Celebrating 60th year of the establishment of
Diplomatic Relation between Nepal and China

Silk Route: Enhancing Nepal-China Connectivity

Edited by
Dr. Rishi Raj Adhikari

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### Acronyms

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<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AD</td>
<td>Anno Domini / After Death</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AIIF</td>
<td>Asian Infrastructure Investment Fund</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>BC</td>
<td>Before Christ</td>
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<tr>
<td>BCE</td>
<td>Before the Common Era</td>
</tr>
<tr>
<td>BCIMEC</td>
<td>Bangladesh China India Myanmar Economic Corridor</td>
</tr>
<tr>
<td>BIMSTEC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
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<tr>
<td>BRI</td>
<td>One Belt, One Road Initiative</td>
</tr>
<tr>
<td>CAREC</td>
<td>Central Asian Regional Economic Cooperation</td>
</tr>
<tr>
<td>CE</td>
<td>Common Era</td>
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<tr>
<td>CNI</td>
<td>Confederation of Nepalese Industries</td>
</tr>
<tr>
<td>CUTS</td>
<td>Center for Trae (Consumer Unity and Trust Society)</td>
</tr>
<tr>
<td>EIMF</td>
<td>European Institute of Management and Finance</td>
</tr>
<tr>
<td>ESCAP</td>
<td>Economic and Social Commission for Asia and the Pacific</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>FNCCI</td>
<td>Federation of Nepalese Chambers of Commerce and Industry</td>
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<tr>
<td>FNCSI</td>
<td>Federation of Nepal Cottage &amp; Small Industries</td>
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<tr>
<td>GMS</td>
<td>Georgetown Management System</td>
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<tr>
<td>LDC</td>
<td>Least Developed Country</td>
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<td>MoFA</td>
<td>Ministry of Foreign Affairs</td>
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<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<td>NPC</td>
<td>National Planning Commission</td>
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<td>NTU</td>
<td>Nanyang Technical University</td>
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<td>OBOR</td>
<td>One Belt, One Road</td>
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<tr>
<td>ORF</td>
<td>Observer Research Foundation</td>
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<tr>
<td>RMB</td>
<td>Renminbi</td>
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<tr>
<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
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<td>SAGQ</td>
<td>South Asia Growth Quadrangle</td>
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<td>SAIM</td>
<td>South Asian Institute of Management</td>
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<tr>
<td>SCO</td>
<td>Shanghai Cooperation Organization</td>
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<tr>
<td>SRF</td>
<td>Silk Road Fund</td>
</tr>
<tr>
<td>SRMTS</td>
<td>Surveillance/Reconnaissance Management Tool Server</td>
</tr>
<tr>
<td>SSR</td>
<td>Southwesterns Silk Road</td>
</tr>
<tr>
<td>TAR</td>
<td>Tibet Autonomous Region</td>
</tr>
<tr>
<td>TEPC</td>
<td>Trade and Export Promotion Centre</td>
</tr>
<tr>
<td>TRACECA</td>
<td>Transport Corridor Europe-Caucasus-Asia</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNESCAP</td>
<td>United Nations Economic and Social Commission for Asia and the Pacific</td>
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<tr>
<td>UNESCO</td>
<td>United Nations Organization for Education, Science and Culture</td>
</tr>
<tr>
<td>USD</td>
<td>US Dollar</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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‘Silk Route’ connotes its plural aspect comprising of trade and cultural transmission routes of the Asian continent connecting traders, merchants, pilgrims, monks, soldiers, nomads, and urban dwellers of China to the west, south and east for a long time expanding in tandem with her business, trade and her civilizations together with political and economic interactions to the Indian sub-continent, Europe, and Arabia.

This road was initiated during the rule of Chinese Emperor Wudi in 150 BC and named ‘Silk Road’ by German Geographer named Ferdinand Von in 1877. The road was used for silk sale and trade of other items, exchange of culture, ideas and movements of military and people. The route had linked the regions where modern nations like Tajikistan, Uzbekistan, Kyrgyzstan, Kazakhstan, Turkmenistan, Arabian nations, Nepal, India, Pakistan, China, Japan, Mongolia, Korea, Myanmar, among others are located. It may signify a historic trading route but in reality it was a gateway that connected people and promised a new exchange of ideas and talents which is even more pertinent in modern times. It includes road, air and sea routes, so it is now called ‘Silk Route’.

China's initiatives have led to the Silk Road Fund Co.Ltd. and the Asian Infrastructure Investment Bank through creation of the 40 billion U.S. dollar fund established on Dec. 29, 2014. It aims to improve connectivity and provide more public services for people in this region.

Historically, Nepal provided a major free and unrestricted trading route between South Asia and China and even to central Asia via Lhasa. We can refer to the presence of a large number of people of Nepali origin residing in Lhasa and some other parts of Tibet for centuries and Nepalese Mission is the only diplomatic presence in Lhasa. This is the time to recapture this trend and unlock the future growth potential of trade and connectivity between China and Nepal.

At present Nepal and China have some designated routes for trade and exchange like Tatopani, Nara Nangla in Humla, Kerung, Olangchunggola and more. We can list and propose some of the new routes between China and Nepal which are historically important and also carry immense prospect to develop commercial and cultural connectivity as well. Lumbini-Mustang corridor that crosses Mustang and enter Tibet following the Kali Gandaki corridor can be developed. Similarly, Lumbini-Surkhet/ Kakre-Dailekh-Humla can be taken as another corridor that consists cultural-heritage with huge tourism and economic potential.

China has planned to extend its railway network along the Tibet Nepal border. Observers say that the rail connectivity with China will spur the globalization of the Nepalese economy. Once a rail connection with China is established, Nepalese goods
can be transited to the international markets through the Eurasian transportation network. Together, the entire south Asian trade can be immensely benefited through that network.

China and Nepal governments have to remain committed to make more amenable policies to encourage private sector to acquire maximum benefit out of the potentials of trade between our two countries. Parallely, Nepal needs to plan, design and implement most basic infrastructures in terms of roads, transport, warehouses etc. for effective connectivity to the Silk Route as proposed by China. Projects can be designed to obtain resource from Silk Route funds.

There is need to be aware about this opportunity provided by the proposed Silk Route for Nepal by organizing various sharing plate forms for policy influencing our government to take steps that is in tandem with the initiatives by the Chinese government. We must orient our development plans and link ourselves to this great potential for overall development of our country. There is need to evaluate the historic importance of the route and explore further prospects and recommend better ways to expand economic connectivity between China and Nepal. It will also support reduce Nepal’s trade deficit with China.

This talk programme was a joint initiative of Ministry of Foreign Affairs and Institute of Foreign Affairs. I acknowledge Hon. Minister of Foreign Affairs Mr. Mahendra Bahadur Pandey to have accepted our invitation as the chief guest and Key Note Speaker and Chief Secretary Mr. Leela Mani Poudyal for his opening remarks. I extend my thanks to Mr. Shanker Das Bairagi Acting Foreign Secretary, MoFA for chairing the substantive session, Mr. Madhu Raman Acharya, the paper presenter, and distinguished panelists, Dr. Swarnim Wagle, Hon. Member NPC, Madhukar Samsher JBR, former Minister of Finance, and Jhabindra Aryal, Joint Secretary, MoFA.

Appreciation is extended to other distinguished participants from business community, diplomatic and foreign relations, academia, high level officials from ministries of foreign affairs, commerce and supplies and industries, friends from media. I also wish to thank Mr. Yadav Khanal, Resource Person at IFA for his active participation and contribution to the talk program. Mr. Sanu Raja Puri, Librarian, IFA for his Contribution to the talk program and role in publication.

The outcome of the seminar was disseminated by overwhelming presence of the media and related individuals and organizations. The papers, discussion points and comments have been published in this book for further dissemination widely for enhanced trade and business of Nepal though better Nepal-China connectivity.

The institute welcomes comments, suggestions and feedbacks so as to refine our future publications.

Dr. Rishi Raj Adhikari
Executive Director
Background

The Silk Road, or Silk Route, is a series of trade and cultural transmission routes that were central to commercial and cultural interaction through regions of the Asian continent connecting the west, south and east by linking traders, merchants, pilgrims, monks, soldiers, nomads, and urban dwellers from China during various periods of time. Expansion of trade through the Silk Road was a significant factor to spread Chinese civilizations to the Indian sub-continent, Europe, and Arabia. That also opened the trend of political and economic interactions between civilizations.

This road was originated at the time of Chinese Emperor Wudi in 150 BC and was later used for commercial and religious purposes. Silk was not the only item that travelled through the road in those days. This was used for trade, culture, exchange of ideas, beliefs as well as for military and people’s movement. The route for the first time was named as Silk Road by one German Geographer named Ferdinand Von in 1877. The western route became almost obsolete after 16th century but left a distinct mark in the history which is still relevant to enhance connectivity for every aspect of necessities of modern times for every state in the region and the world as a whole. The route had linked the regions where modern nations like Tajikistan, Uzbekistan, Kyrgyzstan, Kazakhstan, Turkmenistan, Arabian nations, Nepal, India, Pakistan, China, Japan, Mongolia, Korea, Myanmar, among others are located. The silk route may signify a historic trading route but in reality it was a gateway that connected people and promised a new exchange of ideas and talents which is even more pertinent in modern times.

Now ‘Silk Route’ not ‘Silk Road’ is commonly referred to as it not only includes road but also air and sea routes. The route has an enormous and comprehensive inference on the connectivity on trade and culture between people of Asia and Europe.
Chins has proposed an ambitious plan to build a wide network of new silk route on land and seas to enhance global connectivity and has invited India to join the project that would revive the ancient trade route in order to benefit the entire south and south East Asian region. From historical point of view India is the converging point of Maritime Silk Road (MSR) and the ancient Silk Road on land. Since last 2,000 years India had very good exchanges with China through the passage of the South Silk Road and part of the trade was served via Kathmandu to Lhasa route as well.

Citing all these ancient legacies, China has proposed several projects to revive and develop China’s trade links in South and south East Asia. As we know, India and China are vibrant economies today and Nepal has huge geographical advantage if we could bridge these economies. Nepal can achieve enormous economic and social benefit through connectivity with this initiative.

**Revival of silk route between Nepal and China**

Historically, Nepal provided a major free and unrestricted trading route between South Asia and China and even to central Asia via Lhasa. History shows that this trade link can be traced back to 5th or 6th century BC. It remained active throughout following centuries. We can refer to the presence of a large number of people of Nepali origin residing in Lhasa and some other parts of Tibet for centuries and Nepalese Mission is the only diplomatic presence in Lhasa. During Malla period Lhasa was not only a vibrant point for trade but also a center to develop contacts among people. This is the time to recapture this trend and unlock the future growth potential of trade and connectivity between China and Nepal.

At present Nepal and China have some designated routes for trade and exchange like Tatopani, Nara Nangla in Humla, Kerung, Olangchunggola and more. We can list and propose some of the new routes between China and Nepal which are historically important and also carry immense prospect to develop commercial and cultural connectivity as well. Lumbini-Mustang corridor that crosses Mustang and enter Tibet following the Kali Gandaki corridor can be developed. Similarly, Lumbini-Surkhet/Kakre-Dailekh-Humla can be taken as another corridor that consists cultural-heritage with huge tourism and economic potential.

Nepal has great potential in developing Silk Roads having corridors across Himalayas establishing crucial links between the Tibetan plateau and the fertile valleys of northern part of Indian sub-continent. China has planned to extend its railway network along the Tibet Nepal border. Observers say that
the rail connectivity with China will spur the globalization of the Nepalese economy. Once a rail connection with China is established, Nepalese goods can be transited to the international markets through the Eurasian transportation network. Together, the entire south Asian trade can be immensely benefited through that network.

After establishing these new silk routes both countries have to be committed to facilitate trade through reducing tariff opening new trade opportunities and larger markets, encouraging regional and international cooperative regime. Countries also have to adopt liberal policies on issues like custom procedure and intellectual property rights. These initiatives and their application will in turn transforms countries into a single market and will enhance regional as well as international trading competitiveness. Governments have to remain committed to make more amenable policies to encourage private sector to acquire maximum benefit out of the potentials of trade between our two countries. Parallelly, Nepal needs to plan, design and implement most basic infrastructures in terms of roads, transport, warehouses etc. for effective connectivity to the Silk Route as proposed by China.

Objective of the proposed talk programme was to evaluate the historic importance of the route and explore further prospects and recommend better ways to expand economic connectivity between China and Nepal.

In view of the alarming Nepal’s trade deficit with China the revival of the trade route can be highly instrumental in promoting Nepal’s exports not only with China but with India as well. The talk program also will delve into the promotion of commercial and industrial activities in Nepal designated for trade with our northern neighbor through these routes.

The paper has been presented by an eminent expert in this field and commented by three expert panelists. Panelists shared their independent views and ideas on the subject. The floor was opened for comments and questions after the presentation and comments by panelists. The majority of participants were invited from the related government agencies, diplomatic communities, private sectors and other concerned organizations and individuals including media representatives.
Mr. Chairman,  
Hon’ble Foreign Minister,  
Respected Chief Secretary,  
Acting Secretary, Ministry of Foreign Affairs,  
Former Secretary and PR Madhu Raman Acharya,  
Distinguished Panelist’s,  
Respected Guests,  
Media representatives,  
Ladies and Gentleman,

On behalf of the Institute of Foreign Affairs, I wish to extend my sincere welcome to Hon’ble Foreign Minister, respected Chief Secretary and Secretary from MoFA, paper presenters, commentators, media representatives and all distinguished guests; thank you all for accepting our invitation in this important discussion programme.

Being close neighbor Nepal and China are maintaining social and economic relations since last over 2000 years. Now we are passing through the 60th year of establishment of formal diplomatic relations. Relation with our southern neighbor India is also equally historic. Trade through Silk Road was the need of those days as it was expanded on various directions from China. The relevance of trade and contact among people by means of enhanced connectivity is no less pertinent in modern times. Realizing the importance of this significant link we have arranged this talk programme to look into the possible ways to unlock the future growth potential of trilateral connectivity among us.

While celebrating our 60th year of the establishment of diplomatic relation we look forward to have an open discussion on further strengthening existing routes and also look into the possibility of opening new corridors across Himalayas. Together, we will look into the prospects of opening links to connect both our economically vibrant northern as well as southern neighbors via Nepal through our existing routes as well as on the possibility
of the development of infrastructure of new possible passage and creating investment environment in order to obtain tremendous tri-lateral benefit.

We have a good panel of experts today and I believe that the interaction will be really fruitful & productive. IFA is very thankful to everyone for accepting our invitation and I look forward to having an extensive participation in the substantive session.

Once again, I extend sincere welcome to Hon'ble Foreign Minister, Chief Secretary, Secretary from MoFA, paper presenters and distinguished panelists, media representatives and all distinguishes guests, ladies and gentlemen.

Thank you.
We should turn Asia’s diversity and the differences among Asian countries into the energy and driving force for regional security cooperation.

*XI Jinping, President of PRC*

I reiterate India’s commitment to work with ASEAN and other East Asian countries to make the 21st century an Asian century.

*Manmohan Singh, Former PM of India*

**Background**

China borders with five countries of South Asian region viz. Nepal, India, Bhutan, Pakistan and Afghanistan; with this, China has become a vital link to South Asia.

China and South Asian relations are deep rooted in their history; coexisted for centuries and benefited from each other over the period. China and South Asia are the two ancient civilizations of the world.

There had been exchanges of scholars, saints and intellectuals between China and South Asian countries since ancient time.

Prior to the 16th century AD, Eastern, Central and South Asian regions were far ahead of Europe in almost all aspects of life. The flow of manufactured goods and ecological know-how was mostly from east to west. China and India (entire South Asia including Myanmar except Nepal and present day Afghanistan) together accounted for 50 percent of world population and income. Before the age of European colonization, China accounted for about 33 percent of the world’s manufactured goods and India for about 25 percent.

The Silk Road served as a major trade route between China and Europe as well as China and South Asia. The vast swath of central and East Asia was connected with South and East Asia trespassing through frigid mountains as vibrant trade routes “until the collapse of Mongol Empire in 14th century AD” in China.

The invention of steam engine helped reduce shipping cost substantially thus doing business using horse/camel’s back as a means transport through Silk Road became unattractive. Industrial revolution as a result of steam engine also reduced the cost of production and made mass production possible.
that shifted the production centers or economic power houses from Asia to Europe.

Now it seems that time has come for drifting the course of history towards the direction it was until sixteenth century A.D. China is becoming power house of world merchandise production followed by India. These two Asian giants together with smaller neighboring economies are poised to lead the ‘Asian century’.

Reviving Silk Roads: A Boon

- Extended along 6,537 kilometers, the Silk Road derives its name from the lucrative trade in Chinese silk carried out along its length, beginning during the Han dynasty (206 BC – 220 A.D.). The Central Asian sections of the trade routes were expanded around 114 BC by the Han dynasty, largely through the missions and explorations of Chinese imperial envoy, Zhang Qian.

- The Silk Road remained as a vital link between China, Central Asia, Europe, South East Asia and South Asia. Silk route prompted the cultural interaction through regions of the Asian continent connecting the West and East by linking traders, merchants, pilgrims, monks, soldiers, nomads and urban dwellers. Until 15th century A.D., Silk Road remained the economic truncate.

- Recognizing its importance UNESCO has designated the Chang’an –Tianshan corridor of the Silk Road as a World Heritage Site, in June 2014. Southern Silk Road connects China’s vast hinter land to South Asia particularly Myanmar, Bangladesh, India, Nepal, Pakistan and Afghanistan.

*Map: Silk Routes of Importance to Nepal*
This Southern Silk route provides greater land connectivity between China and SAARC which would reduce the time required and distance to be covered for the movement of people, goods and service within the region.

Reduction in transport costs and time would bring in enormous economic benefit in terms of making both Chinese hinterland and most populous region of SAARC economies competitive. The table below serves to further illustrate this point:

<table>
<thead>
<tr>
<th>To From</th>
<th>Via Sea and Land Route (through Hong Kong)</th>
<th>Via Land Route (through Nepal)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kunming       Chongqing       Chengdu</td>
<td>Kunming       Chongqing       Chengdu</td>
</tr>
<tr>
<td>New Delhi</td>
<td>10,345        10,699       10,437</td>
<td>2,887         3,151         2,911</td>
</tr>
<tr>
<td>Chennai</td>
<td>6,841         6,745        7,004</td>
<td>3,540         3,804         3,564</td>
</tr>
</tbody>
</table>

Source: www.searates.com and www.freemaptools.com

1. Sea distances are actual, land distances are based on straight line method.
2. This is to be eventually extended to South Asia and Africa even.

Reviving Southern Silk roads that also would be instrumental for saving huge amount of merchandise transportation cost, both ways between the regions making both economies more competitive.

The efficiency in economy would bring in prosperity and would contribute to stability and regional security. China’s new leadership has proposed the silk Road Economic Belt, Maritime Silk Road Plan and other economic corridors with the proposition of Silk Southern Road Economic Belt that will connect East Asia, Central Asia and South Asia with European Union.

The connectivity would improve the efficiency of utilizing Central Asia’s natural resources in South Asian continent.

During last one decade a number of policy initiatives and resultant infrastructural projects were evolved for the purpose of increasing land connectivity.

Western Development Strategy or “Go West Policy” was launched by China in 2000 to address the income polarization between the coastal regions and the inner provinces of China. The “New Silk Roads” policy was in consideration since the 1990s, to extend beyond the national borders and seek to enhance China’s connectivity with neighbouring countries and beyond.

The three key components of these policies include:

(i) “New Silk Road” Economic Belt policy, 2013 which focuses on joint development of infrastructure with neighbouring countries;
(ii) “Maritime Silk Road” policy with the littorals of Southeast Asia; and
(iii) Establishing “bridgeheads” for sub-regional connectivity such as Xinjiang Province with Central Asia (in 2006) and Yunnan Province (in 2009) with GMS and BCIM, that is South East Asia and South Asia respectively.
A Connectivity-Driven Development Strategy for Nepal: From a Landlocked to a Land-Linked State

Why?
- Nepal is a landlocked and mountainous country
- Nepal faces high trading costs
- National, sub-regional, and regional contexts need to be considered.
- Strategic location of Nepal in South Asia, and the historical role Nepal played in the past as an entrepôt for India-China can be instrumental for regional prosperity and stability.
- Improved connectivity reduces costs and promote trade, investment and economic growth.

Nepal’s Status
Trade and Industrial Policies
- Initiatives have been taken to establish integrated checkpoints at five major customs facilities in the border areas with India
- Priority has been given to establish dry ports at all major customs points.
- Efforts have also been initiated to establish Special Economic Zones in major business hubs.
- SEZ Bill has been finalized
  - Customs Reform and Modernization initiatives are taken
  - Transport Sector Policies are in line with regional integration
  - Energy Sector Policies have been working
  - Infrastructure Financing Policies: Infrastructure Bank established under the leadership of China

Thank You.
10

Mr. Chairman,
Mr. Chief Secretary of the Government of Nepal,
Secretaries of the Government of Nepal,
Ladies and Gentlemen,

First of all, I would like to thank Institute of Foreign Affairs for organizing this Talk Programme and inviting me to speak a few words.

I commend the robust engagement of the institute in bringing relevant experts and stakeholders together to get them involved in the discourse on the issues pertaining to Nepal’s foreign policy and development. Such intellectual exercises, I believe, will help us not only keep ourselves abreast of the contemporary thematic issues but also forge pragmatic approaches to guide our actions on the ground.

There could be no other opportune time than now to discuss Nepal-China connectivity with reference to Silk Route. This is because of a number of reasons. We are observing the 60th year of the establishment of diplomatic relations between our two countries. Our political, economic, social and cultural relationships are consistently on the rise. There have been significant developments with regard to our bilateral cooperation in the recent years. And, more importantly, connectivity is being increasingly viewed as a powerful and positive force in enhancing our bilateral relations.

Mr. Chairman,

The term ‘Silk Road’, which is now widely replaced by a broader phrase ‘Silk Route’, has a historical significance. It not only brings with it a sense of adventurous trail of camel caravans in the mountains and trackless wilderness but also carries with it a historical process in which Asia, and in particular China, interacted with Europe and other continents. In addition to silk trade, the Road, through its overland and maritime routes, facilitated the transfer of Renaissance inventions like paper, compass and gunpowder as well as cultural
exchanges between civilizations. Hence, ‘Silk Route’ is more than a fabled past and a metonymic manifestation of connectivity as we understand it now.

China’s call for the cultural revival of Silk Road under the initiative called ‘Silk Road Economic Belt’ and its corresponding offshoot ‘Maritime Silk Road’ should not be looked merely as the reinvention and extension of the past tradition. It emanates from China’s foreign policy initiative to establish links among diverse economies, cultures and civilizations thereby helping each other benefit from mutual cooperation. It is both rooted in the past and oriented towards the future needs. Such imperatives are well reflected in the five specific goals- strengthening economic collaboration, improving road connectivity, promoting trade and investment, facilitating currency conversion, and bolstering people-to-people exchanges- that are set under the Initiative.

We all know China’s call did not appear out of a vacuum. Behind this lies the continued emergence of China as the engine of the global economy. With its consistent economic growth, china has progressed remarkable well over the past few decades. This has been made possible through coherent policies, steadfast focus on economic development, and adaptive approaches to change that can be economic guideposts for any development efforts into reality.

The issue of connectivity is all the more relevant for Nepal. For our development vision to build a prosperous, just and inclusive Nepal and our plan to graduate from the LDC status by 2022 to materialize, we need to focus on economic development more than anything else. It is high time that, as we gear up to finalize the remaining ingredients of the new constitution, we guide our orientation on economic issues. Our enhanced integration to the world economy is an important aspect in this regard. And, this cannot be achieved in the absence of better connectivity with our immediate neighbors and through them with the world.

In view of this and also with respect to our longstanding cordial relations with China, the Government of Nepal has extended its support to China’s Silk Road Economic Belt’ Initiative. We signed a four-point document endorsing the Initiative in December 2014 in Beijing. The issue of infrastructure development under this Initiative also surfaced during my visit to China last week. Not only this, connectivity is one of the nine areas of cooperation that China has proposed and we have responded positively.

Silk Route revival is obviously not a Nepal-China affair alone. It is heartening to learn that most of the SAARC countries have also planned to join either
Silk Route: Enhancing Nepal-China Connectivity

the Maritime Silk Toad or its overland equivalent the Silk Road Economic Belt. This is really a good beginning for enhancing regional and global connectivity.

Mr. Chairman,

With regard to Nepal-china connectivity, there are multiple prospects underlying the Silk Route revival. There can be no denying the fact that bilateral economic cooperation is possible only through better connectivity. We believe an enhanced transportation network will help exploit our potentials on trade, investment and tourism, which have a transformative power to bring positive changes to our economies. For this to happen, no grand narrative of connectivity is required. Our cooperation on Silk Route can help us generate the momentum. The need is to stick to our basic and start from there.

Nepal is in a geographically disadvantageous position because of its remoteness and lack of territorial access to sea. Our capacity to exploit trade-induced growth is further constrained, inter alia, by limited transit transport infrastructure. This has reduced our ‘ease of doing business’. The fact that our bilateral trade with China is just about ten percent is a testament to this. The Silk Route revival, we believe, will be an opportunity to improve this scenario.

While our connectivity with China depends on some ‘lifelines’, there is a need of more infrastructure links to help us benefit from the latter’s vibrant economic growth. It will also stimulate the globalization of the Nepalese economy through Nangla, Kerung and Olangchunggola and explore other possible routes. Furthermore, a rail connection with China will help Nepalese economy be better integrated into global market.

At present, Sino-Indian trade depends mainly on sea and air transport. Nepal can develop itself as an excellent transit for the overland trade of these two rapidly emerging economies. This requires the development of multiple transit points connecting India and China. This will not only enhance trilateral cooperation among three countries but also help Nepal benefit from it tremendously.

Despite the efforts of the Government of Nepal to further improve investment climate in the country, we have not been able to attract fair share of foreign direct investment. It has also to do with problems related to connectivity. Revival of the Silk Route network can attract Chinese and other foreign investors to Nepal. It can also facilitate the economic interplay in terms of agricultural revolution, industrial development and technology transfer.

On top of this all, enhanced connectivity will further promote people to
people contacts. Through connectivity at people’s level, our historical ties will be strengthened and our bilateral relation enriched. The revival of the Silk Route, which can be taken as an embodiment of cross-cultural interaction, can be an opportunity to expand new avenues for promoting our tourism sector. Nepal will be able to attract more tourists from India, China and other countries.

Before I conclude, let me draw an analogy with reference to an ancient Chinese proverb. The proverb states; ‘When the winds of change blow, some people build walls, others build windmills.’ With the idea of Silk Route revival, the wind has already started blowing. It is up to us whether we want to ‘build walls’ and hide behind them or use the opportunity by creating ‘windmills’ according to the wind’s direction.

Finally, it is only the socio-economic transformation that can bring political stability in the country. There is an inter-link between economic well-being and sustainable peace. Let us hope the Silk Route initiative will give Nepal a much needed boost to leapfrog towards economic prosperity. We believe this will further enhance Nepal-China relations and enrich connectivity for the good of common people. For all this to happen in reality, we need to act in a more coherent and consistent manner. The Showtime is nearly upon us.

I thank you all for your attention.
A very good afternoon to everybody!

I feel elated to welcome you all in this grand Gallery Baithak which holds great historical importance.

I am thankful to Hon. Minister of Foreign Affairs, Mr. Mahendra Bahadur Pandey for accepting to be our Chief Guest besides his busy schedule and for his comprehensive key note speech which I believe has set the tone for the discussion part of the talk programme.

Similarly, Chief Secretary, Government of Nepal, Mr. Leela Mani Paudyal deserves special appreciation for his acceptance to be our special guest and for his excellent opening remarks.

Thanks to Acting Secretary, MoFA, Mr. Shanker Das Bairagi, to have accepted to be the Chairperson of substantive session that will follow. Thanks to Former Foreign Secretary and Permanent Representative to the UN Mr. Madhu Raman Acharya as Paper presenter.

Mr. Madhukar SJB Rana, Former Minister, Dr. Swarnim Wagle, Hon. member NPC and Mr. Jhabindra Aryal, JS MoFA are appreciated to have accepted to be the panelists in today’s substantive session.

Eminent personalities in the field of foreign relations, economy, business, diplomacy, academy etc. friends from media, colleagues from Ministry of Foreign Affairs, other Ministries, all other invited guests and my co-workers from the Institute of Foreign Affair all are thankful for their participation in our talk programme.

Today’s Talk Programme is part of celebration of the 60th anniversary of the establishment of bilateral diplomatic relations between Nepal and China. We are very happy about it.

Foreign Ministers of Nepal and China the other day have agreed to prepare a joint project on infrastructure development as part of the Nepal-China Silk Road Economic Belt in principle by using part of the $40 billion fund set up by China.
Chinese President Xi Jinping is inviting neighboring countries to be a part of the Silk Road Economic Belt and the 20th Century Maritime Silk Route which includes development of rail network potentially from Tibet to Kathmandu to Patna, India. This is certain to open opportunities in trade, investment, tourism, transport and pipeline connectivity in the region.

This is not very new concept, however. Historically, Nepal provided a major free and unrestricted trading route between South Asia and China and even to central Asia via Lhasa. History shows that this trade link can be traced back to 5th or 6th century BC. It remained active throughout following centuries.

There are many routes that are of economic importance to Nepal such as linking Hetauda-Kolkata; Kathmandu-Dhaka; SAARC Multi-modal Transport system; and other roads in between. Many corridors link Nepal and China, such as Kali Gandaki Corridor that links Lumbini to Mansarovar through Mukitnath.

Nepal is poised to take tremendous benefits from the silk route and resulting connectivity which is associated with overall development of the country including massive infrastructure development. The opportunities include Silk Road USD 40 billion Fund; Asian Infrastructure and Investment Bank USD 50 billion; Enhanced connectivity resulting to increased Chinese aid and investment; Enhanced efficient and effective transit between India and China.

There is need to be aware about this opportunity provided by the proposed Silk Route for Nepal by organizing various sharing plate forms for policy influencing our government to take steps that is in tandem with the initiatives taken by the Chinese government. We must orient our development plans and link ourselves to this great potential for overall development of our country. There is need to evaluate the historic importance of the route and explore further prospects and recommend better ways to expand economic connectivity between China and Nepal.

In view of the alarming Nepal’s trade deficit with China the revival of the trade route can be highly instrumental in promoting Nepal’s exports not only with China but with India and beyond as well.

I believe the following substantive session will be a learning opportunity for all of us and specially our government. I invite you all for active and thoughtful participation in the substantive session.

Thank you very much!
China’s proposal for reviving the old Silk Road has created potentials for unleashing a new wave of opportunities in trade, investment, tourism, transport and pipeline connectivity in the region. As Nepal has been invited to join the Chinese initiative, there are new opportunities arising from this huge enterprise, for which Nepal should make concerted efforts to benefit from. In order to re-establish its traditional significance for entrepot trade and its potential of becoming a connecting link between China and South Asia, Nepal must engage proactively with China’s “Silk Road Economic Belt” and other connectivity overtures for promoting its export trade and tourism, attracting more foreign direct investment, and utilizing the various funding mechanisms available through these initiatives.

The significance of trade routes

Since the ancient times, China has made tremendous contribution to the world civilization. China has been home to many important inventions that have changed the world significantly. The Chinese invention of paper, gunpowder, and the compass hugely changed in the trajectory of global civilizations. China’s ceramic clay pottery is still famous in the world, as it is still called as china with small “c”. But it is China’s trade of silk that was among the major starting point of economic connectivity between China and the West. The Chinese silk was traded through an overland route to Europe, a route that has now been described as the Silk Road, which epitomizes the ancient Chinese “mercantilism” and economic outreach. It is this route which China has proposed to develop as “Silk Road Economic Belt” as a new diplomatic initiative since 2013.

Historically, trade routes were named according to the merchandise traded along the routes. The famous Spice Trade Routes started from eastern coast
of China, passed through the Southeast Asia, around India, the Arabian Sea and then to the Mediterranean and finally reaching Europe. The spice trade flourished during colonial periods. “He, who controls the spice, controls the universe”, it used to be said. Today, China has proposed to revive this route as the “21st Century Maritime Silk Road”. There used to be the Incense Trade Routes that consisted of a network of sea and overland routes linking the Mediterranean with the sources of incense in Arabia. The incense trade flourished between 7th century BCE and 2nd century CE. These routes were mostly controlled by the Arabs, who collected frankincense (an aromatic resin) and myrrh (resinous dried sap used for making perfumes) and brought them across the Arabia in camel caravans. In our own part, the Salt Trade Routes along the trans-Himalayan passes served as famous conduits for trade between Nepal and Tibet. Even today, people in the northern belt of Nepal survive on these routes as a source of income and for supply of essential items from the Chinese side of the border.

The Silk Road: a network of routes

There is a scholarly debate as to what constitutes the Silk Road. In fact, the term “Silk Road” is often misleading in the sense that it did not exist as a unified blueprint. Rather, it existed as a network of spontaneous and complex routes that kept changing during different periods of history. German geographer Ferdinand von Richthofen coined the term “Silk Road” first in 1877 to route of silk trade between China and Europe. Today, there are different versions of it, often drawn as references of travelers and cartographers. Today, the term “Silk Road” is often applied to include the various routes collectively consisting of over 10,000 km of road networks passing through ancient cities desert oases and religious sites between China and Turkey.

The ancient Silk Road began from the historic city of Xian, now capital of Saanxi Province, and ended in Constantinople (modern-day Istanbul) in Turkey. It crossed the Pamir Plateau and the Gobi Desert in the Central Asia. Though the Silk Road consisted of a huge network of crisscrossing routes, it included two major routes. The Northern Routes began at Xian and travelled northwest through China’s Gansu and Shaanxi Provinces. At Dunhuang in Gansu Province of Western China, the Northern route split in two sub-routes and re-joined at Kashgar, in northwest China. One of the sub-routes passed through the famous cities of Samarkand and Bukhara, now in Uzbekistan.

The Southern Routes also had various branches. One branch of the Southern Route ran between Lanzhou, now the capital of Gansu Province in northwest China and Calcutta in India. Another Southern route travelled southwest from
Kashgar to Xinjiang in China and then to Pakistan via the famous Karakoram Mountains in the Hind-Kush Himalayas. Today, the famous Karakoram Highway between China’s Xinjiang region and Pakistan runs through this route. One branch of the Southern route continued to Afghanistan, Turkmenistan, Khorasan region of Iran, Mesopotamia (now in Iraq) and into Anatolia in Turkey. Another branch of the Southern route from Taxila in Pakistan to Mathura in India. Tibet was not included in the ancient routes, though China has proposed to revive the traditional route between Lhasa and Patna via Nepal. More than half of the Silk Routes are located in modern China.

The fascination of the Silk Road

The Silk Road evokes fascination with history, romanticism, ancient trade, adventure, travel and cultural connectivity. The road existed when there were no defined boundaries between states, and when people moved freely from one place to the other for their nomadic lifestyles, for trade and adventure. People traversed these roads on foot trails, horse carriages and camel caravans. The Silk Routes served as arteries and life lines for many people of Eurasia, the largest landmass in the planet earth consisting of 36.2% of the earth’s land area. It was traversed by traders, pilgrims and travelers. Chinese Traveller Fa-Han (also known as Faxian) used the Silk Road to come Gandhara and northern India between 399 and 413 CE. In the seventh century (629-645 CE), another Chinese Traveller Huen Tsang (also pronounced as Xuanzang) traversed the route following the footsteps of Faxian and came to Nepal and India in search of Buddhist scriptures. Venetian merchant Marco Polo travelled (1253-55) the Silk route to reach the palace of Emperor Kublai Khan in China. He helped romanticize the route and China to the Western world. The Silk routes have allowed a great flow of trade, ideas, cultures, civilizations and conventional knowledge. During different period of history, the countries in the Silk Route are great melting pot of various civilizations, Chinese, Mongolian, Roman, Byzantine, and Islam. Conquerors like Alexander the Great and Chengiz Khan made use of the route in their conquest for building huge Macedonian and Mongol empires respectively.

The traditional Silk Route had also helped spread Buddhism from Nepal to China and Central Asia, and the Southeast Asia. Even today, there are many Buddhist shrines and stone caves in China and the Central Asian countries, which came under the Islamic influence since the 8th century. The famous Mogao Caves, also known as the Caves of the Thousand Buddha, is located 25 km southeast of Dunhuang oasis in Gansu Province, northwestern China. It used to be a major Buddhist pilgrimage centre in the fourth century BCE.
Today, parts of the ancient Silk Road has been included in the UNESCO’s World Heritage List, as it connects series of cultural and archeological sites of historical importance. In 2014, the UNESCO included the 5,000 km stretch of the Silk Road from central China to the Zhetsyu region of Central Asia in Almaty Province, southeastern part of Kazakhstan. Also known as Chang’an-Tianshan Corridor, this route consists of 33 designated heritage sites (22 in China, 3 in Kyrgyzstan and 8 in Kazakhstan) including sections of the Great Wall, Buddhist cave temples, mountain passes and religious sites.

The Silk Road flourished between the 2nd century BCE and the 15th century CE. Its significance diminished after the discovery of the sea navigation which reduced the cost of bulk trade significantly. By the end of the 15th century, the significance of the Silk Road had diminished significantly, evident by the fact that the famous Portuguese traveler Vasco da Gama travelled to India via the sea route (1477-99). By then, the British and the French had already taken control of trade because of their superiority over sea navigation. The fall of Mongol empire was also responsible for the loss of significance of the old Silk Road. In the later periods, connections were also broken due to rivalry between China and the Soviet Russia.

**Various Initiatives**

The importance of the Silk Road is rising again. There is renewed interest in reviving the old connections, for there are advantages the routes offer in trade, transit, oil and gas pipelines, and tourism. There are country-specific and regional cooperation initiatives to revive the Silk Road. There are various initiatives including that of China, Turkey, the United States of America, and some central Asian republics, mainly Kazakhstan, Uzbekistan and Turkmenistan.

Since 2011, the United States of America has launched its New Silk Road Strategy with a view to integrate Afghanistan’s economy to that of South and Central Asia for better trade, transit and connectivity of the landlocked country. Already, villages in Afghanistan are receiving electricity from Uzbekistan and Turkmenistan. There is also the $ 10 billion for Turkmenistan-Afghanistan-Pakistan-India pipeline (1,735 km) project for construction that is to begin by 2017. Since 2008, Turkey has also initiated a Silk Road Project, which seeks to reconstruct the historical links in the Eurasian landmass via railway network, road transport, border connectivity, customs harmonization, energy grids and gas pipelines. Though India and Pakistan are among the countries included in this initiative, Nepal has not been invited in the Turkish concept.

The European Union has initiated what has been called as the Transport
Silk Route: Enhancing Nepal-China Connectivity

Corridor Europe-Caucasus-Asia (TRACACECA) to strengthen the transport links between Europe and 14 countries in Eastern Europe and Central Asia. This initiative involves Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Turkey, Ukraine and Uzbekistan. It focuses on rebuilding rail, road, air and marine transport routes. The European Union and China are among the largest traders in the world. China is eying to expand its trade with European countries. Even today, China is EU’s second largest trading partner after the United States. China’s exports to the EU countries has crossed over $1 billion a day, which mostly consists of Europe’s imports of the Chinese goods. EU and China are expecting to bring the volume of trade to $1 trillion by the end of this decade. The volume of trade between China and Europe is likely to increase further once the connectivity through the Silk Road is strengthened. EU and China are also negotiating an investment promotion agreement to liberalize investment in each other’s markets. In 2012, China completed the Yuxinou Railway (11,179 km) from Chongquing in Xinjiang Province to Duisburg in Germany. It passes through Kazakhstan, Russia, Belarus and Poland. It reduces travel of cargo between Germany and China by two weeks, in comparison to that done by the sea routes.

There is also a regional cooperation endeavor called the Central Asian Regional Economic Cooperation (CAREC) among Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, China, Tajikistan, Turkmenistan and Uzbekistan. Many multilateral financial institutions, including the Asian Development Bank, the World Bank and the Islamic Development Bank are investing in the promotion of development, economic growth, poverty reduction, trade, transport and energy along the Silk Road. Besides, there are Silk road initiatives taken by individual central Asian countries like Kazakhstan, Turkmenistan, Tajikistan, Kyrgyzstan and Uzbekistan.

The “Silk Road Economic Belt”

China has huge stake in the Silk Road countries. It has big investment in these countries. The volume of China’s trade with these countries is increasing. China provides significant amounts of concessional loans to the Central Asian countries to help them build the transport, connectivity, oil and gas projects and energy infrastructure. China also has energy deals with many of the Central Asian countries including construction of oil and gas pipelines. Significant among is the pipeline (1,770 km) connecting Turkmenistan to China via Uzbekistan and Kazakhstan, already operational since 2009. China is also building a Kazakhstan-China oil pipeline. It envisages to improve upon the rail and road connectivity. China and Turkey have already agreed to connect
their countries by a 7,000 km rail link by 2023. In Southeast Asia, China has also completed in 2013 a 800-km gas pipeline between port city of Kyaupyu in Myanmar and Kunming in Yunnan Province, southwest China.

In September 2013, China’s President Xi Jinping unveiled the concept of a “Silk Road Economic Belt”, as a foreign policy initiative to link between Europe and Asia through the Eurasian landmass. It consists of six core areas including: strengthening economic collaboration, improving road connectivity, promoting trade and investment, facilitating currency conversion, and bolstering people-to-people exchanges. It must be noted that there is no Chinese blueprint or map for the new Silk Road Economic Belt they have proposed. The Chinese initiative is about reviving the old connections through investments in infrastructure and creating better environment for enhanced trade in the Silk Road countries. China has proposed “One Belt, One Road”, meaning one major route for each of sub-regions the routes cover. South Asia is considered as one Belt.

The Chinese President also proposed to revive the old maritime Silk Route, which passes through the sea, as the “21st Century Maritime Silk Route”. In fact, the maritime Silk Route was not part of the Old Silk Road, but a part of what has been described as the “Spice Routes” that stretched from coasts of China through the islands of Indonesia, around India and to the Middle East and through the Mediterranean Sea to the Western Europe and Africa. Covering a distance of over 15,000 km, the proposed Maritime Silk sea route began at the mouth of Red River in Hanoi (today it also connects to the port of Guangzhou in China, east of Hanoi), then to Malacca Straits in Southeast Asia, the Indian Ocean around Sri Lanka and India, then to the Persian Gulf, the Arabian Sea and the Red Sea eventually connecting to the Roman ports through the Mediterranean Sea. As there was no Suez Canal at the time, the goods including silk materials were transported overland from the Red Sea from the Nile to the Egyptian port of Alexandria and then shipped to Rome, Constantinople and other Mediterranean ports via the sea again.

China is yet to unveil a roadmap for implementation of the Silk Road initiative, which it is expected to do in the Boao Asia Forum this week. It is supposed to include major infrastructure projects (road, railways, energy, IT, industrial parks etc.). China has announced that it will contribute $40 billion to the Silk Road Fund. The initiative is already supported by over 50 states and many regional cooperation organizations, multilateral institutions such as the EU, ASEAN, SCO, and UNESCAP.
A Win-Win Proposal

China has a huge strategic stake in the Silk Road countries. As a new diplomatic initiative, China calls it a “win-win proposal”. The Silk Road Economic Belt includes countries' huge reserves of natural resources including oil, gas and minerals. It is supposed to provide China with energy security in the future, creating an access to Europe bypassing Russia and counter-balancing the Russian influence in the Central Asian countries and the former Soviet republics. These initiatives are supposed to complement each other for a new “renaissance” of the old Silk Route. It is supposed to bring a new shift and dynamism in connectivity in the region. There are multiple benefits from reviving the old Silk routes. It helps jumpstarting regional cooperation, reviving old connectivity and diversifying trade and regional economic integration in the Eurasia region. The Silk Routes have the potential for improving the global connectivity and change the dynamics of trade and connectivity. It will juxtapose China’s increased role in regional cooperation, trade, investment and in the construction of infrastructure. China has been already engaged in major infrastructure projects such as ports, airports and highways, including in South Asia. It has huge investments in these countries. China’s geopolitical interests includes taking the countries in the Silk Road into confidence in its trajectory to become global superpower, and against the apprehension of the Western countries' intention of “encircling China”. China seeks to ensure its strategic space in the region with an increased diplomatic, economic and political engagement through the Silk Road initiative.

The Chinese Silk Road initiative is not without problems. It is an ambitious and poorly-defined concept, without a blueprint or comprehensive features explained to all stakeholders. A coherent roadmap to implementation is yet to emerge. It requires huge investment and cooperative engagement of all the countries in the region. The story of regional cooperation that China has initiated so far such as the Shanghai Cooperation Organization has not produced excellent results, as there are security apprehensions of participating countries. The Silk Road initiative can be a long drawn-out project and it can lose momentum, especially if there is no sustained investment of diplomatic, political and economic resources. It includes China’s sensitive areas such as the Uyghurs in Xinjiang and the Tibet. Most importantly, there are suspicions in the participating countries over China’s “geopolitical intentions” from this initiative.

So far, India has not shown big enthusiasm to join the Silk Road initiative, because it suspects China’s intentions to “encircle India”. The proposal for revival of the Maritime Silk Route evokes a sentiment that China is seeking to
establish its strategic control over the seas in the region, as this route seeks to connect Southeast Asia with the Western Europe through the Indian Ocean. There is already apprehension among the Southeast Asian nations over China’s assertive claims over the parts of South China Sea, over which Japan, Vietnam and the Philippines have also claimed stakes. There are historical claims of the Chinese assertion in the seas in the region, as is described in the 12th century expeditions of the Chinese Admiral Zheng He (1271-1435 CE) with a naval fleet in the Indian Ocean.

India’s Prime Minister Narendra Modi is said to be contemplating his own version of reviving the old connectivity building upon the historical routes that have existed in India and its neighbourhood. The famous Grand Trunk Road (about 2,400 km) connecting Chittagong in Dhaka to Kabul in Afghanistan through northern India and Pakistan and crossing over to Afghanistan through the famous Khyber Pass existed over two and half millennia. It was greatly rebuilt by Mogul Emperor Sher Shah Suri (1486-1545) in the 16th century and upgraded during the British rule in the Indian subcontinent. It had its great strategic, economic and cultural significance as it served as a artery of supplies, transport, communication and warfare route during most of the history. Parts of the Grand Trunk Road was included in the Silk Routes. Today, this route remains truncated, but still remains one of South Asia’s oldest and longest routes. There is a possibility of reviving this as new connectivity blueprint in South Asia. Modi’s recent trip (March 2015) to the three Indian Ocean countries (Sri Lanka, Mauritius and Seychelles) is also seen as an effort to regain India’s lost control in the region, especially in response to the Chinese proposal to revive the maritime Silk Road. Academically, there is increasing support for India’s joining of the Chinese initiative for the revival of the overland as well as sea Silk routes.

**Nepal and the Silk Road**

Though the ancient Silk Routes did not include Tibet and Nepal, the availability of connectivity to the Silk Road through the Chinese initiative will provide Nepal with unique economic opportunities. For Nepal, the Silk Road initiative can provide new avenues to establish connecting links with the otherwise neglected contacts with the Central Asian republics, through diversification of trade and increased foreign direct investment and tourist arrivals. Nepal can revive its historical significance as a transit country between India and China. It will increase Nepal’s market access to the Silk road countries providing alternate ways to connect to the markets outside world which is otherwise restricted to transit through the sea passing thorough India. The
Silk Routes also provide unique opportunity for development of tourism and for connecting Nepal to the several ancient Buddhist sites along the route. Participation in the Silk Road Initiative is also likely to contribute to reducing Nepal’s trade deficit to the countries in the region. At present, the volume of bilateral trade with these countries, except with China, India and Turkey, is negligible (see Table I).

### Table I: Volume of Nepal’s trade with the Silk Road Countries (TEPC, 2013)

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Country</th>
<th>Export (000 US$)</th>
<th>Import (000 US$)</th>
<th>Trade Balance (000 US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Afghanistan</td>
<td>11,886.4</td>
<td>98.5</td>
<td>11,787.9</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>21,465.9</td>
<td>732,499.8</td>
<td>-711,033.9</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>591,165.2</td>
<td>4,518,176.1</td>
<td>-3,927,010.9</td>
</tr>
<tr>
<td>4</td>
<td>Iran</td>
<td>53.8</td>
<td>203.7</td>
<td>-149.9</td>
</tr>
<tr>
<td>5</td>
<td>Iraq</td>
<td>0.4</td>
<td>34.9</td>
<td>-34.5</td>
</tr>
<tr>
<td>6</td>
<td>Kazakhstan</td>
<td>36.3</td>
<td>10.5</td>
<td>25.6</td>
</tr>
<tr>
<td>7</td>
<td>Kyrgyzstan</td>
<td>1.3</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>8</td>
<td>Pakistan</td>
<td>1,354.2</td>
<td>4,383.8</td>
<td>-3,029.4</td>
</tr>
<tr>
<td>9</td>
<td>Tajikistan</td>
<td>21.3</td>
<td>0</td>
<td>21.3</td>
</tr>
<tr>
<td>10</td>
<td>Turkey</td>
<td>11,778.6</td>
<td>5,102.1</td>
<td>6,676.5</td>
</tr>
<tr>
<td>11</td>
<td>Turkmenistan</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>12</td>
<td>Uzbekistan</td>
<td>0</td>
<td>8,832.8</td>
<td>-8,832.8</td>
</tr>
</tbody>
</table>

The historical significance entrepot trade between India and China places Nepal in unique position to benefit from the Silk Road initiative. Historically, Nepal allowed the trans-Himalayan passes for trade of wool, salt and other products. Nepal took lot of efforts to retain control over these strategic passes, and even fought wars with Tibet on matters including that. Even today, the major passes along the Himalayan have a great potential of further enhancing connectivity and trade between Nepal and China as well with the Silk Road countries. The recent opening of the Kerung route for overland trade to China, following the Bhote Koshi floods that choked the Kodari route, has also enhanced the opportunities for bilateral trade and transport connectivity. Nepal has proposed to revive other old trading routes with China through these passes. Many other passes have been used historically, although in small scales.

Nepal has taken the Chinese Silk Road initiative positively and sought to join it. Nepal has already signed a four-point deal with China in this regard.
It allows the Silk Road initiative to be extended to South Asia. One of the proposals under this initiative is to link historical cities of Patna and Lhasa through Nepal. It is likely that other countries in South Asia will also join the Chinese Silk Road Initiative.

Under the Chinese “One Belt, One Road Initiative” (BRI), there are three possible links to South Asia: 1) the revival of China-Myanmar-Bangladesh-India corridor, ii) the extension of the Beijing Lhasa Expressway and Qinghai-Tibet Railway to Nepal (Lumbini and Kathmandu) and to Patna in India, iii) the improvement of links between Xinxiang and Pakistan and Afghanistan through the improvement of the famous Karakoram Highway.

Two of the significant trading routes in South Asia connect to Nepal. They are the Kathmandu-Hetauda-Raxaul-Birgunj-Kolkata route and the Kathmandu-Kakarbhitta-Panitanki-Phulbari-Banglabadh-Dhaka routes. A recent Asian Foundation-supported study has shown that an enhanced trade facilitation along these routes can significantly reduce the transaction costs and bring enormous economic benefits to the countries involved. Linking these routes to the greater connectivity of the Silk Routes can greatly enhance trade benefits to Nepal. The SAARC Regional Multi modal Transport Study (SRMTS) completed in 2006 has identified 10 road and 5 rail corridors that can be better strengthened for better connectivity. For that matter, SAARC should also seek to engage China on the Silk Road initiative as a dialogue partner or in a format like they do in ASEAN+1.

There are also opportunities for connectivity through Trans-Asian Railway and Trans-Asian Highway concepts. Nepal can be included in the missing link between the extensive railway networks in India and the developing Chinese railway network in the Western regions, including Tibet. The UNESCAP blueprint on Asian Highway shows that the proposed Asian Highway Route (AH42) links Kathmandu with Lanzhau in China through Lhasa in Tibet and Golmund in Qinghai Province. This route, AH42, will connect to the Asian Highway Route (AH2) that connects Teknaf in Bangladesh to New Delhi via Nepal’s Terai building better connectivity. Part of AH42, such as the Kathmandu-Lhasa section, has already been constructed, but may need improvement. China is already also constructing a Beijing-Lhasa Expressway, which has reached halfway through to Xining, the capital of Qinghai Province and the largest city the Tibetan plateau. Xining used to be a famous regional hub of the Northern Silk Route. It lies in the traditional overland route between the mainland China and Tibet.
The recent (2014) establishment of the $100 billion New Development Bank under the BRICS platform and the initiation of the $50 billion Asian Infrastructure Investment Bank (AIIB) is likely to give further impetus to the revival of the Silk Road connectivity. Some 28 countries, including Nepal, have already signed up to the AIIB. Many South Asian countries including Nepal are members in the latter. Even the United Kingdom has applied for membership in the AIIB, showing its significance as alternate financial architecture in the world, separate from the West-dominated Bretton Woods Institutions. China has played an important role in the establishment of these two banks. Nepal can benefit from these banks, especially in attracting investment in infrastructure projects and hydropower projects.

Since this year, China has substantially increased its economic aid to Nepal from earlier 150 million RMB to 800 million RMB. Part of this fund can also be utilized for building better connectivity infrastructure, including in the upgradation of the existing roads. Since last year, China has become the biggest source of Foreign Direct Investment in Nepal. A big investment proposal for a cement factory has been concluded recently. Nepal should be able to attract more foreign direct investment from China if the Silk Road initiative were to materialize.

China’s plan to extend railways to Nepal border is likely to change the dynamics of connectivity. The Qinghai-Tibet Railway (1,956 km) has already reached Shigatse (253 km away from Nepal’s border) and is supposed to reach Nepal’s border at Zhangmu (Khasa) by 2019. There is also the possibility of extending this railway line to Kathmandu and Lumbini in future.

Nepal has developed several north-south road corridors, which provide potential of increasing connectivity between India and China through Nepal. The Raxaul-Kerung Highway is already a possibility because it has been physically linked through the diversion at Galchhi. The construction of the proposed Kathmandu-Nijgadh Fast-Track road is supposed to reduce the distance between Raxaul and Kerung nearly by 150 km. The proposed Kali Gandaki Corridor has possibility of linking Lumbini to Muktinath and continuing onwards to Damodar Kund, Lo Manthang and eventually to Mansarover in Tibet. The Mechi Highway can be extended to Olangchung Gola Pass while the Koshi Highway can reach Tibet via the Arun Valley. Similarly, the Mahakali Rajmarg can be extended to the Tinkar Pass and Karanli Highway to cross to Tibet at Humla. There is already a road access to the remote areas of Humla from the Tibetan side. Nepal can make use of the additional Chinese assistance announced recently in developing such connectivity in
the northern bordering region. We also have proposal for construction of the East-West railway in the Terai. That is still a proposal, but a possibility. With connection to the Indian and Chinese railway networks it can significantly alter connectivity in the region.

Like Nepal, many Central Asian countries in the Silk Route are also landlocked. The revival of Silk Road can help change the transit transport situation between Nepal and these countries significantly. There are already proposals and projects for extending gas and oil pipelines along these countries. Once these pipelines connect to the Chinese western region, it will not be unrealistic to expect that Nepal will have potential benefits, including in the possibility of importing petroleum products through these routes taking benefits of the several oil and gas pipelines that are being built in the region.

Given all these developments and opportunities that are available, Nepal should make efforts to maximize benefits from the Chinese initiative, mainly indentifying the missing links in connectivity which can be funded through various available mechanisms, in attracting foreign direct investment and in promoting trade and tourism with the Central Asian countries. Nepal should strategize its proactive engagement in the Chinese overture with a view to maximizing potentials for connectivity, trade, transit, investment and tourism from the countries in the region.

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Mr. Chair Shankar Bairagi,
Respected Chief Secretary,
Distinguished Panelists,
Former Ambassadors,
Ladies and Gentlemen,

At the outset, I commend Madhuraman-ji for a rich and professional paper. He has done comprehensive research and the descriptive detail is highly informative. My suggestion going forward is to make the paper a little more analytical, just as he has begun by asking “what does it mean for Nepal and South Asia?” I wish to make just three sets of broad points.

First, a conceptual issue. There is no unanimous definition of the Silk Route. We have come to understand it, in fact, not as a single road but a network of diverse trading routes. We know of its historical significance in land-based international commerce, particularly prior to the 16th century and the naval ascendancy of European powers. The silk route also features prominently in its role in diffusing technology. In Jared Diamond’s classic, “Guns, Germs and Steel,” one reason given for the rise of Europe is the orientation of the globe’s axis, that eased transfer of technology from the east to the west and, vice versa, but not south to north. Hence, the compass, gun powder, the “zero” and several inventions of the orient moved to Europe swiftly but it took thousands of years for maize to be transplanted from Mexico to Mississippi, or across the north-south climatic belts in Africa.

Second, an analytical implication. The Silk route was dealt a fatal blow by sea-based trade which has today flourished irreversibly with containerization. Spices and silk moved across the land-based route because there was no alternative. Today’s trade and production patterns have undergone a paradigm shift. It is all about fragmentation of tasks and products, not integrated industries. Private barriers (like standards of sourcing companies) are more important than public barriers like tariffs. And services are not only
increasingly tradable, but they are also decisive in making manufacturing competitive. Against this backdrop, can the silk-based route be revived? Yes, but it has to be based on cold calculations of costs, not sentiments.

Finally, what lies ahead? At the end of the day, economic geography matters. Connectivity across centers of commerce depends on three factors: distance, density and division, according to the World Development Report 2009. There is no point being obsessed with the Silk Route if distances are so far that trade costs are prohibitive. If the density of the populations is thin, there can be no economies of scale. And if division in terms of policy barriers, or language and culture, or the rugged terrain make transactions difficult, commerce will not take off. The population of Tibet to our north is about 3 million, whereas to our south within a reasonable distance, there are 500 million people. The silk route will revive and flourish if it makes economic sense. We cannot sustain an idea or an enterprise purely on grounds of history, nostalgia and perpetual subsidy. This is where public policy has a role and the initiative of the Chinese Government is welcome. Large investments in infrastructure and policy reforms that reduce the distance, thicken the density and narrow the divisions across cities and countries can intensify economic relationships and revive old routes whether silken or sandy.

Thank You.
First and foremost I would like to thank the IFA Director, Dr Rishi Adhikari, for inviting me to serve as Commentator. I am highly honoured to do so and most grateful for the opportunity to take part in this historic occasion, namely the 60th year of Nepal China friendship.

Madhu Raman Acharya has done a commendable job and deserves our thanks for this learned paper. His Paper can be said to have three segments and I shall make remarks in that vein with two additional segments added for Recommendations and Conclusion.

Segment I: History

We learn from his Paper that the Silk Route goes back to ancient times. It flourished as far back as the days of the Roman Empire in Europe and the Middle East.

We also learn from his Paper that there is not just one Silk Route but, indeed, a network of roads existed to connect China to Europe in both ancient and medieval times. In both eras, China was the economic centre of the planet.

Interestingly, we further learn these routes were named after the merchandise that was mostly trade from China to Europe. Thus the Silk Road was for overland trade and the Spice Route for maritime trade. It was the Salt Trade Route that linked Nepal to Tibet.

Finally, from history we learn that the Silk Road’s importance declined first with the rise of the Arabs and terminally with the decline of the Mongol Empire in the 15th century which also coincided with the rise of steam power and building of steam ships that made maritime trade more profitable and convenient than overland trade. In the very long process, the Silk Route became not a source of trade but also a source of new religions and cultures as well as pandemic diseases like the plague that killed 30 million or one third of the total population of Europe. It was perhaps the first instance of globalisation.
Segment II: New Initiatives

From horse power to steam power and now to bullet trains there is a revival in interest in Silk Roads by countries other than China. It may be underlined that all the Silk Road initiatives, except that of true US, is, geo-economically towards consolidating regional and sub regional economic integration. Whereas geo-politically it would appear to be a move to keep the Russian at bay from future bloc formations.

1 The European Union launched the Transport Corridor Europe-Caucauses-Asia (TRACACEA) Programme 1993. Trade and transport ministers from five Central Asian Republics and three Caucasian republics met at a conference in Brussels to seek EU funding and technical assistance to develop a transport corridor on a west-east axis from Europe across the Black Sea and through the Caucasus to Central Asia. Clearly, it was an attempt to obtain gas as an alternative source to Russian supplies. Armenia, Azerbaijan, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan were signatories to a multi-lateral treaty ratified by all except Turkmenistan. It is expected to start construction in 2017.

2 ADB’s Central Asian Regional Economic Cooperation (CAREC) 1997 includes Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, China, Tajikistan, Turkmenistan and Uzbekistan. It has a 20 year strategic plan launched in 2015.

3 US’ New Silk Road Strategy 2011 seeks to integrate Afghanistan’s economy with Central Asia as well as Pakistan and India. The major highlight is the $ 10 billion, 1700 km gas pipeline project trading gas from Turkmenistan to Pakistan and India through Afghanistan.

4 Turkey’s Silk Road Project 2008 basically seeks to revive its sphere of influence in Central Asia by pursuing the Asian Highway and Asian Railway network as planned by the UN ESCAP since mid 1960s. Energy grids and gas pipelines are the novel features. Surprisingly, India and Pakistan are asked to join the project. Most probably Afghanistan too.

5 China has initiated Silk Road Economic Belt and 21st Century Maritime Silk Route 2013. Towards creation of the Silk Route Economic Belt China completed in 2012 the 11,179 km Yuxinou Railway from Chongquin in Sichuan Province to Duisburg, Germany passing through Kazakhstan, Russia, Belarus and Poland. Travel time is lowered by 14 days as compared to the sea route.
Madhu Raman Acharya quite rightly says “China is yet to unveil a road map for implementation of the Silk Route initiative” for which it has allocated $40 billion.

I would go further and state this: what is the broader vision that China has in mind following implementation of projects in six core areas—road connectivity; trade; investment; currency conversion; economic collaboration and people to people contacts?

Is it to lead to Pan Asia integration as with the NAFTA or EU model? Or Pan Asia sub regional integration found on regional blocs like ASEAN, SAARC, CAREC? Or Extended Chinese bilateral integration with its immediate neighbourhood?

It is not clear in concrete terms how it will be a win-win solution for the participants? We know that it will bolster China as the world’s second Super Power in the 21st century. We know it will provide China with energy security, food security, currency security. But what will it provide the participant countries that have balance of trade deficits with China and crying out for faster economic and employment growth? How will it provide Asia with water and environment security in the wake of global warming and climate change?

The author has perceptively said that the 21st century Silk Road concept is “poorly defined” and "remains vague”. It must offer more than projects by moving towards programmes that are regionally and sub regionally cagreed to collectively and executed within the framework of international law and supportive multi-lateral agreements.

What is for sure is that China, by creating the $50 billion Asian Infrastructure Investment Fund (AIIF) and $40 billion Silk Road Fund (SRF), is now challenging the international financial architecture comprising the US and EU led IMF, WB, ADB with alternative institutions.

Madhu Raman Acharya rightly says that the Chinese experiments with regional cooperation as with the Shanghai Cooperation Organization (SCO) is not impressive. This organisation has not alleviated Asia’s security threat from China and the Silk Route initiative may cause further fears despite China claiming a ‘peaceful rise’.

Each country, including Nepal, must get to appreciate the geo-political, geo-economic and geo-psychological implications in each’s national interest. This requires sustained in depth strategic, multi-disciplinary research studies in country by each country.

What I truly appreciate in Madhu Raman Acharya’s presentation is the effort to integrate the UN ESCAP’s long standing vision of an Asian Highway and Asian Railway connecting all countries in Asia starting at Tokyo and ending at
Istanbul. No doubt this grand vision of the 1960s was initiated by Japan and so it is appropriate to have Japan (and South Korea) as active participants in the building of trans-Asia infrastructure, which should also include Asian Waterways; about which UN ESCAP had also started to visualise on opportunities in the 1980s particularly concerning the Mekong, Gangese and Brahmaputra rivers.

**Segment III: The Silk Road and Nepal**

The author envisages many benefits from reviving the Silk Road into Nepal. They include trade promotion and diversification with the CAR countries as well as Afghanistan, Iran and Turkey. However, first we must seek additional connectivity with Tibet Autonomous Region (TAR) before we can talk of the Silk Route as such.

I say this because President Xi Jinping’s vision of a Silk Road Economic Belt and New Maritime Silk Route gives primary emphasis to linking China’s western region with Europe. It excludes any reference, whatsoever, to the ancient and medieval Southwestern Silk Route. Nepal’s diplomacy must seek to promote this notion as a broader Silk Road Economic Belt linking Nepal and South Asia to Europe.

Just having roads connectivity at Tatopani, Rasuwagadi, Nhechung, Olangchungola, Khimtangka, Lamabagar and Yari etc. does not suffice to make them a Silk Road.

Why? The Silk Road Economic Belt and the New Maritime Silk Route as has been conceptualised are for connectivity to Europe (Rotterdam) via Samarkand, Tehran, Istanbul. Moscow onward to Duisburg and then Rotterdam by land. As for by the maritime route it is via Haikou and Hanoi to Kuala Lumpur, Jakarta, Kolkatta, Colombo, Nairobi, Suez Canal to Athens and then onwards to Venice and to Rotterdam by land from Venice.

It can also revive Nepal as the bridgehead economy with the extension of the Silk Road to Bihar and UP. Equally, it will help make Nepal a transit state for north eastern South Asia’s (better know as the SAGQ sub region) trade and commerce into Central Asia.

**Segment IV: Recommendations**

Nepal must, first and foremost, sign an agreement to extend the 1956 km Qinghai-Lhasa and the Lhasa-Shigatse (253 km) railway to Nepal’s border at Khasa by 2019 and, thereafter, to Kathmandu and Bhairawa by 2022.

Nepal should also link its North South 5 riverine road corridors with roads in Tibet for balanced regional development and faster economic growth.
Points are Rasuwagadhi (Rasuwa District); Nhechung (Mustang District); Olangchungola (Tapplejng District); Khimthangka (Sankhuwasabha District); Lamabagar (Dolakha District) and Yari (Humla District).

Religious tourism will boom into Nepal with millions arriving each year with land connectivities to Lumbini, Muktinath and Kailash Mansarover.

Nepal must start planning China oriented export zones and industrial districts in each of the 5 major urban centres connected to roads to Tibet.

MOFA is advised to use SAIM to undertake long term applied research on the costs and benefits of the Silk Route and how we may set up the Hills and Mountain regions as the new growth centres created by the intersection of the North South Riverine Corridors with the Mid Hill East West High Way, their connectivity to Tibet and beyond to Yunnan and Sichuan.

Segment V: Conclusions:

China is attempting a renaissance of its global position as a Super Power and Civilization with the revival of the Silk Road and Maritime Silk Route. It is the only country that does not have a regional economic bloc. Neither do Japan and South Korea but they are allies in defence with USA.

China is being counter veiled by US on its New Silk Route plan and by India with wanting to open, since the advent of Modi, its land mass to multi-modal transit and transhipment transportation and communication to integrate South Asia with its own economy.

Inviting the Chinese Silk Route into Nepal will accelerate Nepal’s vision to serve as the bridge economy linking South Asia to Central Asia as well as linking the Himalayan economies of India and Nepal as an integrated South Asian Green Economy.

Not including the South Western Silk Road into the Silk Road Economic Belt grand strategic vision will further marginalise the land locked Himalayan economies from full participation in the emerging new global order as centres of innovation for a unique Asian Green Economy given that the Himalayas are Asia’s Water Tower facing acute security and development challenges from Climate Change and Global Warming.

Let us hope that Japan and South Korea will also join the AIIB and be actively engaged in SAARC and BIMSTEC to fund the massive financial need for the Asia’s infrastructure development and R & D, which is estimated to be in the region of $ 1.2 trillion between now and 2025 to involve 50 countries and near about 4.4 billion people.
Only by working in partnership with Japan and South Korea will there be geo-psychological confidence in China’s geo strategic policy of ‘peaceful rise’ and ‘shared prosperity’, as it will be based on multilateralism suited to the emerging new multi polar world rather than be subject to bilateral pushes and pulls from China going it alone.

In this manner too will the North East and South East Asians trust the new security and financial architecture sought by China under the banner ‘Asia for Asians’. Such a thrust will give new psychological momentum to all its neighbours.

Last, but by no means the least, SAIM is ready and willing to create the SAIM Development and Asian Cooperation Institute to undertake all manner of development research, publications, conferences, dialogues and dissemination on the benefits of integration in the field of inter-regional, regional, sub-regional and national regional integration studies and serve as a national Think Tank on the subject. SAIM has a MOU with Observer Research Foundation (ORF), India’s biggest think tank, to jointly study on integrating the SAGQ sub-region. It is being considered for funding by EU.

I request the Government of Nepal and the FNCCI, CNI and FNCSI and other interested federal and confederal private sector organisations to come forth to fund the Institute and support it by serving on its Council of Trustees; Board of Eminent Advisors and Panel of National and International Consultants. Pending this innovation, it is recommended that a project fund be provided specifically to research on the Silk Road Economic Belt and Nepal’s national interest with financial and technical assistance from ADB, WB, UNDP and UN ESCAP.

Thank You.
7. III. Panelist Comments
Mr. Jhabindra Aryal, Joint Secretary, MoFA

Mr. Chairman,
Distinguished Panelists,
Members of Constituent Assembly,
Former Ambassadors,
Colleagues of Foreign Ministry,
Friends of Media,
Ladies and Gentlemen,

It is my honor and privilege to attend this very important talk program today being hosted by the Institute of Foreign Affairs. I wish to commend the hard works done by the IFA in organizing this event at this historical hall of Gallery Baithak contributing to the diamond jubilee celebration of the establishment of diplomatic relations between Nepal and the People’s Republic of China.

I would like to take this opportunity to highly appreciate Ambassador Madhu Raman Acharya for his comprehensive paper and erudite presentation that has amply described the scope and possibilities for economic cooperation between Nepal and China through the new initiatives introduced by the Chinese leadership in 2013 to revive the Silk Road Economic Belt and 21st Century Maritime Silk Road in the region and beyond emphasizing economic collaboration, connectivity, trade, investment, currency conversion and people to people contacts.

Mr. Chairman,

It is also my pleasure to share some of my thoughts on the subject which has already been widely deliberated here by the eminent persons.

The Silk Route or Silk Road gives us an evocative imprint from the pages of history of human civilizations. It sometimes seems a mere nostalgia to the past history coupled with romanticism of adventure and human exploration in search of new avenues, development, peace and prosperity. I highly value this subject matter and regard this talk program very pertinent while taking into
Silk Route: Enhancing Nepal-China Connectivity

consideration of the significance of the Route especially in the geo-strategic location of Nepal.

Nepal shares its land borders of more than 1,400 km with China. It also shares borders with India of about 1,700 km. Situated between two fast emerging economies of the world, Nepal is well positioned to accrue maximum benefit if it can display necessary acumen and statesmanship while giving proper attention to the much required balancing act between these two neighbors. In order to develop Nepal into a transit economy, I believe the initiatives taken by China would play a vital role and help transform Nepal's economic stature and usher in a new era in the region.

Age-old relations, Nepal enjoys with China, have been friendly, cordial and cooperative. Establishment of diplomatic relations 60 years ago between Nepal and China and signing of the Peace and Friendship Treaty in 1960, have been marked as watershed moments in bilateral relations between the two countries.

China was, and is, famous for silk products. European traders travelled from far flung Europe to China, the Middle Kingdom, (Zhongguo) crisscrossing many Central Asian countries including Western regions of China, Xinjiang. The route thus became to be known as Silk Road or Silk Route connecting Asia and Europe not only for trade and commerce, it helped exchange cultural ethos too. In similar way, scholars and researchers have identified another Silk Route known as Southwestern Silk Road (SSR) that was believed began in Kunming of Yunnan Province of current China, passed through Myanmar, India, Nepal and Tibet and looped back to Yunnan (ref: Pradumna B. Rana, RSIS, NTU, 2014).

Revival of traditional Silk Route, known as Southwestern Silk Road would bring back Nepal’s past glory of being an entrêpot of South Asia-linking two major and vibrant economies of the World: China in the north and India in the South. It not only re-connects and helps spur socio-economic development of the region; it connects South Asia to North Asia via Tibet. It would be a historical revival of shared values, religion and understanding cultural and civilizational commonality of each other. Another important aspect of the route is that it would also link Southeast Asia via Myanmar covering huge areas from North Asia to South Asia to Southeast Asia opening up new avenues for cooperation and development.

The path of Silk Routes, carved out by our ancestors to promote trade, interact with each other and satiate the hunger to know beyond one’s borders as well as exploration of new frontiers are major factors that contributed to shape
these routes. In the 21st century world today, unprecedented development in communication and information technology has made communication easier and instant from one end of the world to other. These new innovations and technological advancements have greatly reduced the compulsion of people travelling from one place to another for interaction, trade and technology transfer. In this changed milieu, a new perspective and definition is required for the revival of now defunct traditional silk routes.

The major aspect of the Silk Route is connectivity which will remain forever. In the present day world, interdependence and interconnectedness would help remove barriers created by mistrust and misunderstanding, open up new areas of cooperation, amity and friendship. Valuing other’s cultural sensitivity would create amiable environment for overall economic development and cooperation.

Nepal greatly values its relationships with its neighbors. As a land-locked country, Nepal has been consistently pursuing for its connections to the outer world through various channels for trade and commerce. As such, China's initiative to connect Nepal via Silk route and connect itself to the larger market in South Asia would play a pivotal role in bringing about overall economic development of Nepal. Nepal has been well connected with China via two major highways today: Araniko (Kodari) highway and Rasuwa highway. Air connectivity with China is growing day by day. Nepal is air linked to the Chinese cities of Lhasa in Tibet, Chengdu in Sichuan Province, Guangzhou, Kunming in Yunnan Province and Hong Kong. Growing number of Chinese tourists in Nepal has further developed the contacts at the people’s level and contributed to the Nepalese economy. Possibility of linking of Nepali cities by Chinese railways may not be farfetched as China has already built railway lines up to Shigatse, one of the nearest towns of Tibet Autonomous Region to Nepal. The ongoing road and railway projects in China for linking South Asia in general and Nepal in particular would greatly help Nepal develop as a transit economy between its two friendly neighbours.

Thank you
8. Remarks
Chairperson, Mr. Shanker Das Bairagi
Acting Foreign Secretary, Ministry of Foreign Affairs

I will not try to sum up what they have said. This is first time I think we are having this kind of discussion in this format with distinguished participants that include economists, former ministers, former foreign secretaries and colleagues from different sectors.

It has definitely stimulated rich debate on this particular idea. It appears that this idea is gaining importance and China has already announced it and Nepal has signed a MoU. They have announced resource back up of 40 billion USD fund. So, now the most important thing for us is to develop projects and programmes that can generate economic benefits for our country.

We have to decide how to put our national interest in the proper respective so that we can benefit from unprecedented transformation that is taking place in our neighborhood. Interesting ideas have been expressed during our discussions here today, and I think, the next step should be to have a thorough analysis of challenges and opportunities of this emerging reality. I do acknowledge general contribution made by one of the speakers from the floor that it should include both hardware and software. China has provided duty free /quota free for more than 8500 products. Yet there are non-tariff barriers, quarantine issues, and other standard related issues. We need to seek Chinese support to address them to promote our exports. So, custom facilitation, quarantine facilities and other subjects are also very important part of the process.

Apart from what we have been focusing more on promoting connectivity, and for specific country like Nepal, a land-locked country, I think having more transit points and better connectivity with the emerging powers is a good idea. So, we should explore this possibility; try to maximize the benefits but keeping our national interest at the centre.

With these words, I would like to thank IFA for organizing the important seminar on this topic on the 60th Year of Nepal-China Diplomatic Relations. Let me also thank for the excellent paper presented by Ambassador and
former Foreign Secretary Madhu Raman Acharya, all the distinguished commentators, honorable Swarnim Wagle, Former Minister Mr. Rana, my colleague, Jhabindra Aryal, and the audience for their constructive ideas.

With these words I conclude the Session.

Thank you.
“Silk Road” is a network of trade and cultural transmission routes started by ancients in the Han Dynasty of China. It began from Luoyang Changing and connected the of Western and Eastern civilizations. Extended to 6,537 kilometers, the Silk Road derives its name from the lucrative trade in Chinese silk carried out along its length. In the Tang Dynasty, The South Overland Silk Route began to take shape and the trade relationships with Southeast Asia and South Asia was strengthened.

After the evolution of human civilization, the road has been connected to people to people. Need of any official document was not essential for the movement rather the road connectivity was enough to have connection. China has taken initiative to connect the road for Asian development through the New Silk Road.

Being a main transmission system, Silk Road has connected Asia, Africa and Europe. It is also a main route for the exchanges of politics, economics and culture between Western and Eastern countries. China has claimed that the Silk Road played an important role in human civilization. Chinese President Xi Jinping first proposed that China will build the Silk Road Economic Belt with the regions and countries along the belt when he spoke in Kazakhstan on 7th Sept 2013. China aims to promote policy coordination, facilities connectivity, unimpeded trade, financial integration and people to people bonds for building the Silk Road Economic Belt.

President Xi expressed in his speech on 3rd Oct 2013 in Indonesian Congress that the 21st Century Maritime Silk Road with ASEAN countries is an important strategy to enhance the communication and cooperation between China and the global world for win-win cooperation that promotes common development and prosperity and a road towards peace and friendship by enhancing mutual understanding and trust. Therefore, we can say that it is an historic road to connect Asia and Europe. These are new signs of revival of
connectivity among Nepal-India-China and this bond should be an important part of the new trade corridor.

South-western Silk Road began in Yunnan province of China and passed through Burma, Vietnam, and Thailand with two overland routes via Tibet and Nepal to India. The northern one that began in Xian in China and which branched into two routes which converged in Kashgar in Central Asia, before continuing westward. Nepal will be benefited by first one. On the other hand, Nepali diplomats are not focusing the first and have already signed the second one.

The importance of the Silk Road has once more been revived. Maritime Asia is starting to become more continental with expanding road networks, railways, and pipelines. The Qinghai-Tibet Railway will reach Xigatse this year and is to be extended soon to reach the border with Nepal. The Beijing-Lhasa express way has been completed until Xining, the halfway point. Connectivity within the Greater Mekong Sub region has also improved. In May this year 800km gas pipeline from Kyauphyu port in Burma to Kunming will be operational. Next year, an oil pipeline will open along the same route with highways and trains following. Work on the Kaladan Multimodal Project seeking to connect Kolkata with Sittwe in Burma by sea and then India’s north-east by river and road transport is on-going. Now China wants to promote all routes and making connectivity by province and special right to the province.

In this connections, Institute of Foreign Affairs, IFA organized a seminar program, 'Silk Route: Enhancing Nepal-China Connectivity' on 10 February, 2015 at Gallery Hall (historic and artistic hall) in Singha Durbar, Kathmandu. The program was separated into two sessions: Inaugural Session and Paper presentation Session. Foreign Minister Hon. Mahendra Bahadur Pandey inaugurated the seminar and delivered his keynote speech. Leela Mani Paudyal, Chief Secretary, Shanker Das Bairagi Acting Foreign Secretary, Nepal Government, Dr. Rishi Raj Adhikari, Executive Director, IFA and Yadav Khanal, Resource Person, IFA spoke on inaugural session.

As an expert Madhu Raman Acharaya, former foreign secretary presented his working paper on the very theme while a number of participants and different distinguished experts commented with their suggestions, questions and opinions in the second session. The large number of participants did agree on importance of old Silk Road to link up the current South Asia and china. Prioritizing to boost the economy of the region, many of them agreed and emphasized on the importance of the road.
Inaugural Session

Inaugurating the Talk programme, Chief Guest Hon. Minister Pandey pointed out the major objective of linkage of road. Nepal government has already shown the interest on the Silk Road and signed to its devolvement. It is for achieving economic growth, prosperity and happiness for the peoples in the region.

'There could be no other opportune time than now to discuss Nepal-China connectivity with reference to Silk Route. This is because of a number of reasons. We are observing the 60th year of the establishment of diplomatic relations between our two countries. Our political, economic, social and cultural relationships are consistently on the rise. There have been significant developments with regard to our bilateral cooperation in the recent years. And, more importantly, connectivity is being increasingly viewed as a powerful and positive force in enhancing our bilateral relations, Foreign Minister Pandey said.

He further said, "We signed a four-point document endorsing the Initiative in December 2014 in Beijing. The issue of infrastructure development under this Initiative also surfaced during my visit to China last week. The Road, through its overland and maritime routes, facilitated the transfer of Renaissance inventions like paper, compass and gunpowder as well as cultural exchanges between civilizations. Hence, 'Silk Route' is more than a fabled past and a metonymic manifestation of connectivity as we understand it now".

China’s call for the cultural revival of Silk Road under the initiative called 'Silk Road Economic Belt' and its corresponding offshoot 'Maritime Silk Road' should not be looked merely as the reinvention and extension of the past tradition. The issue of connectivity is all the more relevant for Nepal. For our development vision to build a prosperous, just and inclusive Nepal and our plan to graduate from the LDC status by 2022 to materialize, we need to focus on economic development more than anything else. Our enhanced integration to the world economy is an important aspect in this regard. And, this cannot be achieved in the absence of better connectivity with our immediate neighbors and through them with the world. Silk Route revival is obviously not a Nepal-China affair alone.

At present, Sino-Indian trade depends mainly on sea and air transport. Nepal can develop itself as an excellent transit for the overland trade of these two rapidly emerging economies. This requires the development of multiple transit points connecting India and China. This will not only enhance trilateral cooperation among three countries but also help Nepal benefit from it tremendously.
Leela Mani Paudyal, Chief Secretary presented that China has become a vital link to South Asia having borders with five countries of South Asian region, Nepal, India, Bhutan, Pakistan and Afghanistan, China and South Asian relations are deep rooted in their history that coexisted for centuries and benefited from each other over the period.

The Silk Road served as a major trade route between China and Europe as well as China and South Asia. The vast swath of central and East Asia was connected with South and East Asia trespassing through frigid mountain as vibrant trade routes “until the collapse of Mongol Empire in 14th century AD” in China. The invention of steam engine helped reduce shipping cost substantially thus doing business using horse/camel’s back as a means transport through Silk Road became unattractive. Industrial revolution as a result of steam engine also reduced the cost of production and made mass production possible that shifted the production centers or economic power houses from Asia to Europe.

Rishi Raj Adhikari, Executive Director of IFA also focused on importance of the Silk Road. In his view, the talk Programme is a part of celebration of the 60th anniversary of the establishment of bilateral diplomatic relations between Nepal and China. He remarked that Foreign Ministers of Nepal and China the other day agreed to prepare a joint project on infrastructure development of the Nepal-China Silk Road Economic Belt in principle by using part of the $40 billion fund set up by China.

Chinese President Xi has invited neighboring countries to be a part of the Silk Road Economic Belt and the 20th Century Maritime Silk Route which includes development of rail network from Tibet to Kathmandu to Patna, India. This is certain to open opportunities in trade, investment, tourism, transport and pipeline connectivity in the region.

Historically, Nepal provided a major free and unrestricted trading route between South Asia and China and even to central Asia via Lhasa.

Nepal needs to be aware about this opportunity provided by the proposed Silk Route by organizing various sharing platforms for policy influencing our government to take steps that are in tandem with the initiatives by the Chinese government.

Yadav Khanal, Resource Person of IFA remarked that being a close neighbor, Nepal and China are maintaining social and economic relation since last 2000 years. The relevance of trade and contact among people by means of enhanced connectivity is no less pertinent in modern times. Together, we will
look into the prospects of opening links to connect both our economically vibrant northern as well as southern neighbors via Nepal through our existing routes as well as on the possibility of the development of infrastructure of new possible passage and creating investment environment in order to obtain tremendous tri-lateral benefit.

Paper Presenting Session

Chaired by Shanker Das Bairagi, Acting Foreign Secretary

Madhu Raman Acharya, Former Foreign Secretary presented his paper on the topic.

China’s proposal for reviving the old Silk Road has created potentials for unleashing a new wave of opportunities in trade, investment, tourism, transport and pipeline connectivity in the region. As Nepal has been invited to join the Chinese initiative, there are new opportunities arising from this huge enterprise, for which Nepal should make concerted efforts to benefit from. In order to re-establish its traditional significance for entrepot trade and its potential of becoming a connecting link between China and South Asia, Nepal must engage proactively China’s “Silk Road Economic Belt” and other connectivity overtures for promoting its export trade and tourism, attracting more foreign direct investment, and utilizing the various funding mechanisms available through these initiatives.

The Chinese invention of paper, gunpowder, and the compass hugely changed in the trajectory of global civilizations. It is this route which China has proposed to develop as “Silk Road Economic Belt” as a new diplomatic initiative since 2013.

The spice trade flourished during colonial periods. “He, who controls the spice, controls the universe”, it used to be said. Today, China has proposed to revive this route as the “21st Century Maritime Silk Road”. German geographer Ferdinand von Richthofen coined the term “Silk Road” first in 1877 to route of silk trade between China and Europe.

There is renewed interest in reviving the old connections, for there are advantages the routes offer in trade, transit, oil and gas pipelines, and tourism. There are various initiatives including that of China, Turkey, the United States of America, and some central Asian republics, mainly Kazakhstan, Uzbekistan and Turkmenistan.

Since 2011, the United States of America has launched its New Silk Road Strategy with a view to integrate Afghanistan’s economy to that of South and Central Asia for better trade, transit and connectivity of the landlocked
country. There is also the $ 10 billion Turkmenistan-Afghanistan-Pakistan-India pipeline (1,735 km) project for construction to begin by 2017. Since 2008, Turkey has also initiated a Silk Road Project, which seeks to reconstruct the historical links in the Eurasian landmass via railway network, road transport, border connectivity, customs harmonization, energy grids and gas pipelines. Though India and Pakistan are among the countries included in this initiative, Nepal has not been invited in the Turkish concept.

The European Union has initiated what has been called as the Transport Corridor Europe-Caucasus-Asia (TRACECA) to strengthen the transport links between Europe and 14 countries in Eastern Europe and Central Asia. In Southeast Asia, China has also completed in 2013 a 800-km gas pipeline between port city of Kyaupyu in Myanmar and Kunming in Yunnan Province, southwest China. China has proposed, ‘One Belt, One Road’, meaning one major route for each of sub-regions the routes cover. South Asia is considered as one Belt.

The Chinese President also proposed to revive the old Maritime Silk Route, which passes through the sea, as the “21st Century Maritime Silk Route”. China is yet to unveil a roadmap for implementation of the Silk Road initiative, which it is expected to do in the BoAO Asia Forum this week. China has announced that it will contribute $ 40 billion to the Silk Road Fund. The initiative is already supported by over 50 states and many regional cooperation organizations, and multilateral institutions such as the EU, ASEAN, SCO, and UNESCAP.

Acharya also focused that China has a huge strategic stake in the Silk Road countries. As a new diplomatic initiative, China calls it a “win-win proposal”. It is supposed to provide China with energy security in the future, creating an access to Europe by-passing Russia and counter-balancing the Russian influence in the Central Asian countries and the former Soviet republics.

The Chinese Silk Road initiative is not without problems. It is an ambitious and poorly-defined concept, without a blueprint or comprehensive features explained to all stakeholders. So far, India has not shown big enthusiasm to join the Silk Road initiative, because it suspects China’s intentions to ‘encircle India’. The proposal for revival of the Maritime Silk Route evokes a sentiment that China is seeking to establish its strategic control over the seas in the region, as this route seeks to connect Southeast Asia with the Western Europe through the Indian Ocean.

Indian Prime Minister Narendra Modi is said to be contemplating his own version of reviving the old connectivity building upon the historical routes that have existed in India and its neighborhood. The famous Grand Trunk Road
Silk Route: Enhancing Nepal-China Connectivity

(about 2,400 km) connecting Chittagong in Dhaka to Kabul in Afghanistan through northern India and Pakistan and crossing over to Afghanistan through the famous Khyber Pass existed over two and half millennia. It had its great strategic, economic and cultural significance as it served as a artery of supplies, transport, communication and warfare route during most of the history.

Though the ancient Silk Routes did not include Tibet and Nepal, the availability of connectivity to the Silk Road through the Chinese initiative will provide Nepal with unique economic opportunities. For Nepal, the Silk Road initiative can provide new avenues to establish connecting links with the otherwise neglected contacts with the Central Asian republics, through diversification of trade and increased foreign direct investment and tourist arrivals. Nepal can revive its historical significance as a transit country between India and China. The Silk Routes also provide unique opportunity for development of tourism and for connecting Nepal to the several ancient Buddhist sites along the route. Participation in the Silk Road Initiative is also likely to contribute to reducing Nepal’s trade deficit with the countries in the region.

The historical significance entrepot trade between India and China places Nepal in unique position to benefit from the Silk Road initiative. Historically, Nepal allowed the trans-Himalayan passes for trade of wool, salt and other products. Nepal took lot of efforts to retain control over these strategic passes, and even fought wars with Tibet on various matters. Nepal has taken the Chinese Silk Road initiative positively and sought to join it. Nepal has already signed a four-point deal with China in this regard. It allows the Silk Road initiative to be extended to South Asia. One of the proposals under this initiative is to link historical cities of Patna and Lhasa through Nepal. It is likely that other countries in South Asia will also join the Chinese Silk Road Initiative.

Under the Chinese “One Belt, One Road Initiative”(BRI), there are three possible links to South Asia: 1) the revival of China-Myanmar-Bangladesh-India corridor, ii) the extension of the Beijing Lhasa Expressway and Qinghai-Tibet Railway to Nepal (Lumbini and Kathmandu) and to Patna in India, iii) the improvement of links between Xinxiang and Pakistan and Afghanistan through the improvement of the famous Karakoram Highway.

Nepal has been developing several north-south road corridors, which provide potential of increasing connectivity between India and China through Nepal. The Raxaul-Kerung Highway is already a possibility because it has been physically linked through the diversion at Galchhi.

The construction of the proposed Kathmandu-Nijgadh Fast-Track road is supposed to reduce the distance between Raxaul and Kerung by nearly 150
km. The proposed Kali Gandaki Corridor has possibility of linking Lumbini to Muktinath and continuing onwards to Damodar Kund, Lo Manthang and eventually to Mansarovar in Tibet. The Mechi Highway can be extended to Olangchung Gola Pass while the Koshi Highway can reach Tibet via the Arun Valley. Similarly, the Mahakali Rajmarg can be extended to the Tinkar Pass and Karanli Highway to cross to Tibet at Humla.

**Madhukar Shamsher Rana, Former Finance Minister commented out on Acharya's paper:**

"Acharya has done a commendable job", he said, He also added two additional segments for Recommendations and Conclusion. We learn from Acharya’s Paper that the Silk Road goes back to ancient times. It flourished as far back as the days of the Roman Empire in Europe and the Middle East. We also learn from his Paper that there is not just one Silk Route but, indeed, a network of roads.

We learn that the Silk Road’s importance declined first with the rise of the Arabs and terminally with the decline of the Mongol Empire in the 15th century which also coincided with the rise of steam power and building of steam ships that made maritime trade more profitable and convenient than overland trade. It was perhaps the first instance of globalization.

From horse power to steam power and now to bullet trains there is a revival in interest in Silk Roads by countries other than China too. Geo-politically, it would appear to be a move to keep the Russian at bay from future bloc formations.

US’s New Silk Road Strategy 2011 seeks to integrate Afghanistan’s economy with Central Asia as well as Pakistan and India.

Turkey’s Silk Road Project 2008 basically seeks to revive its sphere of influence in Central Asia by pursuing the Asian Highway and Asian Railway network as planned by the UNESCAP since mid 1960s.

Madhu Raman Acharya quite rightly says “China is yet to unveil a road map for implementation of the Silk Route initiative” for which it has allocated $ 40 billion. I would go further and state this: what is the broader vision that China has in mind following implementation of projects in six core areas—road connectivity; trade; investment; currency conversion; economic collaboration and people to people contacts?

Nepal’s diplomacy must seek to promote the notion as a broader Silk Road Economic Belt linking Nepal and South Asia to Europe. Nepal must start
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planning China oriented export zones and industrial districts in each of the 5 major urban centres connected to roads to Tibet.

MOFA is advised to use SAIM to undertake long term applied research on the costs and benefits of the Silk Route and how we may set up the Hills and Mountain regions as the new growth centers created by the intersection of the North South Riverine Corridors with the Mid Hill East West High Way their connectivity to Tibet and beyond to Yunnan and Sichuan.

China is attempting a renaissance of its global position as a Super Power and Civilization with the revival of the Silk Road and Maritime Silk Route. It is the only country that does not have a regional economic bloc. Neither do Japan and South Korea but they are allies in defence with USA. China is being counter veiled by US by its New Silk Route plan and by India with wanting to open, since the advent of Modi, its land mass to multi-modal transit and transshipment transportation and communication to integrate South Asia with its own economy.

Inviting the Chinese Silk Road into Nepal will accelerate Nepal’s vision to serve as the bridge economy linking South Asia to Central Asia as well as linking the Himalayan economies of India and Nepal as an integrated South Asian Green Economy.

Hon. Dr. Swarnim Wagle, Member of Planing Commission, Nepal Government

He commented on the paper prepared by Madhuraman Acharya. Appreciating his paper, Wagle pointed out his comprehensive research, terms, historical references have sketched his presentation more inclusive. This was not only for trade but there was diffusion of technology as well. This East-South trading makes access to technology diffusion.

He remarked that 8th to 13th century was its peak time as mentioned in his paper is accurate. Sea based trade due to containerization was a revolution in trade. Can it be replaced by land-based trade? I think of doing business, there are three hard realities of economics that are geography distance density and division.

We fascinate ourselves with the distance but if we talk about density, there is hardly less than a million population in Tibet. And the division is huge as language, currency, overall cost and other factors play a crucial role.

Only through the silk roads, there is possibility of East West access. Because of it, the discovered things in Europe could reach to China and the invented Chinese stuffs could have access to Europe.
It is important to know the relevance of Silk Road in the context of Nepal. It’s all about cost and connectivity. Nepal must have tried to find the opportunity in it. Silk Road concept itself is very romantic and it is very relevant in the context of Nepal.

**Jhabindra Aryal, Joint Secretary, MoFA**

The silk road gives a self evocation theme imprinted in the pages of history of human civilization. In order to develop, initiative taken by China would play a vital role to help transformed Nepal’s economy and usher in the new era in the region. It connects South Asia and North Asia via Tibet. Another important aspect of the road is that it would also link South East Asia via Myanmar. Nepal greatly values its relation with its neighbors as a landlocked country. Nepal has been consistently persuading to the connection to the outer world through various channels of trade and commerce. As such China’s intiative to connect Nepal via Silk roads to larger market in South Asia would play a vital role in bringing about overall economic development of Nepal. Nepal has been connected to China via two great highway, Araniko and Rasuwa Highway. Nepal is airlinked to the Chinese city, Lhasa and Tibet, Gongjao, Chituwan Province and Hongkong. Growing number of Chinese tourist have further developed the contacts at people’s level and contributed to the Nepalese Economy.

**Hiranyalal Shrestha, Former Ambassador**

He says that thinking about the economic development, Nepal should concern on the advantage that can be taken through many other countries. There must be our own strategy. Nepal can be used as international route through which the economic activities and economic status would be more extended. We should focus on to develop the Kerung point. China put the point to join the Lumbini. We also develop the Kodari Highway and also focus on it. Nepal should have trade treaty with China and try to develop trans-Himalayan range.

**Purushottam Ojha, Former Secretary**

Silk Road and Nepal China connectivity must not be mixed. Basically, there are roads to connect Nepal and china, however, physical connectivity is not enough to extend the linkage between them. We must focus on sub-infrastructure. Cross boarder transport also must be treated. While talking about the connectivity, it must not be emphasized only on road and railway. Moreover, investment in the market should be promoted. However, there must be preparedness in it.
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Buddhi Narayan Shrestha, Member of IFA Board
The topic “Silk Road enhancing Nepal China Connectivity” must have been changed into “Enhancing India China Connectivity through Nepal.” Infrastructure is the major measure to enhance the Connectivity. Nepal should have emerged with the idea to motivate the Chinese Tourist send to India through Nepal as there are number of Chinese Tourists that have been seen in Nepal. Nepal should have the strategy in this regard.

Bishnuhari Nepal, Former Ambassador
China president Xi has focused on silk route and Indian Prime Minister Narendra Modi focused on the HIT (Highway, IT and Trade). We should focus on different way of the Silk Road.

Mohan Lohani, Former Ambassador
We are land locked country; therefore, we should promote the Silk Road and think about the infrastructure to be benefitted from the Silk Road.

Ashbin Pudasaini, Advisor to Foreign Minister
China wants to expand trade. They have neighbor-hood diplomacy and policy. They are engaging others to make their own benefit. Similarly, We should have focused on hydropower to have the connectivity.

Anil Giri, Senior Correspondent, Kathmandu Post
First of all, we have to think like Nepali. We should not follow others neither the Chinese president nor the Indian Prime Minister. Our position in Silk Road must be clear and our vision should be far sighted.

Briefing on the comment; Madhu Raman Acharya
Remarked that he accepted the raised transit issue which was not mentioned in the Talk programme. Our country can be connected with Indonesia. He does not agree with Mr. Purushottam as he has said that we should not mix connectivity and Silk Road. However, he insists that there must be a mixture of Connectivity and Silk Road. We must create a backward and forward linkage and we should concern on supply and value chain. We must not be in between the strategy of India and China. We should grasp the opportunity of economic benefits though we do not care political sentiments. He also remarked that there is more than distance and density in regards to our relationship with China.
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Shanker Das Bairagi, Acting Foreign Secretary

The terminology 'Silk Road' has been first time discussed. Silk Road is expected to connect covering around 3.8 billion people. China as an emerging economic power is raising the issue. This idea is going to materialize and has moved from emotion to reality. Nepal has already signed MOU. It is geopolitical issue but it is Nepal's decision how to move on the issue of national interest and how we can be benefitted from. Keeping our national interest as focus, we must explore the opportunities.

Conclusion

The idea of Silk Road mooted by China is to enhance the connectivity within South Asian and South East Asian Countries and beyond to Europe focusing on trade and commerce worldwide to tackle the development that have been seen in Western Countries.

It also plays an important role in establishing multilateral relationships of equality and mutual benefit. Complex and profound changes are taking place in the world. The underlying impact of the international financial crisis keeps emerging, the world economy is recovering slowly, and global development is uneven, the international trade and investment landscape and rules for multilateral trade and investment are undergoing major adjustments, and countries still face big challenges to their development. The initiative to jointly build One Belt One Road –OBOR, embracing the trend toward a multipolar world, economic, globalization, cultural diversity and greater IT application, is designed to uphold the global free trade regime and the open world economy in spirit of open regional cooperation.

It is aimed at promoting orderly and free flow of economic factors with highly efficient allocation of resources and deep integration of markets encouraging the countries along OBOR to achieve economic policy coordination and carry out broader and more in-depth regional cooperation of higher standards, jointly creating an open, inclusive and balanced regional economic cooperation architecture that benefits all.

The connectivity projects of the initiative will help align and coordinate the development strategies of the countries along OBOR, tap market potential in this region, promote investment and consumption, create demands and job opportunities, enhance people to people and cultural exchanges and mutual learning among the peoples of the relevant countries, and enable them to understand and trust and respect each other and live in harmony, peace and prosperity. A key point of the Silk Road and the Ancient Tea Horse
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Road, Chuxiong Yi Autonomous Prefecture has become an integral part of the Yangtze River Economic Zone, the Bangladesh-China-India-Myanmar Economic Corridor and the Kunming-Baoshan-Mungshi-Ruili Economic Zones. Chinese government has come up with strategies such as OBOR, BCIMEC and the new economic zone along the Yangtze River and proposed to develop Yunnan into a regional center among South Asia and South East Asia. China’s old saying, 'A bosom friend afar brings a distant land near', with further advancement of OBOR, situated at the south west end of China will have ever growing cooperation with countries in the South Asia and South East Asia in all sectors.

The Economic Research Institute for ASEAN and East Asia (ERIA) has come up with two projects for ASEAN-India Connectivity, namely the Mekong-India Economic Corridor and the Trilateral Highway connecting India and Burma with Thailand. The first project focuses on connecting production blocks in South East Asia with those in India specially the automotive industry in Bangkok with those in Chennai by sea, the second project focuses on the development of the north-east region of India.

By revitalizing the Southern Silk Road, there should be an effort to promote the China-ASEAN-South Asia Connectivity that has been lacking so far. The first project should consider a Yunnan-Burma-India-Nepal-Tibet-Yunnan Economic Corridor or a Circular Economic Corridor in Asia and sensitize the project concept and its feasibility. Such a project would lead to a win-win situation for all countries including shared prosperity between India and China in which Nepal could serve as a land bridge and production hub between Asia’s two giants. Thinking about the economic development, Nepal should concern on the advantage that can be taken through many other countries. Nepal must have our own strategy. There is a possibility of Nepal to become an international route through which the economic activities and economic status would be more comprehensive. The Silk Routes were at their peak during the Mongol Empire in the mid-13th century when political stability fostered trade. It was during this time that Marco Polo travelled to China. Trade on the Silk Road declined after the collapse of the Mongol Empire in the 14th century and the isolationist Ming and Qing dynasties in China were not conducive to trade.

The leaders from South Asia and South East Asia have also agreed on to promote one Belt one Road Policy in the current Third China South Asia Expo held in Kunming, Yunnan Province, China on 9th to 12th June 2015. They have also focused their own countries to promote the Silk Road in the coming days. However, Nepal has lost its chance even for this year. Nepal should seek an
opportunity to have its territory to link in Silk Road. Otherwise, there will be no use and benefit of Silk Road to Nepal though Nepal has already signed on the agreement of Silk Road.

Nepal itself should be benefitted through Silk Road as SAARC Vehicle agreement also promotes Silk Road. It means the expanded roads could connect it. The networking of roads may create Nepal as a transit point. It is not in the provision that the link road could be connected through Silk Road rather there must be a policy to link the road directly to Silk Road. Having much possibility to link Silk Road through the territory of Nepal, Nepal Government must have special policy on the linkage of Silk Road. Extending Kodari Highway through fast track, Kerung Syaprubesi Road could be linked to Lumbini through Galchhi.
10. List of Participants in the Talk Programme

1. Hon’ble Mr. Mahendra Bahadur Pandey  
   Minister of Foreign Affairs

2. Mr. Leela Mani Paudyal  
   Chief Secretary  
   Office of the Prime Minister and  
   Council of Minister

3. Mr. Shanker D. Bairagi  
   Acting Foreign Secretary  
   Ministry of Foreign Affairs, MoFA

4. Mr. Buddhi Narayan Shrestha  
   Board Member, IFA

5. Associate Prof. Dr. Khadga K.C.  
   Board Member, IFA  
   Coordinator, Master’s Programme in International Relation and Diplomacy (MIRD), TU

6. Dr. Ganesh Gurung  
   Board Member, IFA

7. Mr. Madhu Raman Acharya  
   Board Member, IFA

8. Mr. Madhukar SJB Rana  
   Former Minister of Finance

9. Hon. Dr. Swarnim Wagle  
   Member, National Planning Commission

10. Prof. Dr. Mohan P. Lohani  
    Former Executive Director of IFA
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11 Dr. Anjan Shakya  
Former Deputy Executive Director, IFA

12 Mr. Jhabindra Aryal  
Joint Secretary, MoFA

13 Mr. Prakash Subedi  
Joint Secretary, MoFA

14 Mr. Lok Bahadur Thapa  
Director General  
DOP, MoFA

15 Mr. Ramesh Prasad Khanal  
Joint Secretary, MoFA

16 Mr. Tara Prasad Pokharel  
Joint Secretary, MoFA

17 Mr. Dhan Bahadur Oli  
Director  
SAARC Secretariat

18 Mr. Lok Bahadur Paudel Chhetri  
Under Secretary, MoFA

19 Ms. Rita Dhital  
Under Secretary, MoFA

20 Mr. Ghanashyam Bhandari  
Under Secretary, MoFA

21 Mr. Rajendra Thapa  
Under Secretary, MoFA

22 Mr. Ashbin Pudasaini  
Public Relation Adviser to Hon. Minister, MoFA

23 Mr. Dadhi Ram Bhandari  
Section Officer, MoFA
24 Mr. Milan Raj Nepali
   IT Officer, MoFA

25 Mr. Rajan Bhattrai
   Member of Parliament, CPN (UML)

26 Mr. Madhavjee Shrestha
   Former Joint Secretary, MoFA

27 Mr. Sundar Nath Bhattarai
   Former Ambassador

28 Mr. K. P. Devkota
   NPF

29 Dr. Shambu Ram Simkhada
   Former Ambassador

30 Dr. Dinesh Bhattarai
   Foreign Affairs Advisor to the PM

31 Mr. Keshav Raj Jha
   Former Ambassador

32 Prof. Dr. Sushil Raj Pandey
   Political Science, Formely at T.U.

33 Mr. Madhuban Prasad Poudel
   Former Ambassador

34 Dr. Bishnu Hari Nepal
   Former Ambassador

35 Mr. Hiranya Lal Shrestha
   Former Ambassador

36 Mr. Arun Prasad Dhital
   Former Ambassador
Mr. Prem Suwal
Chairman
Nepal-China Friendship Association

Mr. Toya Nath Bhattarai
Former Parliament Secretary

Mr. Toya Narayan Gyawali
Joint Secretary, MoCS

Mr. Rakesh Hamal
Member, Foreign Relation Department
Nepali Congress Party

Dr. Yogesh Raj
Martin Chautari

Mr. Keshab Paudel
Spotlight Magazine

Mr. Yam P. Chaulagain
IFA, Researcher

Mr. Purushottam Ojha
Former Secretary, MoCS

Prof. Dr. Shreedhar Gautam
NCWA

Mr. Suman Giri
Avenues TV

Mr. Rameshwor Sapkota
Mountain TV

Mr. Laxman Dutta Joshi
Mountain TV

Mr. Gyanendra Khadki
T TV
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78 Mr. Shiva Prasad Tiwari  
Master's Programme in International Relation and Diplomacy (MIRD), TU

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President  
Nepal-China Cultural and Education Council

80 Mr. Biswo Poudel  
Kathmandu University

81 Mr. Santosh Paudel  
Student, TU

82 Mr. Promod Dhakal  
PURE Nepal.

83 Mr. Krishna Paudel  
Aveneus TV

84 Dr. Rishi Raj Adhikari  
Executive Director, IFA

85 Mr. Yadav Khanal  
Resource Person, IFA

86 Mr. Mahendra Joshi  
IFA

87 Mr. Sanuraja Puri  
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Before start of the Talk Programme Mr. Leela Mani Paudyal, Dr. Rishi Raj Adhikari, Hon’ble Mr. Mahendra Bahadur Pandey & Mr. Shanker D. Bairagi (From R to L)

Welcome remarks by Mr. Yadav Khanal, Resource Person, Institute of Foreign Affairs
Delivering Closing remarks of the inaugural session, Dr. Rishi Raj Adhikari, Executive Director, Institute of Foreign Affairs

Paper presentation by Mr. Madhu Raman Acharya, Former Foreign Secretary and Permanent Representative to the UN
Silk Route: Enhancing Nepal-China Connectivity

Commentators Mr. Madhukar SJB Rana, Hon. Dr. Swarnim Wagle, Mr. Shanker Das Bairagi (Chairperson), Mr. Madhu Raman Acharya and Mr. Jhabindra Aryal (From R to L)

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<td>Report on the National Seminar on Nepal’s Foreign Policy</td>
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<td>Negotiations and their Implications of the Nepalese Economy</td>
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