift their truck-based transshipment of goods to containerised goods.

Since the past few years, India has, nevertheless, undertaken multiple land-based transportation projects (roadways, railways, inland waterways, transmission lines, oil pipeline, and optical fibre networks) both at the sub-regional and bilateral levels under its 'neighbourhood first policy'. Such connectivity initiatives are natural, in view of the fact that both these countries share easily accessible land borders with India alone among South Asian countries. However, the challenges remain, because of which, these two Himalayan countries have now started seeking alternatives to move beyond India under the trans-Himalayan connectivity networks, while keeping the idea of sub-regional cooperation framework with India at the centre, open. In the meanwhile, the BBIN framework has caught the imagination of these countries as well as that of Bangladesh, which has already opened up its seaports to Nepal and Bhutan for use, both bilaterally and sub-regionally through BBIN framework.

Apart from that, India's development of infrastructure in the Northeast under the Northeast Vision 2020 and Mission *Purbodaya*³ would provide multiple options to both Nepal and Bhutan to expand their trade baskets and tourism by using BBIN, Asian Highways and Railway networks, India-Myanmar-Thailand trilateral Highway, and the proposed BIMSTEC Motor Vehicles Agreement (MVA). India's massive infrastructure development in the eastern flank of India under two flagship programmes *Gati Shakti* and Mission *Purbodaya* will provide integrated and seamless connectivity for movement of people, goods and services from one mode of transport to another. The faster and cheaper mode of transport connectivity in India's domestic logistics costs will offer immediate benefits to Nepal and Bhutan.⁴ According to the Organisation for Economic Cooperation and Development (OECD), "a 10 percent improvement in transport and trade-related infrastructure quality can increase agricultural exports of developing countries by 30 percent."⁵ Therefore, these two Himalayan countries will have multiple options for their trade and transit.

Against this background, this paper seeks answers to the following questions.

1. Why are these expanded connectivity networks important for Nepal and Bhutan?

2. How to reconcile India's security dilemma with development needs of Nepal and Bhutan?

3. Will the connectivity networks really facilitate trade?

Neighbourhood first policy and connectivity

Connectivity in general as well as physical connectivity in particular has been an important initiative being pushed by India in its neighbourhood in the post-independence period, even if India, to begin with, continued the 'frontier policy' of British India, which laid great emphasis on security and trade. Since Nepal and Bhutan are part of India's security calculus along its northern frontier, India, after independence, deemed it proper to undertake a large number of both trans-boundary connectivity projects, trading points and construction of internal roads in these two countries to ensure that India enhances its influence in these two Himalayan states. Some of the strategic road networks, have, in fact, been initiated by India in the Himalayan region to counter the influence of extra-regional powers in the region. As a result, through such networks, India is now poised to have robust trans-boundary connectivity infrastructure, which is being made available for both bilateral and transit trade purposes for these two countries.

Until now, the major negotiating issues for these two countries have been poor infrastructure, delay in delivery of the projects, transit and procedural issues pertaining to bilateral trade and other security sensitivities on the Indian side. Although dissatisfaction with poor trade and transit services and administrative bottlenecks services on the Indian side has never been openly discussed by Bhutan, the same has been raised by Nepal both at the bilateral and multilateral levels.

India has, in recent years, re-visited its connectivity and regional integration programme under its 'Act East policy' initiative, which came into effect in May 2014. A year later, India decided to push for the BBIN-MVA, a sub-regional connectivity initiative, after it failed to get Islamabad's endorsement of SAARC-MVA in the Kathmandu SAARC summit in 2014. At the same time, India has realised that China has attempted to fill the developmental and diplomatic gaps between India and its smaller neighbours by offering infrastructure projects under the BRI. Therefore, connectivity has become a major foreign policy tool to re-link India with the neighbourhood since 2014. Former External Affairs Minister of India, Sushma Swaraj had, in fact, observed that "connectivity has become the key enabler for PM

Modi's vision for India as well as India's vision for the world, that is *Sabka Saath, Sabka Vikas*"⁶

The current External Affairs Minister S. Jaishankar also reiterated the importance of connectivity and building partnership with the immediate neighbouring countries, on 16 July 2021, by saying that "Economic growth is universally driven by 3Cs: connectivity, commerce and contacts. All three need to come together to ensure regional cooperation and prosperity."⁷ Other than economic and security issues, the first ever Inter-Ministerial Coordination Group (IMCG) on Neighbouring Countries at Secretary level was convened on 12 April, where cross-border connectivity took the centre-stage.

Ever since the pronouncement of 'neighbourhood first policy', the following major connectivity initiatives have been undertaken by India, which have been directly or indirectly beneficial to the two Himalayan countries.

1. Operationalisation of Raxaul-Amlekhgunj transboundary oil pipeline. Another pipeline is under discussion. The new oil pipeline could be set up to connect between India and the western Nepal.⁸
2. Kakarvitta-Panitanki-Phulbari-Bangalbandha feeder roads to

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- connect Nepal with India and Bangladesh. (under construction)
3. Operationalisation of Biratnagar-Jogbani integrated check post (ICP)
 4. Operationalisation of Raxaul-Birgunj ICP
 5. ICP Nepalgunj- Construction work was inaugurated in November 2020⁹
 6. Railway links: 1. Jainagar-Janakpur-Bijalpura (in operation since March 2022), 2. Operationalisation of cargo train from Raxaul to Birgunj, 3. Jogbani (Bihar)- Biratnagar (Nepal) rail link (delayed due to land acquisition). Raxaul-Kathmandu railway line.
 7. Operationalisation of goods trains between Visakhapatnam ports to Birgunj with an electronic cargo tracking system (ECTS).
 8. Direct bus services between major north Indian cities and Nepal.
 9. Trial run of bus services between Kathmandu and Dhaka.
 10. Operationalisation of Dhubri-Narayanganj inland waterways for Bhutan trade¹⁰
 11. Nepal-India inland waterways at three points (agreed in principle by India)¹¹
 12. The launch of the South Asian Satellite by the ISRO in 2017.
 13. Nepal signed the Power Trade Agreement with India according to which, it is importing electricity from 220 KVA Dhalkebar-Mujarrapur transmission line from India's NVVN (NTPC Vidhyut Vyapar Nigam). Apart from this, Nepal and India have been exchanging electricity from various transmission lines, which range over one dozen.¹²
 14. India ratified the Transports Internationaux Routiers or International Road Transports (TIR) Convention, IRU, in June 2017.¹³
- After successful completion of the effort to upgrade the railway line between India and Nepal, India agreed to help Nepali railway personnel enhance their capacity and provide them training in Nepal and India as the country was getting prepared to resume passenger railway service on the Kurtha-Jayanagar section of cross-border railway.¹⁴
- Moreover, in an effort to expedite the cross-border railway connectivity, the 4th India-Nepal Joint Working Group meeting on Railway Cooperation was held in 7 October 2021 in New Delhi. Both countries agreed to expedite the work for completion of the ongoing cross-border railway project between Jogbani in India and Biratnagar in Nepal being built with a grant

assistance of INR 5.88 billion. The group also reviewed the cross-border rail link projects between Jaynagar-Bijalpura-Bardibas and Jogbani-Biratnagar including discussions on the mutual facilitation and coordination required for completion of the work on remaining sections from Kurtha to Bilajpura which is being constructed by India at the cost of Rs3.2 billion. Nepal and India have also agreed to explore the possibility of developing Birgunj-Kathmandu railway line. In February 2020, Indian government allocated funding to carry out a detailed project report on the proposed Raxaul-Kathmandu electric rail project.¹⁵

Out of these over-a-dozen connectivity projects, only three projects have been delayed due to multiple factors and both countries are responsible for that. One of the major reasons is delay in land acquisition by Nepalese agencies. A Brookings study found that there are around ten land related acts and policies in Nepal and "India-funded projects get bogged down due to land acquisition, even while other projects are completed in a timely way with swift clearance processes" and also "due to both the Indian and host governments' lack of expert and technical capacity on land issues – including on managing records, property right frameworks, litigation and lack of enforcement, or deficiencies in surveying".¹⁶

Poor rehabilitation and compensation policy of the Nepal government has been identified as a major inhibiting factor. Some of the Indian projects are being delayed due to non-cooperation from either the ruling party or bureaucrats due to political factors. For example, the Hulaki Rajmarg or the postal highway in the Terai region has been delayed due to the near-racist feeling of the hill-based ruling classes towards the Madhesis.¹⁷ While these three factors strongly contribute to the delay in the India-funded infrastructure projects in Nepal, the policy for land acquisition and rehabilitation has been a common problem with the projects supported by other countries including China. Until this Brookings report was written, not a single mega infrastructure from the China side was completed in Nepal on time.¹⁸

Other than the problems on the Nepalese side, it is also found that, there is a lack of expertise and technical capacity on land issues in MEA and poor inter-ministerial coordination on the Indian side. Moreover, the Indian provision of allocating project to the lowest bidder has also perhaps contributed to the delay in implementing infrastructure projects in neighbouring countries including in Nepal. Quoting a former MEA official, the Brookings India report said "the Indian developmental

system is “event-oriented,” driven by political momentum and thus lacking follow up on the ground, as well as the technical know-how to assess, select, and implement infrastructure projects abroad.¹⁹

Significance of connectivity networks for Nepal and Bhutan

Being smaller in size in comparison to India and locked by India on three sides, the two countries, and especially Nepal, often feel more comfortable dealing with India in multi-lateral frameworks/arrangements, because they think that collectively they can negotiate with India more effectively than at the bilateral level. For example, while Nepal and India could not achieve bilaterally in terms of transit trade in the last 70 years, they have now benefited through the trade infrastructures that are being developed under the BBIN, BIMSTEC and Asian Highway projects. Under the BBIN and BIMSTEC arrangements, Nepal and Bhutan can now use seaports of Bangladesh, Myanmar and other Southeast Asian countries. So far, they were able to use only Indian seaports.

Secondly, these two landlocked countries can have direct access to ports in Southeast Asian countries for their third-country trade by using the MVA and other multimodal

arrangements without depending only on India. Since these are multilateral arrangements, no single country can unilaterally take control or put restrictions on the transit of goods through these networks. Nevertheless, India will be an important player in facilitating these trade and transit. The plan to develop inland waterways in India will certainly give Nepali cargo additional access to sea routes and boost its trade.²⁰

Thirdly, Nepal and Bhutan can use such infrastructure without investing anything other than joining the transaction modalities and providing transit fees which would be part of the multilateral arrangement. With the implementation of MVA, containerised goods are likely to move faster, and that will be cheaper for the consumers. This will also attract foreign investors and contribute to the overall economic development of these two landlocked countries.

Fourthly, the BBIN and the BIMSTEC were initiated by India under the ‘Act East Policy’ with certain objectives like: (i) a probable sub-regional alternative within the SAARC; (ii) prevent further inroads of extra-regional powers into the eastern part of South Asia; (iii) sharing of India’s economic prosperity with the neighbours, and

(iv) to retain India's prominence as a regional power. India would need support and cooperation of these smaller countries as much as the latter would need India's support for their economic development. Therefore, these connectivity initiatives have brought an end to the old narrative that the smaller countries are dependent on big countries. In an era of globalisation and multi-power international order, the smaller countries are equally important to the major powers.

In the case of Nepal, given the geo-strategic location and growing interest of extra-regional powers in the Himalayan region, it is imperative for India to have friendly relationship with its smaller neighbours by addressing their economic and security concerns. In this regard, transportation connectivity plays a vital role. A robust and multiple transportation arrangement will also enhance the levels of trust, confidence, and cooperation towards building an equal partnership.

Green energy connectivity

Energy cooperation between India and these two Himalayan countries has been another import area where these countries are equally dependent on each other. Despite having the potential of producing

40,000MW and 30,000MW hydro-electricity by Nepal and Bhutan respectively, these two Himalayan countries are dependent on India during lean seasons (November-April) and equally dependent on India for fossil fuel. Similarly, India also needs green energy to reduce its dependence on fossil fuels.

For all practical purposes, although Nepal is dependent on India, in the long term, India needs the support of Nepal to achieve its Paris and Glasgow commitments on climate change and Prime Minister Modi's vision of "one Sun, one World one grid". Therefore, out of four agreements signed during PM Deuba's visit to India in March 2022, two were related to the energy sector including the joining of the Nepal in India-led Global Solar Alliance. The other one was an exchange of agreement on the supply of petroleum products between the IOC and the NOC.

India and Nepal have a Power Exchange Argument since 1971 for meeting the power requirements in the border area of the two countries. There are over twenty transmission interconnections of different capacities. In addition to that, an agreement on 'Electricity Power Trade, Cross Border Transmission Interconnections and Grid Connectivity' was signed between

the two countries on 21 October 2014. India granted permission to Nepal in November 2021 to sell its surplus energy under Cross Border Trade of Electricity (CBTE) guidelines issued in February 2021.

In April 2022, the Indian Central Electricity Authority agreed to the Nepal Electricity Authority (NEA) proposal to sell an additional 325 MW of electricity to India. In November 2021, India accepted Nepal's proposal to sell 39 MW of electricity to its market, which would be exported to India via 400 KV-Muzafarpur-Dhalkebar cross-border transmission lines. India has also committed itself to develop large hydro projects like Arun -III, lower Arun, Upper Karnali and Pancheswar. All these projects would be storage based, which would support Nepal in producing electricity in the non-lean phase and export of surplus electricity to India and other countries.

Similarly, India-Bhutan hydro-energy cooperation has been iconic in South Asia. As of April 2022, India has constructed four major hydro-electric projects (HEPs) in Bhutan totalling 2136 MW. Currently, there are two HEPs under construction: 1200 MW Punatsangchhu-I and 1020 MW Punatsangchhu-II. The Concession Agreement for the Joint Venture Kholongchu project in East

Bhutan was signed in June 2020. The project is underway and is expected to be completed in 2026. India purchases surplus electricity from Bhutan as per the unit costs decided as per a completed HEP. This has helped Bhutan immensely to reduce its dependence on fossil fuels, adding revenue to the coffer, and reducing of trade deficit with India. Overwhelmed by the mutual benefits from the Hydro sectors in Bhutan, India has agreed to develop 10,000 MW of hydropower for export of surplus power to India by 2030.

Connectivity and Anxiety

Reconciling security dilemma with the developmental needs of Nepal and Bhutan has been the major challenge before these connectivity networks in this region. Despite their friendly relationship with India, they view India as a regional heavyweight and a possible hegemon. Thus, the management of the peripheries is a top priority.²¹ The anxieties of the two countries are analysed below.

Bhutan

Despite being a founding member of BBIN and after showing initial euphoria about joining the BBIN, Bhutan has so far failed to ratify the BBIN-MVA (Motor Vehicle Agreement) because of its anxiety pertaining to possible adverse impact

on the Bhutanese ecology due to heavy movement of vehicles from neighbouring countries to its territory and also because of Bhutanese transporters' concerns over losing business due to strong competition from their counterparts from India and Bangladesh. As a result, on 27 April 2017, Bhutan temporarily withdrew itself from the process of ratifying the BBIN-MVA even though it remained committed to the BBIN. However, it kept its option open if an alternative were to be found. With Assam emerging as a favourite destination for investments both from within India and outside, due to improved road and waterways (as a major logistic hub), abundant natural resources, manufacturing opportunities and strategic advantage of its location, Bhutan has shown its willingness to re-engage with BBIN by using inland waterways to reach out to Bangladesh and India.

Moreover, since four river systems of Bhutan connect to the Brahmaputra, that route is perhaps being considered both economically and environmentally viable and also faster and safer than the land route through Darjeeling (Dooars area), which witnessed blockade during recent protests in Kolkata over the language issue. It is also unsafe and costly for Bhutan to reach out to Bangladesh ports through land routes given frequent protests and *hartals*

in India. Assam's location also offered Bhutan better chance to do business with other north-eastern states of India and South East Asia especially through the Asian highway. The Assam government has already set up an Act East Policy Department in the state.

That Bhutan prefers inland waterways and railways connectivity to road connectivity indicates that as a small country, it perhaps wants to preserve its environment, identity, resources/large forest cover, culture, and values against the influence of other South Asian countries. For example, recently it introduced a daily Sustainable Development Fees (SDF) of US\$ 16.25 or 25 percent (INR1000/-) of the SDF levied on western tourists which is US\$ 65 per night on the tourists visiting Bhutan.²²

Nepal

For Nepal, BBIN has been received well as a very welcome sub-regional initiative. The Nepali parliament has already ratified the BBIN-MVA. It has expanded Nepal's multiple options for transit trade. Even then, the BBIN car rally, which was held from 14 November to 2 December 2015, did not interestingly cover Nepal.²³ Despite completion of the 34 kilometers of Asian Highway connecting Nepal (Kakarbhitta) with Bangladesh (Phulbari), Nepal has

shown less interest in intra-regional and third-country trade under the BBIN framework. In fact, the Kathmandu-Dhaka bus service under the BBIN-MVA is yet to start after the trial run held on 23-26 April 2018.²⁴

From the Nepalese point of view, the fate of BBIN is similar to that of SAARC and BIMSTEC, which are not moving in the right direction. It appears now that none of the countries involved in BBIN is enthusiastic to push it forward. The arrangements are still informal and there is no official secretariat to oversee the process. There is no clarity about the transit trade. Despite a sub-regional arrangement, the BBIN is yet to ratify the passenger protocol. The cargo protocol text is yet to be finalised. In the absence of these procedures and clarity, just simply having a connectivity initiative will only lead to anxiety and misunderstanding in the region.

Further, unlike Bhutan, Nepal is perhaps in a dilemma about which of the connectivity networks—between BBIN and BRI— would be more beneficial to it. Analysts in Nepal are divided over the issue as to which of these would contribute to economic development. The Nepali analysts were further confused when they were presented with the US\$ 500 million under the Millennium

Challenge Corporation (MCC) programme for infrastructure development in that country.

BRI vs MCC

A landlocked country like Nepal which was struggling to have strong connectivity both internally and externally until 2017, is now in a dilemma as to how to choose from infrastructure development projects that are being offered by China, India and the USA. The major political parties of Nepal are sharply divided regarding the consequences of developing projects under the BRI and the MCC. While the Communist Party of Nepal-Maoist (CPN-Maoist) argue that the MCC could be intended against China since it has been part of the Indo-Pacific strategy (IPS). Contrary to that the CPN-UML and the Nepali Congress (NC) explained that the IPS has not been intended against any country. The former Foreign Minister and a central committee member of the CPN-UML, Pradeep Gyawali, made a statement that “Nepal has neither become a part of any military alliances nor will it be a part of any such alliances in the future. Our interest in both the Indo-Pacific Strategy and the BRI is only economic and infrastructural development”. Not only the CPN-UML and the NC but the officials at the US embassy in Kathmandu and senior State

Department officials clarified on this issue.

As a result, the projects under the MCC was delayed due to non-approval of the Parliament. In fact, the MCC document says "it is designed to increase the availability of electricity and lower the cost of transportation in NepalStrengthening the reliability of key infrastructure will put the country's economy on a firmer growth trajectory, advance stability, support regional security, and reduce poverty."²⁵

BRI vs BBIN+

As mentioned earlier, Nepal is also in dilemma to balance between the BRI and the BBIN, which is a low hanging fruit for Nepal because it does not have to spend any money for infrastructure development under the BBIN. Second, like the BRI, Nepal does not have to negotiate bilaterally on this issue. Third, it gives the option of using multimodal, faster and low-cost transport options for Nepal for transit trade.²⁶

The land ports under the BBIN-MVA will enable it to conduct business with East Asian countries. Many multilateral trading routes have recently become operational such as those that are part of BBIN, Asian Highway and BIMSTEC connectivity projects. The Asian

Highway and BIMSTEC routes merge with the BBIN land route network. The process of strengthening BIMSTEC connectivity has already started. Senior officials from BIMSTEC member countries on 17 September 2018, met in Bangkok to discuss the overland road, rail, and air connectivity master plan. Quoting from the draft, media reports said:

Road transport accounts for about 70% of the freight movement within the BIMSTEC region and dominates the overall regional transport system. BIMSTEC has one of the largest railway networks in the world. The region is also interconnected by both mainline and deep-sea container and feeder ships distributing containers throughout the region from hub ports... In addition, there are over 200 flights linking regional destinations.²⁷

This route will enable Nepal to reactivate its cultural linkages and its economy could get a boost from tourism from some of the Buddhist countries in the extended region, apart from benefitting it from the transit trade.

Therefore, while the southern corridor offers multiple options for Nepal, there are certain limitations with regard to Nepal's northern trading routes in terms of distance and difficulties transporting bulk goods through high altitude regions.

**Will the connectivity
network facilitate trade?**

The eastern part of South Asia has enormous trade potential. Currently, India is the largest trade partner of Nepal, Bhutan, and Bangladesh.²⁸ However, most of these transactions are happening at the bilateral level. At the same time, these countries have a huge trade deficit with India. The analysts find the region least integrated economically. Addressing the informal meeting of SAARC Council of Ministers on the side-lines of 74th UNGA in September 2019, India's External Affairs Minister S. Jaishankar observed that "Regionalism has taken root in every corner of the world. If we have lagged behind, it is because South Asia does not have the normal trade and connectivity that other regions do".²⁹

The perception of the smaller neighbours of India has been that the transport bottlenecks experienced at the bilateral level earlier, still continues despite improvement in multi-modal connectivity. Most importantly, transport cartels dominate both bilateral and multilateral trade routes especially in India, Nepal, and Bangladesh.

While reassessing the performance of the neighbourhood first policy and programmes undertaken so far, India

has perhaps realised that if the region wants to grow faster economically and prosper then three formidable impediments like "politics, vested interests and instability"³⁰ need to be managed collectively. "The real issues are of mindsets, not of disputes. Blocking connectivity in practice while professing support in principle benefits no one."³¹

If India wants to counter the influence of the extra-regional powers in the region then it has to expedite BBIN and BIMSTEC-MVA by ratifying cargo and passengers' protocol as soon as possible. At the same time, India needs to clarify the facilities offered under BBIN-MVA about transit trade. Then only, both Nepal and Bhutan will be more interested in using BBIN-MVA for transit trade purposes. India has to convince both Nepal and Butan that the sub-regional connectivity will be greatly useful to them both and transform their remittance-based economies through investment and turn these into export-oriented economies by inducing faster economic growth.

Unless the issues of these bottlenecks are addressed through mutual consultations, the connectivity initiatives outlined above with India as the key player may not fructify leading to continuing strains in regional trade

and economic growth. There is, thus, a need for a fresh push from the Indian side because India would greatly benefit from successful implementation of BBIN and BIMSTEC connectivity initiatives. It is India's duty, therefore, to see to it that these initiatives gather momentum rather than remain embroiled in dilemmas and controversies.

At the same time, India needs to understand the geopolitical transformations taking place around the region and the domestic developmental demands in these two countries forcing the leaderships in these countries to look for more sustainable and dependable alternatives. ■

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