

## **Transit Economy: An Opportunity to Revive Past Glory**

-Mr. Keshav Raj Jha<sup>1</sup>

It has stirred the minds of intellectuals, business community and common people in Nepal when His Majesty King Gyanendra, while addressing the Afro-Asian summit in Djakarta early this year said that “Nepal is ready to act as a transit point between China and India”. The concept of transit economy has been storming into the mind of policy makers and business community as to how Nepal can harvest the benefit as the transit point between the upcoming economic superpowers of the world. Nepal is not seen quite clear so far on the question of as to what would be the tangible benefits of transit although both China and India have taken His Majesty’s proposition very positively and have also seen taking steps towards it.

Given the fact that Nepal borders Tibet and up to 1000 kilometers from the Nepali border, there is lack of fertile land on the other side of the border. The main reason of flourishing trade of Nepal in Malla, and early period of Shah dynasty; culminating in economic prosperity in Nepal, was through trade and to some extent, through acting as a transit point. In economic terms, becoming a transit point would do a lot to promote economic activities if Nepal can add value to the Nepali goods as well as helping to generate employment.

It is said that the system of trade routes first originated with the nomadic people who along with their cattle, sheep, asses and goats had often moved from their places in search of fresh pastures. In course of time, the route was used by the traders as in the process asses, oxen, horses, yak were tamed and utilized for carrying goods. This was the beginning of this trade process, which was at first based on barter and exchange and later on money. In this context, the Himalayan passes were introduced and in the different period of remote past facilitated in the interaction among the people of trans-Himalayan countries.

Trade routes played a significant role in the promotion of trans-Himalayan trade; which helped to consolidate Nepal-China friendship and strengthening China's support to Nepal.

From the early period, trade between Nepal and Tibet was channeled through the high passes of the Himalayas. There were at least eighteen passes in the central Himalayan region, which were used for commercial purposes, Nepali Himalayas covered 520 out of 1500 miles in the trans Himalayan range. Kuti (Nyi-Lam), Kerrong (Kyirong), Wollangchung, Khumbu, Tukuche and Karnali were the major trade routes between Nepal and Tibet.

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The Kuti route pass is located on the lower altitude and approachable from the Kathmandu valley. Kuti was the principal outlet of rock salt for the consumptions of the valley and adjoining area. Besides, Kuti was one of the busiest routes in the central-Himalayas as it was the shortest route to Tibet and accessible in most of the period of the year.

Kerrong was the second most vital route and accessible for all seasons. This route was introduced in the early part of seventh century. Within a very short time, the newly introduced route replaced the existing route to Tibet via Kashmir. The Wollangchung pass is located in the eastern part of Nepal in the Tamor Valley and leads through this and across the Tipatala of Tibet. The Indian goods from Patna used to pass through this route. This route was well known for the barter trade. This was the shortest route to India via, Nepal. This pass was the center for the entrepôt trade between Tibet and Eastern Nepal. The opening of Chiumbi valley trade route produced adverse impact on this route and remained merely a border trade center.

The Khumbu route links the rich agricultural land of Dudhkoshi area with the Tibetan province of Tingri through Khumbu. All trade with Tibet through this route was confined to two seasons early summer and October-November. Tukuhe was another trade route between Nepal and Tibet and this was one of the easiest route leading from Tibet across Nepal to the plains of Northern India in the past. This route was comparatively located in low elevation and easily passable for the domesticated animals. The Karnali route can be divided into two parts- Mugu and Humla. Both these routes linked with Thakla Khar, one of the commercial centers of Tibet across the Himalayas. Both of these routes passed through Dullu and Jumla. Yari was the principal pass to enter Tibet from Humla.

There are many other trade routes connecting Nepal with Tibet, among others they include Thudam Chepuwa, Lama Bagar, Topkegola, Pyak and Tinkar pass. All these routes carried trade basically for meeting the subsistence needs of the bordering people.

But those trade routes are no longer channel of communication between Nepal and Tibet. Except one trade, most of the Himalayan passes remained isolated carrying historical legacy. Trade is essential for the bordering people of Nepal and Tibet in order to overcome the problems that had to be encountered in the daily life. The dependence of people of the Himalayan highlands on trade was not due to their choice but due to compulsion.

During Seventh Session of Nepal-China Inter Governmental Economic and Trade Committee, the Eighth Session of Nepal-China Inter Governmental Economic and Trade Committee, held from April 15 to 17, 1998 in Kathmandu, both sides reviewed the performance of bilateral trade. The Nepali side requested the Chinese side to open two entry-exit points (Kimathanka-Dingri and Mustang-Lizhi). The Chinese side noted the request and agreed to convey it to the competent authorities of China.

It is high time to activate the trade routes to foster the relation between the people of Nepal and People's Republic of China. Since the year 2002, Nepal and China are working to open two of the major routes, Kerrong-Rasuwa, and Hilsa-Burang routes, to reopen the bilateral trade through land, which is indeed a welcoming move.

The trade with Tibet Region though small in volume is contributing significantly to the economy of both the countries. Finished and manufactured goods are pronounced in import whereas in export daily necessities and consumer items are in larger portion. Raw wool, electronic goods, textiles, jean pants, jackets, shoes, electric goods etc. are more prominent imports to Nepal. Vegetable ghee and flour dominate the scene in the export to Tibet Region. Nepal's export to Mainland China consists of a few items like, handicrafts, button, Nepali paper and paper products etc. Electrical and electronic goods, transport equipments, machinery and parts, shoes and sandals, textiles, spices, raw silk, polyester thread, silk fabric, pipes, and fittings etc. are prominent import items.

One of the main problems faced by Nepali exporters and importers is the high cost and time taken in the transportation of goods to and from China. Nepali businessmen do not have the complete business information about China to establish working relation with their Chinese counterparts in different cities of China. They have no detailed information on nature of products China presently requires.

During his visit to Nepal at the invitation of Nepal Council of World Affairs (NCWA), Council Member of the Chinese Association for International Understanding (CAFIU), Ai Ping had expressed the view that “people from all sectors in Nepal need to work hard to create the needed infrastructure to facilitate trade between China and India that, in turn, would accrue benefits for Nepal”.

There is no doubt both India and China would extend support to build infrastructure in Nepal, if the country could give some vision of its transit economy. Besides it would attract foreign investment and promote tourism and revenue as well.

Once strategic rivals, India and China have now turned into business partners and for them the route through Nepal is shorter and reliable. As a mild gesture, on first week of August 2005, India has agreed to provide over 5 billion rupees for a project targeting to upgrade border check posts along the Nepal-India border within the coming three years. The money will be used in development of infrastructure at the four check posts at Raxaul-Birgunj, Sunauli-Bhairahawa, Jogbani-Biratnagar and Nepalgunj Road-Nepalgunj. India is going to spend almost 15 billion rupees on her side in setting up link roads along the border; which will, without any doubt serve as a good link once China and India will have some substantial deal to use Nepal as a transit point.

Nepal Government in its budget estimates for the fiscal year 2062/2063 B.S. has also announced the construction of seven highways to develop Nepal as a transit point between India and China. The proposed highways are expected to link India and China through Kanchanpur, Darchula and Taklakot in the north. The next route would be through Nepalgunj to Taklakot. It is not a bad idea but needs careful scrutiny and diversification. Equal emphasis should also be given to Rasuwa pass as well as other routes in the hills, which will take the development infrastructure to all the possible parts of the country in a balanced manner.

### **Future Prospects**

Nepal had played her role of transit of culture, civilization and economy in the yesteryears. Nepal always had and has that potential which is being realized once again. This potential will again link the upcoming major economies of the two most populous countries of the world. There is no doubt that Nepal will be helped to benefit from the vast potential the two economies will be creating with this transit route.

With the possibility of Afghanistan getting on board of SAARC, there will be only one country of South Asia left in the grouping, Myanmar. Hopefully with the able leadership of visionaries Myanmar will soon be inducted followed by China; that is where the civilization will reintegrate, sharing the Asian values, culture and most importantly the economy. Nepal's role as one of the most important transit routes linking China with vast Indian plains since ancient times until mid 50's will resurface heralding a new era of cooperation in Asia.

South Asia is envisioned as having four growth hubs where each hub is linked to a region outside South Asia itself. Hence we may conceive of the eastern seaboard as the hub encompassing the Ganga-Brahmaputra-Meghna Rivers flowing from the Himalayas into the Bay of Bengal and economically linked to Myanmar-Thailand-India-China.

The Southern seaboard could roughly be conceived as the hub around the axes Vishakapatnam-Sri Lanka-South East Asia-Australasia. The Western seaboard comprising the hub around the axes Maldives-Mumbai-Karachi-Persian Gulf-West Asia and Finally the fourth comprises the grand landmass of the Hindu Kush- Karakoram and Himalayas extending from Uttaranchal-Uttar Pradesh-Himanchal Pradesh-Delhi-Islamabad-Kashmir-Kabul-Central Asian republics.

With this force, we can collectively follow up to the implementation of the millennium Development Goals for poverty alleviation, the Brussels Plan of Action of the least developed countries, the Johannesburg Plan of Action for sustainable development, the Monterrey Consensus for financing for development and the Doha outcome of World Trade Organization ministerial meeting.

Nepal is celebrating the 50<sup>th</sup> anniversary of its establishment of diplomatic relations with the People's Republic of China with various programs and events. Heads of States of the two countries exchanged very warm and cordial messages of greetings stressing the need to deepen and consolidate the ties of friendship and cooperation further in the days to come. In the past five decades, Nepal, China and India, all have witnessed unprecedented changes in the social, economic and political fields. Both China and India have made tremendous growth and from poor and developing economies, both have elevated themselves as potential economic powers in the world. Despite being in the middle of such economies, Nepal's economic situation has not seen much progress.

We should not only talk about the hypothesis and theoretical things while talking about becoming a transit point. It should be based on concrete principles and practical foundation. While providing transit facility to China and India via Nepal, the country should think about establishing benefit mechanism based on equal basis. Nepal should calculate thoroughly the technical, managerial and judicial aspect of the transit point; keeping in mind the pros and cons on the deal. Otherwise Nepal will have to satisfy herself by the nominal toll given by the business groups for using road facility.

The time is ripe that through the vision of a transit economy, Nepal could lift her position from that of an unstable economy to a stable one. Nepal wishes to see that upcoming transit routes would serve as a modern 'Silk Road' that will connect China with rest of South Asia through Nepal. It should be structured in such a way that it becomes more capable of coping with the realities of the changed world context at the bilateral, regional and global level.

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