

# **Nepal at the First and Second Cross-roads: Opportunities for a Win/Win in the New Development Context**

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## **I. The Changing Development Context in Nepal and Tibet Autonomous Region**

1. Nepal is a developing agrarian economy. Until 1814 AD, Nepal Valley (Kathmandu Valley), which lies at a strategic location between the Gangatic plain of India in the south and the Tibetan plateau in the north, at the height of about 1,300 meters above sea level, had been an affluent economy, a centre for trade, investment and transit point between India and Tibet. Mild weather of Kathmandu Valley throughout the year, its flat and productive land and its skilled manpower, investors and traders, all added its prosperity. From the 4<sup>th</sup> century AD, commerce with Tibet through the Himalayan passes transformed the Valley into a prosperous intellectual and cultural centre. Contact with mainland China was initiated in the mid-7<sup>th</sup> century. In those days, modern transport systems, such as, highways and railways did not exist in India, Nepal and Tibet. In India, bullock and horse carts were the chief means of transportation for transporting goods and people. In Nepal, goods were transported mainly by human beings, while Yaks were used to carry goods in Tibet. In the absence of modern transport and communications systems in Tibet, Nepal and India, all enjoyed a free flow of trade and a win/win situation. Nepal became a prosperous country, which also strengthened its political independence.
  
2. Nepal reached at the first development cross-roads in 1814, when hostilities erupted between the powerful British-Indian troops and Nepal. British India subsequently captured about one third of the Nepalese territory from Teesta and Mechi rivers in the east, some parts of Tarai flat lands in the south, and the areas between Mahakali and Sutlaj rivers in the west. British India constructed its first railway line in 1857. Subsequently, it developed a vast network of railways and motorable roads which replaced the bullock and horse carts as the chief means of transportation for carrying goods and people in India. The cost of transport in India was reduced manifold and India became an integrated market. Nepal and Tibet in this period, however, remained in the dark-age in regards to the construction of roads and railways as well as in the field of science, technology and education. This led to total dependence of Nepal on British-Indian towns, ports and transport systems for its foreign trade and international commuting. British India also developed Kalingpong, a hill town in North Bengal, which originally belonged to Bhutan, for its trade with Tibet. This resulted into a great loss for Nepal and Bhutan in respect to their trade with Tibet. As British India

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- became victorious, it recruited Nepalese in the British-Indian army. Gradually, Nepal became more and more dependent on British India for its foreign trade and international travel, and employment of its manpower. This eroded Nepal's economic and political power.
3. Nepal saw the silver lining opportunity for a reversal to the win/win situation when development of road transportation started in the Tibet Autonomous Region of China in the 1950s. In 1954, a motorable road was constructed connecting Lhasa, the capital of the Tibet, with the rest of China. Subsequently, Lhasa got connected with the major cities of western China, such as, Lanzhou in Gansu province, Chengdu in Sichuan province, Kunming in Yunnan province and Kashgar in Xinjiang Autonomous Region by major highways. A highway also connects Lhasa with Kathmandu, the capital city of Nepal. In 2004, Tibet had about 43,500 kilometers of motorable roads. Most of these roads are graveled only. However, since 2001, a major effort is going on in Tibet to blacktop the roads and highways.
  4. Road transport development also started in Nepal in the early 1950s. A major highway, connecting Kathmandu with India via Birgunj/Raxual border, was built in early 1950s with the assistance of India. Another major highway, connecting Kathmandu with Lhasa in Tibet via Tatopani/Zhangmu border, was built in the 1960s with the assistance of China. Nepal now has a 1,024 kilometers long major blacktopped highway, called Mahendra highway, in the southern part of the country, some 30 kilometers north of the Nepal-India border, which connects Mechi, the eastern border of the country with Mahakali, the western border. This highway is connected to several border towns of Nepal and India through north-south roads. It is also connected to most of the districts in the mid-hills of Nepal through several north-south roads. In 2004, the total length of roads in Nepal reached 17,279 kilometers, including 4,875 kilometers blacktopped, about 5,000 kilometers graveled and the rest unpaved. Motorable roads in Nepal are lacking, however, in the northern part of the country bordering Tibet.
  5. India has an extensive highways and railways system. It has several roads connecting at least 22 border points in the Nepal-India border. Most of these roads are of two-lanes and paved. Depending on the traffic, there is a need to upgrade some of these roads into four-lanes ones. Several Indian towns near the India-Nepal border are also connected by Indian railways. India is currently converting several of its narrow and meter gauge railway lines into broad-gauge ones. Birgunj and Janakpur towns of Nepal are also connected to Indian towns by railways.
  6. Nepal and Tibet have 1,414 kilometers long common international border. This common border is shared by Tibet's 7 counties, namely, Tingkye, Tingri, Nyalam, Kyirong, Saga, Drongpa and Purang and Nepal's 14 districts, namely, Taplejung, Sankhuwasabha, Solukhumbu, Dolakha, Sindhupalchok, Rasuwa, Gorkha, Manang, Mustang, Dolpa, Mugu, Humla, Bajhang and Darchula. The Nepal-Tibet

border consists of high Himalayan or Trans-Himalayan ranges, but includes more than 40 important passes through which Nepal-Tibet trade used to be traditionally conducted on foot.

7. The counties of Tibet, adjoining Nepal, are generally larger in area compared to the districts of Nepal, but are sparsely populated. They are all connected to the major trade centres of south-west China, such as, Lhasa in Tibet and Kashgar in Xinjiang Autonomous Region through the Chinese highway numbers 318 and 219. Inter-county and intra-county roads have also been developed. At least one road in each of the 7 counties extends up to Tibet-Nepal border. Most of these roads are only graveled. Yet, because of low rainfall in Tibet, these roads can be used for trade and travel throughout the year, except in some heavy snowy days in the winter. In the Nepalese side, however, motorable roads are lacking in 13 of the 14 districts bordering Tibet. So far, only one road connects Nepal with Tibet. China has agreed to help Nepal to build a 17 kilometers long second road that will connect Sabrubhansi of Rasuwa district of Nepal with Kyirong county of Tibet.
8. China is also currently building a 1,142 kilometers long Qinghai-Tibet railway line from Golmud city of Qinghai province to Lhasa. The track-laying work of this railway line has been completed. Golmud is already connected to the rest of China, Mongolia, Russia, Kazakhstan, Uzbekistan, Europe and south-east Asian countries via Lanzhou city. Lanzhou is about 3,000 kilometers away from Kathmandu. It is planned that the railway will be in test-run in 2006 and passenger and cargo transport service will start in January 2007. After that, China is expected to extend this railway line from Lhasa to Dali in Yunnan province of China and Lhasa to Zhangmu/Tatopani in the Tibet-Nepal border.
9. Tibet Autonomous Region (TAR) of China is not only currently rapidly developing roads and railways, but also other infrastructures, such as, oil pipelines, telecommunication services, electricity generation, etc. Telephone, television and internet services are rapidly expanding and modern agriculture, health and education have been introduced in TAR.
10. The development context, therefore, has been rapidly changing in Nepal and TAR since the decade of 1950s. Nepal will reach at the second development cross-roads when most of its 14 districts in the north bordering Tibet get connected to Tibet's road network and as soon as the construction of the Lhasa-Zhangmu railway line is completed. Once this happens, Nepal will be able to conduct its foreign trade easily with China. Nepal could also expand its trade with Russia, the oil and gas rich countries of Central Asia (Kazakhstan, Turkmenistan, Azerbaijan and Uzbekistan), Iran, Turkey, Europe and South-east Asia through the northern border.
11. In this context, in April 2005, His Majesty King Gyanendra proposed Nepal as a transit point between India and China for facilitating their trade via Nepal. His Majesty's Government further proposed the construction of 7 highways

connecting the northern border of the country with the southern border and an electric railway line from Birgunj to Tatopani via Kathmandu. This line will connect the Indian railway network at Birgunj/Raxual border and with the Chinese railway network at Tatopani/Zhangmu border. The railway line is expected to greatly facilitate trade between Nepal, India and China. The development of such a railway line and the 7 highways will surely bring back TAR (China), Nepal and India into the win/win situation as existed prior to 1814.

12. Infrastructure development in the three countries will lead to an increase in investment. Such an increase in investment will help economic growth as well as poverty reduction. It will also help Nepal to become a truly non-aligned modern independent state. Therefore, such a highly strategic vision of His Majesty the King on foreign trade, development and political independence of Nepal needs to be implemented at a great speed.

## **II. Development of Towns for Trade in the Nepal-Tibet Border Areas in the New Development Context**

13. For a better flow of trade, both Nepal and China could implement a town development programme in both sides of the Nepal-Tibet border. Nepal could develop at least one border town in each of the 14 districts in northern Nepal, while China could develop matching towns in the adjacent areas. This will not only help the development of the border areas, but will also facilitate people-to-people contact.
14. China could develop Kyirong as the second largest cities of Tibet. Kyirong valley, which lies at an altitude of about 2,600 meters above sea level, has a very nice climate. It is at one of the lowest altitudes in Tibet (for example, Lhasa is situated at the height of about 3,650 meters above sea level). There are a large number of flat lands and abundant drinking water resources in the Kyirong Valley. The water of the Yarlung Tsangpo (Brahmaputra) river in the north could also be brought easily to Kyirong Valley if more water is required. Such resources are needed for the establishment of a big city.
15. The old Kyirong town is only about 150 kilometers from Kathmandu. River Trisuli flows into Nepal from the Kyirong valley. A four-lane highway/railway line could be constructed from Kyirong valley to Birgunj and Bhairahawa following this river up to Bharatpur/Gaidakot of Nepal. Kyirong is, therefore, an ideal place for a city for conducting trade between China, Nepal and India.

## **III. Meeting Nepal's Energy Needs in the New Development Context**

16. So far, Nepal has not found its own petroleum deposits. Thus, it has no option, but to import all such products, including oil and gas, from abroad. At present, Nepal imports all petroleum products from India. This is a good arrangement in terms of cost for the southern areas of Nepal.

17. However, in the new development context, it will be cost-effective to import petroleum products for the northern areas of Nepal, including Kathmandu Valley, from the countries of Central Asia and Russia via China. China imports crude petroleum products from the countries such as Kazakhstan, Turkmenistan, Azerbaijan and Russia through railway and oil pipelines. It refines these products in Lanzhou city and distributes them throughout China. Golmud also has an oil refinery. A 1,088 kilometers long oil pipeline has been constructed from Golmud to Lhasa. In this context, Nepal could buy crude petroleum products from the countries of Central Asia and Russia, give it to China, and get delivery of the refined petroleum products from Lhasa. Presently Nepalese tankers could bring these products from Lhasa (about 900 kilometers from Kathmandu). In the future, if an oil pipeline is constructed from Lhasa to Zhangmu, tankers only need to go to Zhangmu (a distance of only 124 kilometers from Kathmandu) to bring the oil. Panchkhal or Kathmandu could also be connected to Zhangmu through an oil pipeline. Such arrangement will have tremendous economic benefits for Nepal.
18. Petroleum products, however, fulfill only about 10% of Nepal's energy needs. Less than 10% of the energy needs are met through hydro-electricity, solar energy and bio-gas. The rest of the energy needs are met by fire-woods. Rampant cutting of trees for fire-woods will lead to the destruction of Nepal's forest resources. Therefore, the use of hydro-electricity, solar and other alternative energies must be encouraged.
19. Nepal has a huge potential for the production of hydro-electricity, especially from the fast flowing rivers in the northern areas of the country. It is said that Nepal has a total potential of 83,000 megawatts of hydro-electricity, of which 43,000 megawatts is feasible. The amount of electricity that could be produced would be more or less than the above-mentioned figure depending upon the number and type of hydro-electricity projects. At present, only about 500 megawatts of hydro-electricity has been produced in the country. Therefore, Nepal could start a massive information campaign for bringing more direct foreign investment to produce electricity. Excess electricity in Nepal could be sold to the energy deficient areas of India and Bangladesh. Information campaign, therefore, could be done in big international forums, such as, Boao, UNESCAP, SAARC and Asian Development Bank meetings.
20. Foreign investors generally would like to invest in areas where access roads are already available. The sources of Nepal's water are in the Himalayan and Trans-Himalayan districts in the north, where roads are lacking. Therefore, the government must develop road network in this area as soon as possible.
21. In the villages of Nepal, where households are highly scattered, it becomes very costly to extend power transmission lines to provide hydro-electricity to these households. Therefore, programme should also be designed to provide solar energy, bio-gas and other forms of alternative energies to such households.

#### IV. Conclusion

22. Nepal was in a win/win situation in term of trade with both Tibet and India prior to 1814 AD. Nepal's war with British India in 1814, which resulted into the loss of one third of its territory to British India and the subsequent events, such as, the development of railways, roads and modern education in India, and continuing underdevelopment in Nepal and Tibet, eroded Nepal's position in both economic and political fronts. However, since the 1950s, because of the development of roads, modern communication systems and railway in Tibet, and also because of the development of roads, communication and modern education in Nepal, the situation is gradually reversing towards the position of win/win that existed prior to 1814. Nepal could be connected to both Tibet and India by railways in the near future. Therefore, in this development context, Nepal finds a great opportunity for enhancing its economic and social transformations and political independence, if carefully acted upon.

#### Location Map of China, India, Nepal, Bhutan and Mongolia



