Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

Talk Programme

Institute of Foreign Affairs

Friedrich-Ebert-Stiftung (FES), Nepal
Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

Talk Programme

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## Acronyms

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<th>Full Form</th>
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<tr>
<td>AIIB</td>
<td>Asian Infrastructure and Investment Bank</td>
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<td>APF</td>
<td>Army Police Force</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>APB</td>
<td>American Psychological Association (citations)</td>
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<td>BIMSTEC</td>
<td>Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation</td>
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<td>CCTV</td>
<td>China Central Television</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CNN</td>
<td>Cable News Network</td>
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<td>CSSR</td>
<td>Council with Social Service Responsibilities</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FNCCI</td>
<td>Federation of Nepalese Chambers of Commerce and Industries</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNI</td>
<td>Gross National Income</td>
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<td>ICNR</td>
<td>International Conference on Nepal’s Reconstruction</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>INGOs</td>
<td>International Non-Governmental Organization</td>
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<td>IR</td>
<td>International Relations</td>
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<td>MLA</td>
<td>Modern Language Association (citations)</td>
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<td>NOC</td>
<td>National Operation Center</td>
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<td>NP</td>
<td>Nepal Police</td>
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<td>NPC</td>
<td>National Planning Commission</td>
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<td>NRB</td>
<td>Nepal Rastra Bank</td>
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<td>NRN</td>
<td>Non Resident Nepali</td>
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<td>OCHA</td>
<td>Office for the Coordination of Humanitarian Affairs</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>PDCR</td>
<td>Post-earthquake Donors’ Conference on Reconstruct</td>
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<td>PDNA</td>
<td>Post Disaster Needs Assessment</td>
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<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<td>SAARC</td>
<td>South Asian Association for Regional Cooperation</td>
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<td>SAFTA</td>
<td>South Asian Free Trade Area</td>
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<td>SFDRR</td>
<td>Sendai Framework for Disaster Risk Reduction</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<tr>
<td>USA</td>
<td>United State of America</td>
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<td>WFP</td>
<td>World Food Programme</td>
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<td>WHO</td>
<td>World Health Organization</td>
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Nepal and Nepalese people have suffered multiple damages due to mega-earthquake of April 25, 2015 and aftershocks which killed over 9,000 people, injured over 22,000, and destroyed hundreds of thousands of homes and tourism products. A million people were rendered homeless necessitating massive reconstruction as a priority of the country. A great debate has been initiated about the extent of damages, models of rebuilding, and resource mobilization.

At time of disaster Nepal has witnessed power play and competition amongst our friendly countries upto the level of influencing our foreign policy. Nepal also needs to be vigilant with smart diplomacy promoting and protecting our national interest and the competing donations in billions from them are in Nepal’s favor.

Economic diplomacy plays a crucial role in mobilizing crucially important foreign direct investment for post-earthquake rebuilding of the country more so for a poor country like Nepal that has suffered due to conflicts and disasters.

The legal hitch needs to be managed in smooth functioning of National Reconstruction Authority to assure the donors who are concerned about timely implementation of planned activities with good governance and better expenditure ratio.

The over-exaggerated damage scenario as posted by foreign media has damaged our tourism to a large extent. In this situation, Nepal needs to reach out globally via different strategies to minimize the negative impact on our tourism by widely disseminating that the damages by earthquake was not much and tourists are safe to climb the mountains, visit heritages and trek our countryside. A seminar on Rebuilding Nepal has been conducted with this background.

Hon. Minister of Foreign Affairs Mr. Mahendra Bahadur Pandey to have accepted our invitation as the Key Note Speaker and delivering eloquently his views, Chief Secretary Mr. Leela Mani Poudyal for his opening remarks are duly acknowledged. I extend my thanks to Mr. Shanker Das Bairagi Acting Foreign Secretary, MoFA for chairing the substantive session. Distinguished paper presenters Mr. Madhu Raman Acharya, on the topic, “Rebuilding Nepal: Post Earthquake Nepal Foreign Policy in the Changed Context” and Dr. Min Bahadur Shrestha on the topic, “Rebuilding Nepal: Post Earthquake Economic
Diplomacy and commentators Mr. Deependra Kshetry and Dr. Khadga K. C. deserve special appreciation. I also wish to thank Mr. Yadav Khanal, resource Person at IFA for his active participation and contribution to the talk program and Mr. Sanu Raja Puri, Librarian at IFA for his contribution to the talk program and role of publication.

The outcome of the seminar has been 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 foreign policy in the changed context and reconstruction and economic diplomacy post-earthquake.

The institute welcomes comments, suggestions and feedbacks so as to refine the future publications of IFA.

Dr. Rishi Raj Adhikari
Executive Director
Geo-politics

The first earthquake in Nepal, on April 25, 2015 killed over 9,000 people, injured over 22,000, and destroyed hundreds of thousands of homes. A million people were rendered homeless. The remoteness of the terrain and the inadequacy of the response were very evident. A second major earthquake struck on May 12 which toppled already weakened buildings, triggered a series of landslides further damaging the lives and livelihoods of the victims and hampered the relief efforts.

Nepal witnessed regional and international power play during and post earthquake. Analysts observe that a new power rivalry is taking shape between our neighbors. Nepal seems to be in the range of high-tech geopolitics and we realize that Nepal’s national security is of utmost importance to us.

It is believed that prolonged transition and polarized and uncertain politics may be more alarming when foreign powers start showing their active presence than ever before and when the political and other elites become too weak to manage them. Political parties that take position for and against any country themselves would make these powers active and interventionist as the recent developments have demonstrated. The reference apparently hints at our neighboring and other friendly countries and responses of Nepal’s major political parties on its meddling in Nepal, its internal affairs and external relations. It was more so evident come post-earthquake.

It is being argued that China’s overwhelming rescue operation in Nepal during the disastrous earthquake was for both humanitarian concerns and for influence with its competitor. In the same light India’s massive disaster rescue operation was humanitarian and also an attempt to show its influence around. It was a matter of concern that the Indian media seemed to be insensitive, tried to undermine Nepal Army’s excellent and effective role and over blew the earthquake coverage which caused widespread criticism and outrage in Nepal and also in India.
This disaster diplomacy is further expected to increase the influence in the ravaged country and that India and China continue to make efforts to intensify their surging influence. Beijing seeks to keep the exiled Tibetan community from fomenting unrest across the border in Tibet. Nepal is very sensitive about this and adheres to ‘one china policy’. While accepting aid from China and other neighbors, the Nepalese government rejected an offer of help from Taiwan, with which it does not have formal diplomatic relations.

India’s interest seems to be focused on keeping all political parties under its influence and increasing its own bargaining power. India also has an interest in Nepal’s federalism. It is strongly opposed to many federal provinces in the Tarai.

Some suspect that the Europeans seem to be less sensitive towards our religious and ethnic issues. Some remark that the US interest in Nepal is to maintain its global power, check and balance China’s influence and free Tibet activities and disturb China. Post-earthquake, UK also has some grudge about refusal of her helicopters to land in Nepal at later stages of the rescue operations.

Much has been said in the past two months about the failures of the relief operation, the widely alleged misuse of resources, the undue delays and inefficiency, the lack of any workable plan, and the lack of data. The government and the international agencies have tried to blame one another, while public opinion blames them both. Critics, however, remark that both the countries tried to downplay any rivalry and it is being felt that the competing donations in billions from both the countries were in Nepal’s favor.

**Economic Diplomacy**

To maintain a sound economy in the competitive global arena, the role of economic diplomacy is crucial. Economic diplomacy encourages international investment and escorts the country along a prosperous path. Nepal needs to pursue economic diplomacy to bring in more foreign direct investment for its regular development work and post-earthquake reconstruction and rehabilitation that befits the massive loss of lives and physical infrastructures.

The situation of Nepal government Vis a Vis the donors seemed to be problematic in the way they have jointly tried to deliver "development" in the past. However, the situation seems to be improving steadily. The primary responsibility obviously lies with the government - especially since it worked so hard to control all aspects of relief operations and much of the money used
Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

will come from national revenues, not the donors. Therefore, it is quite proper that the government would insist that the effort for massive reconstruction and rehabilitation is run under its auspices. It is also the duty of the international community to insist that mechanisms be put in place which allows them to account for how their money is spent. The international pledge for massive donation and financial support for reconstruction is a welcome step. The government also is required to ensure better expenditure ratio that shows better and drastic improvement from the past under-performance. However, in this overall sensitive situation Nepal needs to tread carefully with smart diplomacy promoting and protecting our national interest focusing currently on the agenda of rebuilding Nepal.

The massive need of foreign funds that is required for reconstruction demands the strengthening of economic diplomacy, as without it, the flow of foreign investment slows to a trickle. As a post-conflict and post-earthquake disaster stricken country with poor economic indicators, Nepal needs a large amount of investment. For that, Nepal’s first priority should be presenting its actual information about internal resources, its capability, and economic status of the country to the international arena in order to attract capital. To bring in Foreign Direct Investment and bilateral and multilateral aid, Nepal should be strategic in easing its economic policies. Besides, there is necessity to strengthen the Ministry of Foreign Affairs via the allocation of adequate budgets and the staffing of well trained experts so that Nepal can efficiently advocate for its economic agendas in the international arena through proper negotiation of trade-related agreements, manage economic aid, promote national tourism and trade internationally.

As a landlocked country, situated amid the world’s emerging powers, China and India, Nepal’s economic diplomacy possess a relatively high value than other emerging agenda. However, weakness in spending capacity in tandem with tackling the emerging global economic conundrum has been a great challenge. Based on the state’s resources, each country formulates its own economic policies. But, Nepal has not been able to prioritize its economic policy scientifically as per the necessity of contemporary times and has not given adequate thought to the training of ‘economic diplomats’. Thus, strengthened economic diplomacy will go a long way towards reconstruction and rehabilitation post-earthquake.

Realizing the importance of the topic in the present context IFA planned to hold a talk programme on the topic on July 20, 2015 (Shrawan 4, 2072). There will be two papers as follow:
Mr. Madhu Raman Acharya, Former Foreign Secretary and Permanent Representative to the UN:

"Rebuilding Nepal: Perspectives of Post-earthquake Foreign Policy and Disaster Diplomacy"

Dr. Min Bahadur Shrestha, Executive Director, Nepal Rastra Bank:

"Rebuilding Nepal: Post earthquake Economic Diplomacy"

The papers will be commented by experts in the relevant areas. The information and knowledge presented and articulated in this talk programme will be widely circulated through media and publication country-wide including relevant ministries for policy influencing.
Mr. Chairman,
Chief Guest Hon'ble Foreign Minister
Respected former Chief Secretary
Respected Secretary, Ministry of Foreign Affairs
Distinguished Paper presenters and Panelists
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 Former Chief Secretary and Secretary from MoFA, paper presenters, commentators, media representatives and all distinguished Guests for accepting our invitation in this important discussion programme.

We have witnessed the tragic loss of life of many of our fellow citizens during the recent devastating earthquake. We also have experienced the destruction of many physical facilities, basic infrastructure and the obliteration of many of our historic monuments in and around the Kathmandu valley. We have to realize the fact that we were not at all prepared to face this tragedy. We, however, have been able to conduct rescue activities in most of the affected areas. We are thankful to our friendly countries and helping agencies for their generous helping hands at this difficult time.

The government has organized several meetings and held discussions with friendly countries, most of the regional and international organizations and has received significant amount of pledges to support suffered families and reconstruction activities. Pledges from both of our neighbors are even greater.

The government has however, denied support offered by some sources in view of national vanity and integrity and has encountered undue foreign intervention related to support and rescue operation. At this backdrop, the IFA has organized this interaction programme to discuss and access the possible repercussion on Nepal's economic Diplomacy. At this tragic moment
Nepal has to move ahead with enough patience to undertake the entire work of relief and reconstruction activities showing managerial competence and maintaining national image and honesty. This is also an opportunity for Nepal to improve national image through better cooperation with foreign partners.

IFA is thankful to Hon. Foreign Minister who is presenting key note speech for the programme. Accordingly, IFA also thanks to Mr. Madhuraman Acharya, former ambassador and to Dr. Min Bahadur Shreshtha NRB. Both of them are going to present the papers on the theme and also thank Sri Deependra Kshetry, and Dr. Khadga K.C. who are going to comment on the paper.

We have scheduled this program about two weeks earlier but had to postponed due to some unavoidable reason. Our respected former Chief Secretary was due to retire on that date. Now he is no longer in that position. IFA is grateful for his kind presence even after his retirement and also extends sincere thanks for his continuous support and encouragement to IFA.

Once again I wish to welcome to Hon. Minister, paper presenters, panelists and commentators, media representatives and ladies and gentleman for their kind presence in this important programme.

Thank you.
Mr. Respected Minister for Foreign Affairs, invited gentlemen gathered in this august gathering, and friends,

First, I would like to thank for inviting me in the programme. In the disaster period doing public service management and coordinating with foreign donors, and deployment of different stakeholders I've seen various lapses we made. I also observed what we could have done for betterment. I would like to share some of my experiences with the audience. So, I am sharing keeping this in frame. I apologize if it does not meet up with the theme of this programme.

After the devastating earthquake of April 2015, immediately, we gathered in the National Emergency Operation Center in the Home Ministry. This was formed 3 years ago for the communication network in management of disasters globally and locally and the building was built as earthquake resistance.

Under protocol, in our law, we have Central Disaster Management Committee under Chairmanship of Hon. Home Minister. The responsible public officials for disasters should voluntarily be deployed for the management. This is our protocol. I was there within an hour and our friends from National Operation Center (NOC) were there in preparatory mode to tackle this disaster keeping humanitarian values and norms in first priority. We immediately arranged a meeting there. We gathered three information that were important, first, buildings in Basantapur premises are destroyed and the area is filled with fog. Dharahara is destroyed and much more human casualties are in Bhaktapur district and Patan beyond imaginary statistics. The epicenter is Barpak of Gorkha district and Gorkha Municipality is destroyed with no single home intact and landing of helicopters is not possible.

We were not in condition to decide how to start and to tackle this disaster which came after many decades. First day, Hon. Foreign Minister was also there. Central Disaster Management Committee started linking minute
information and Ministerial meeting was held. I was coordinating with our officials while minuting. Though we were not familiar with such disaster, we tried our best to use our knowledge and practices we had to our extent. The contextual decision given by Central Disaster Management Committee was approved by the cabinet.

There were two things for us to follow. We have our National Disaster Response Strategy approved by the government which is divided into four categories. In first category is National Operation Center (NOC) handled by Under Secretary level official in close observation from Joint Secretary. In second, main disaster center point like Barpak though spread out in more than three or four districts, immediately should be operated by NOC under its Joint Secretary’s command. Third, if disaster happens regionally, under command of Home Secretary it should be responded and required resources should be mobilized. And finally if it is of national level, disaster management should be mobilized under command of Home Minister immediately. There will be no international support for first and second level disaster and in third if needed, selective humanitarian assistance can be taken selecting needs of the situation and in fourth level disaster like ours, necessarily international level support and assistance should be called for. This is our protocol. If NOC calls for support internationally, non-military humanitarian responses will be coordinated by UNHCR. There are 11 different clusters which includes health support, supply of food items and non-food items, shelters etc. These clusters are led by agencies of Nepal Government in close coordination with UN. Like on food item, it is under Ministry of Commerce and Supply supported by Ministry of Agriculture. Non-food items are supported by Red Cross and Red Crescent under Ministry of Commerce.

We immediately called for international level support for humanitarian assistance and we decided to take immediate military help from India and China. But later, we found out that if it is an international call for support, it will be hard to differentiate which is military and which is not. We called military help just from our two neighbours. Support was sent by 34 countries and their support team made us hard to categorize and many countries used to send their military and para-military forces for search and rescue operation. I found communication lapses there.

Second day India sent eight MI-17 and five MS helicopters for search and rescue operation though the number we required was not decided. Helicopters are best means of transportation for search and rescue operation due to our geographical landscape. And due to that, there was lack of space in Tribhuvan International airport and Pokhara airport. The other issues was to keep them
together making us problematic to operate from our own headquarters. That is why, it took almost a week to take search and rescue help from China. On next cabinet meeting, we called help from America and they arrived at the same time with Chinese. So it was obvious to have some contradictions due to their ideological differences, but we started operating.

When we called for international support, I found donors bringing assistance not calculating requirement of the situation. There was differences in demand and supply so the godowns were filled with lots of materials making us hard for distribution so it took us almost a week to do so which brought lots of controversies in our management. We provided our staffs 7/24 duty for immigration, customs clearance etc. to foreign operators for both rescue and relief operations. We were already very much in pressure collecting information and data from lots of affected areas and the epicenter to arrange requirements we needed to deploy. There was dissemination of information in periphery. Some international communities were not coordinating properly with us. I saw gaps in mobilizing the foreign assistance.

Lots of countries asked us to categorize and prioritize needs of the situation. We thought that in international call for support, assistance comes as per our requirement but I found supports coming from different continents beyond our expectation with lots of staffs and stuffs far more than needs of the situation creating pressurized atmosphere in the airport. We learned a terminology of Council with Social Service Responsibilities (CSSR) in such situation. Collapse and rescue specialists should have to be called in devastating disasters under this. There was immediate need for a team of specialist from CSSR but hardly had I found many related to that. I found in rescue operation, operators finding possibilities of living people but tried to distance away from such operations with possibilities of searching and clearing of dead bodies.

International calls most importantly should be coordinated by UNHCR categorizing needs of the situation but in presence of FAO, WHO, Red Cross like international agencies, due to their easy accesses. It was becoming hard to control their presence. There is UN Habitat dealing with government keeping hard responsibilities to mobilize humanitarian assistance and resources. Unfortunately, those who should have taken responsibilities were not coordinating with the government and started working under command of their countries’ headquarters. I showed anger in a meeting with one responsible official of UN saying 'if it has happened in other countries, you already would have been deported to your country due to your irresponsibility in crossing limits of the boundary'. Such conditions were also there. I found weakness in governing ability of the government in interacting with foreign
agencies; although they crossed jurisdiction, which was not expected from UN agencies. They must have to follow rules and regulations of the government as per the law, but I found them showing unrespectable behaviors so there was some truth in the rumors in rescue operation, and in distribution of foods and shelters. This was all due to lack of knowledge, experiences and understanding in handling foreign agencies. So most importantly our mindset for foreign agencies must be changed over the period ahead in such devastating disasters and in other difficult periods. I found weakness in credibility and assertiveness of the government so the foreigners tried to play. Another problem was striking balance between our friendly countries due to our consciousness in maintaining relationship. We were in the condition of being or not being cautious of the situation in decision making. We learned a lesson there. They also taught us lesson in handling them in disaster of this level. We categorically have to divide needs of the situation, deployment of foreign assistance in command of our officials making them implementable and forceful. There was mis-utilization of the resources in affected areas due to lack of experiences and practices in mobilizing them.

I want to end sharing my experience with this short example. Road to Barabishe-Kathmandu was not much affected and it was possible to go and come back through land route but I found helicopters carrying foreign doctors of assistance for lunch and dinner and of them 90% were not requirement of the situation spending millions of Rupees of assistance and their use was very sub-optimal. We tried our best but there was no optimal use of the resources due to our difficult landscape, climate, measuring safety factors for them and limitation of their equipments.

The greatest lesson we learned was that we must have to enhance our internal capabilities and responsibilities of our own resources systematically. I found capabilities in our teams. If we can double or triple it, there will be less hue and cry atmosphere in disaster like our level. Although it has stimulated us in developing National Disaster Strategy, we fell behind in implementation. In the press conference too, Hon. Foreign Minister announced our requirements categorically but they left us teaching a lesson for further mega disaster if happens in future.

Thank You.
Mr. Chairmain,
Former Chief Secretary,
Secretaries and Officials from various authorities, distinguished Paper Presenters, Moderators, Commentators, Scholar-analysts
Friends from Media,
Ladies and gentlemen,

I am delighted to participate in the Talk Programme entitled “Rebuilding Nepal: Post-Earthquake Foreign Policy and Economic Diplomacy in the Changed Context” organizer by the Institute of Foreign Affairs (IFA). I would like to thank the organizer for providing me the opportunity to share a few words on such an important topic of rebuilding Nepal in the aftermath of the devastating earthquake of April 2015. The whole IFA team, in fact deserves appreciations for successfully organizing a range of talk programmes, seminars and workshops on various contemporary issues and topics on a regular basis.

It has already been three months since the devastating earthquake caused a huge loss of life and damage to properties across the country. The topic of this talk programme remains extremely apposite to the present context of massive rehabilitation and reconstruction works required to be carried out in tandem with Nepal’s long-term development needs and priorities, by effectively executing economic diplomacy.

There is no doubt, the earthquake was disastrous. It brought an unprecedented level of destruction to us. In many cases, the damages are irreparable. Yet, together with these destructions and damages, it has also bought a stronger sense of attachment to our nation and an overwhelming feeling of unity among the Nepalese people. It has compelled us to work unitedly. Never before had our hearts been bound in such strong string of unity. Perhaps, this disaster too, like many other thing and ideas in existence, have an inner dichotomy other than its inherent properties of destruction, devastation and death alone. Despite the destruction, the smiles manifest on the faces of
the Nepalese people is symptomatic of a unique and strong resilience. And I am confident that the commendable unity and resilience will guide us to overcome the disasters. Let’s tap this opportunity, this feeling of unity to reconstruct our nation.

Nepal has an abundance of natural as well as human resources. The supportive hands of the international community with generous contribution are also available. This time is unique too for us as we are all set to promulgate a new constitution for the country. So, the momentum gained in our unity backed by the remarkable resilience of Nepalese people together with their aspiration for development, peace and prosperity should chart a new course for development and prosperity. Kennedy once, in a separate context, said that “Effort and courage are not enough without purpose and direction”. I fully agree with him. Our purpose and direction are clear now. What we need at present is implementable policies and institutions backed by actions, as actions speak louder than words, for reconstruction.

As all of you are aware, the Government of Nepal has promulgated the Ordinance on the Reconstruction of Structures Damaged by the Earthquake with a provision of powerful Reconstruction Authority. You all are aware that the Government has already given this authority a concrete shape. The ordinance aims at completing the reconstruction works of the damaged infrastructures in the earthquake in a sustainable, resilient and planned way within a specified time frame and promoting the national interest and ensuring the social justice to the people and families rendered homeless by rehabilitating them. Such and many other changes in the domestic front obviously necessitate appropriate adjustments in our foreign policy priorities, as we define and understand foreign policy as a reflection of domestic policies.

I believe the effectiveness and sustainability of reconstruction works intrinsically demand local plans, polices, priorities, ownership and resources. Therefore, all reconstruction initiatives and process should be taken up with our won national ownership and leadership. The external support should be utilized according to our national priorities in a coordinated, coherent and consistent approach. We should be able to utilize the international support for making Nepal self-reliant so that the reconstruction process should become a success story, not a failure example. The Government has, therefore, laid its focus on this important aspect especially in the context of the post-disaster reconstruction with even more emphasis. The overwhelming international commitments and the words of solidarity to Nepal’s reconstruction delineated the success of the International Conference on Nepal’s Reconstruction (ICNR) which was organized in Kathmandu on June 25, 2015. All these events and
developments in Nepal in the aftermath of the disaster have surely given a push for rethinking and reviewing our overall development policies, and make our foreign policy more effective and contributive to safeguarding and promoting our national interests in the changed context.

Mr. Chairperson,

Nepal maintains a relation of friendship and goodwill with all the countries in the world. We attach great importance to our relations with both India and China as they are our immediate neighbours and good friends, and our relations to them are time-tested, historic and mutually beneficial to each other. This fact is exemplified from time to time and finds its best expression lately during and after the earthquake disaster in Nepal. So, we enormously value our relations with our neighbours and friends.

With the changes in time and international demands, our friendly relations with all countries around the world need to be further enhanced for mutually collective gains. Nepal has projected its image in the international arena as a peace-loving, non-aligned and friendly country with a greater emphasis on development and prosperity through dynamic engagements and diplomacy. This image of Nepal suits the birthplace of the lord Buddha and comes a long way to the present time. Based on these solid foundations, Nepal hopes to develop and prosper peacefully through more engagements, more partnerships and more collaboration.

With the shifting economic parameters lately towards Asia with the buzzwords “Asian Hemisphere” or “Asian Century “, Nepal is even more encouraged and optimistic that the long cherished dreams of Nepal to graduate from LDC status and participate in the international forums with even more vigour and contributions for the world peace and prosperity would be realized. The impressive economic growth achieved by both India and China is indicative of our growth and prosperity as well. Nepal should make efforts to benefit from unprecedented economic transformation that is taking place in the neighbourhood.

An equally important function of the foreign policy is to create a conducive and enabling environment for socio-economic development of the country. In the post-disaster reconstruction endeavors of Nepal, adequate attention needs to be paid to diplomatic pursuance for garnering more international goodwill and solidarity, support and technology to Nepal’s reconstruction, and also a higher flow of investments in the country in order to build our overall productive capability. Our economic diplomacy needs a revamping
and an unprecedented boost for realizing all these ambitions. The economic diplomacy, as a part and parcel of foreign policy, I think, should be made result-oriented by increasing the resources of the Nepalese missions abroad and by mobilizing them effectively. Likewise, a more robust and practical policy needs to be adopted to utilize the capital of the Non-Resident Nepalese, their skills and investment for the economic and social development of the country.

In a difficult context of post-disaster reconstruction in the country, the traditional way of handling economic diplomacy will be hardly helpful. The diplomacy now requires to be more robust, scrupulously creative, functional and contributive towards achieving long term development goals. Economic issues dominate the present-day diplomatic agenda. Keeping abreast with this new dimension in diplomacy and our specific needs and priorities in the aftermath of the disaster, the Government is coming up with country specific strategies to promote the Nepalese export, and such strategies for nine important countries have already been prepared and the strategies for other countries will also be prepared in due course of time. The involvement of private-sector counts important, so these strategies are prepared in close consultations with Federation of Nepalese Chambers of Commerce and Industries (FNCCI) and other private sector pioneers. Similarly, the Non-Resident Nepalese Act, 2006 and its rules need to be amended to create a more conducive environment for all the non-resident Nepalese people to fully utilize their capital and skills in Nepal. An advisory committee has started its works to prepare a report in this regard.

Mr. Chairperson,

The Ministry of Foreign Affairs with a view to promote economic diplomacy, is planning to set up a resource centre at the Ministry, for assisting study, research and analysis in the area. Cross-cutting and multi-stake initiative such as economic diplomacy apparently requires an effective coordination. To address the previously seen gap and lack of coordination, the Ministry is planning to install high-tech solutions for bringing all the ministries and Nepalese missions aboard into one meeting point through the ways and means such as video-conferencing, and also by establishing a dedicated cell in each line ministry/agency. Capacity building of the Nepalese missions, training and orientations to personnel in the Foreign Service, equipping them with adequate resources and predictable time frames to execute plans with specified programmes are being worked out rigorously. The Ministry is focusing on the internal capacity building by enhancing professionalism of the Foreign Service cadres through required research, training and orientation,
including on the job trainings in the economic and commercial fields. Such measures and the separate Foreign Service Act which is being drafted now will better prepare our diplomats for challenging tasks in the changed context.

**Mr. Chairperson and dear friends,**

We are undergoing a difficult phase in Nepal’s history. There are challenges, too, but I would rather like to say that history has given this opportunity for all of us to do something. Despite challenges, we should move on, should move forward and pave a way for a better future. The future generations will judge us on the basis of our contributions to the nation at present.

I am confident that such a discussion and interaction programme organized at the time when we need further precision and clarity on our foreign policy priorities in the post-disaster rebuilding phase will guide the Government. I hope that this discussion and the exchange of views on various issues will generate creative and useful suggestions for the Government.

Lastly, I would like to thank the IFA team once again for organizing this talk programme. Similarly, I would like to thank both the paper presenters, Mr. Madhu Raman Acharya and Dr. Min Bahadur Shrestha both equipped with vast knowledge, innovative ideas, and substantive experience in their fields, commentators and all the participants for the thought-provoking presentations and meaningful comments, in advance.

**Thank you!**
Hon. Foreign Minister and Chairperson of IFA, Mr. Mahendra Bahadur Pandey  
Former Chief Secretary, Mr. Leela Mani Paudyal  
Officiating Secretary, Foreign Ministry, Mr. Shankar Das Bairagi

Paper presenters, Mr. Madhu Raman Acharya, former Foreign Secretary and PR to UN, on the title, Rebuilding Nepal: Post Earthquake and Dr. Min Bahadur Shrestha, Executive Director NRB on the title Rebuilding Nepal: Post Earthquake Economic Diplomacy

Paper Commentators, Dr. Khadga K. C., Associate Professor, DIRD, TU and Mr. Deependra Kshetry, Former Governor NRB and Vice Chair NPC

Eminent personalities in the field of foreign relations, economy, business, diplomacy, academy and political parties and Civil Society

Friends from media

Colleagues from Ministry of Foreign Affairs, other Ministries, all other invited guests and my co-workers from the Institute of Foreign Affairs

A very warm welcome and a very good afternoon to all of you.

I thank Hon. Minister for agreeing to be our chief guest and key note speaker and for always encouraging IFA endeavors. I also appreciate him for his eloquent and thought provoking ideas on the theme of the talk programme and for setting the tone for the following substantive session with two papers.

Former Chief Secretary deserves our thankfulness for his excellent opening remarks and to have been always supporting and encouraging us.

I am thankful to all the distinguished participants that you were able to participate in this important seminar on our request inspite of your busy schedule.

Nepal is still at cross road of myriad issues especially in the grueling and never ending exercise of constitution writing.
Adding salt to the injury, the series of earthquake and aftershocks starting April 25, 2015 killed over 9,000 people, injured over 22,000, and destroyed hundreds of thousands of homes. A million people were rendered homeless. Reconstructing Nepal has become the first priority of the country.

Nepal and Nepalese are reeling under great strain as a result of this disastrous mega earthquake. There is great need and accordingly debates are going on about different approaches of reconstructing Nepal including national and international resources mobilization.

However, it is matter of great pleasure that recently there are glimmer of positive sign and symptoms on the horizon as we believe our national leadership will be able to settle the pending issues of federal border delineation and other issues of contest and come up with the people’s constitution that includes panacea for aspirations of the majority.

In the mean time Nepal witnessed new power rivalry taking shape between our neighbors and other friendly countries. However, it is remarkable to note that our friendly countries have tried to downplay any rivalry and it is being felt that the competing donations in billions from them are in Nepal’s favor.

To maintain a sound economy in the competitive global arena, the role of economic diplomacy is crucial. Nepal needs to pursue economic diplomacy to bring in more foreign direct investment for post-earthquake reconstruction and rehabilitation corresponding to that befits the massive loss of lives and physical infrastructures.

The primary responsibility of rebuilding Nepal obviously lies with the government - especially since it worked so hard to control all aspects of relief operations and much of the money used will come from national revenues.

As a post-conflict and post-earthquake disaster stricken country with poor economic indicators, Nepal needs a large amount of investment. During the June 25 2015 Post-Earthquake Donors’ Conference on Reconstruction (PDCR) the international pledge for massive donation and financial support for reconstruction is to be highly appreciated.

In the meantime the government also is required to ensure better expenditure ratio with good governance that shows better and drastic improvement from the past under-performance. The appointment yesterday of CEO for National Reconstruction Authority is a welcome step.

However, in this overall sensitive situation Nepal needs to tread carefully with smart diplomacy promoting and protecting our national interest focusing
currently on the agenda of rebuilding Nepal.

In this context there is necessity to allocate adequate resources with well-trained diplomats here and abroad so that Nepal can efficiently advocate for its economic agendas in the international arena through proper negotiation, promoting tourism, trade and investment. Thus, strengthened economic diplomacy will go a long way towards reconstruction and rehabilitation post-earthquake.

I believe the following substantive session will be a learning opportunity for all of us.

I once again welcome you all and invite you all for active and thoughtful participation in the substantive session.

Thank you very much!
1. Background

Diplomacy has played a critical role in maintaining world peace and harmony. The importance of diplomacy has even increased in the modern times as fast and complicated interactions among countries are creating increasing tensions. Focus of the diplomacy has shifted from maintaining peace and friendship to contributing to economic prosperity of the country. Economic diplomacy generally emphasizes on facilitating trade and investment. Several countries also make efforts to promote tourism as this sector has significant contribution to their gross domestic product. In Nepalese context, in addition to promoting exports, economic diplomacy can contribute to the country’s economy by attracting foreign investment, promoting tourism, managing labor export and discouraging illegal trade and transactions. The April 2015 Earthquake has created massive rehabilitation and reconstruction needs. In this regard, country expects more meaningful role of its diplomatic missions abroad.

This paper presents an overview of the Nepalese economy and discusses country’s merchandise trade, investment and labor export situation. Understanding of current situation, associated challenges and opportunities in these areas are important for taking appropriate supportive actions.

2. Effects of the Earthquake and Reconstruction Needs

The April 2015 earthquake and its aftershocks have taken lives of more than eight thousand people and caused massive damage to the Nepalese economy. In this context, the country needs to carryout massive rehabilitation and reconstruction works. The Post Disaster Needs Assessment (PDNA) carried out by the Government of Nepal in collaboration with development partners has shown that the earthquake has caused total damage and loss of Rs. 706 billion (USD 7.06 billion) and that the country needs Rs. 670 billion (USD 6.70 billion) for rehabilitation and reconstruction.
More than half million houses have been destroyed by the earthquake all over the country. Resettlement of the displaced people is the first priority work which needs construction of affordable houses in mass scale. This has created trade and investment opportunity in house construction and technology related field. Similarly, increased recovery needs have created increased opportunities in various fields.

Table 1: Effects of Earthquake and Reconstruction Needs

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disaster Effects (NPR. in billion)</th>
<th>Total Needs (NPR. in billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Damage</td>
<td>Loss</td>
</tr>
<tr>
<td>Social sectors</td>
<td>355.02</td>
<td>53.60</td>
</tr>
<tr>
<td>Productive Sectors</td>
<td>58.07</td>
<td>120.04</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>52.46</td>
<td>14.32</td>
</tr>
<tr>
<td>Cross-Cutting Issues</td>
<td>51.87</td>
<td>1.06</td>
</tr>
<tr>
<td>Total</td>
<td>517.42</td>
<td>189.02</td>
</tr>
</tbody>
</table>

Source: Post Disaster Needs Assessment 2015, National Planning Commission

3. Key Economic Indicators

Nepal’s economic growth rate has remained very slow compared to its potential. Average annual GDP growth rate stood around 4.0 percent in the last decade. In the recent years, macroeconomic fundamentals have remained stable and sound except for the ever increasing trade deficits. Inflation is moderating. Despite the huge trade deficit, foreign exchange reserve has remained at a comfortable level. Due to the improving investment climate and some progress made in infrastructure sector, economic activities are increasing. The GDP grew by 5.4 percent at producers' price in 2014. The growth rate was expected to remain above 5 percent in 2015 too. But inadequate monsoon rain and the April earthquake reduced the growth rate to 3 percent at basic prices and 3.4 percent at producers' prices in 2015.

Banking sector has developed to a satisfactory level and now it is passing through the consolidation phase. Increased financial access has helped in increasing the economic activities in the country. Improving political situation, sound macroeconomic fundamentals, massive policy reforms being undertaken and huge reconstruction needs created by the earthquake are expected to propel the economy toward a new growth trajectory. This in turn will ensure high return on investment.
Table 2: Macroeconomic Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (USD billion)</td>
<td>16.0</td>
<td>18.9</td>
<td>18.8</td>
<td>19.3</td>
<td>19.7</td>
<td>21.4</td>
</tr>
<tr>
<td>GDP growth (Producers’ Price, %)</td>
<td>4.8</td>
<td>3.4</td>
<td>4.8</td>
<td>4.1</td>
<td>5.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>9.6</td>
<td>9.6</td>
<td>8.3</td>
<td>9.9</td>
<td>9.1</td>
<td>7.2</td>
</tr>
<tr>
<td>Import/GDP ratio</td>
<td>31.4</td>
<td>29.0</td>
<td>30.2</td>
<td>32.9</td>
<td>36.8</td>
<td>36.5</td>
</tr>
<tr>
<td>Export/GDP ratio</td>
<td>5.1</td>
<td>4.7</td>
<td>4.9</td>
<td>4.5</td>
<td>4.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Import Coverage (months)</td>
<td>7.4</td>
<td>7.3</td>
<td>10.3</td>
<td>10.1</td>
<td>10.0</td>
<td>11.2</td>
</tr>
<tr>
<td>Remittance/GDP</td>
<td>19.4</td>
<td>18.5</td>
<td>23.5</td>
<td>25.7</td>
<td>28.0</td>
<td>29.0</td>
</tr>
<tr>
<td>Balance of Payment (USD millions)</td>
<td>-44.3</td>
<td>56.7</td>
<td>1624.7</td>
<td>782.9</td>
<td>1282.5</td>
<td>1430.2</td>
</tr>
<tr>
<td>FX Reserves (USD billions)</td>
<td>3.61</td>
<td>3.84</td>
<td>4.96</td>
<td>5.61</td>
<td>6.94</td>
<td>8.15</td>
</tr>
<tr>
<td>Exchange Rate (NPR. per 1 USD, annual average)</td>
<td>74.2</td>
<td>72.1</td>
<td>81.0</td>
<td>88.0</td>
<td>98.2</td>
<td>99.48</td>
</tr>
</tbody>
</table>

Source: Nepal Rastra Bank

Table 3: Banking System in Nepal

<table>
<thead>
<tr>
<th>Type</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>27</td>
<td>31</td>
<td>32</td>
<td>31</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Development Banks</td>
<td>79</td>
<td>87</td>
<td>88</td>
<td>86</td>
<td>84</td>
<td>81</td>
</tr>
<tr>
<td>Finance Companies</td>
<td>79</td>
<td>79</td>
<td>69</td>
<td>59</td>
<td>53</td>
<td>52</td>
</tr>
<tr>
<td>Microfinance Dev. Banks</td>
<td>18</td>
<td>21</td>
<td>24</td>
<td>31</td>
<td>37</td>
<td>35</td>
</tr>
<tr>
<td>Saving and Credit Cooperatives (limited banking activities)</td>
<td>15</td>
<td>16</td>
<td>16</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>NGOs</td>
<td>45</td>
<td>38</td>
<td>36</td>
<td>31</td>
<td>28</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>263</td>
<td>272</td>
<td>265</td>
<td>253</td>
<td>247</td>
<td>241</td>
</tr>
</tbody>
</table>

Source: Nepal Rastra Bank

4. Foreign Trade

In the modern times, none of the economies can be self-sufficient in terms of goods and services demanded by the citizens. It has been a common practice that goods and services produced in excess of the domestic demand are exported and goods and services not produced within the country in sufficient quantity are imported from other countries. As a result, international trade has become a major factor connecting the world. The surplus or deficit
incurred in trade heavily affects the economy of a country. Hence, countries try to expand market for their products. In several occasions, conflict between countries arises because of the trade issues. In modern days, trade facilitation has been one of the major areas of economic diplomacy.

Nepal imports not only petroleum products, industrial machinery and vehicles, but also consumable goods and raw materials which can be produced within the country. The volume of export is very small. Export goods mainly include agricultural and labor-intensive products. In the past, some restrictions were imposed on imports of goods in order to encourage domestic production in selected sectors. After the adoption of liberalized trade policy, such restrictions have been removed. Nepal became member of the WTO in April 2004. Since then, various tariff and non-tariff barriers have been gradually relaxed.

The trade data of the last two decades show that import has dramatically increased along with the trade liberalization but export has remained flat. Until 2010, export proceeds used to be sufficient at least to cover the import of petroleum product. However, from 2011, import of single item petroleum product has exceeded the amount of total exports. In 2015, Nepal’s total export stood at NPR. 85.32 billion, whereas, the import of petroleum product reached NPR. 112.09 billion.

During the last decade (2006-2015), exports on an average grew only by 4.2 percent annually whereas imports registered an average annual growth of 18.2 percent. Due to small base and slow growth of exports and large base and high growth of imports, trade deficit increased by an annual average rate of 22.9 percent.

**Table 4: Direction of Foreign Trade**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (NPR in billion)</th>
<th>Growth%</th>
<th>Imports (NPR in billion)</th>
<th>Growth%</th>
<th>Trade Balance (NPR in billion)</th>
<th>Growth%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>60.23</td>
<td>2.6</td>
<td>173.78</td>
<td>16.3</td>
<td>-113.55</td>
<td>25.1</td>
</tr>
<tr>
<td>2007</td>
<td>59.38</td>
<td>-1.4</td>
<td>194.69</td>
<td>12.0</td>
<td>-135.31</td>
<td>19.2</td>
</tr>
<tr>
<td>2008</td>
<td>59.27</td>
<td>-0.2</td>
<td>221.94</td>
<td>14.0</td>
<td>-162.67</td>
<td>20.2</td>
</tr>
<tr>
<td>2009</td>
<td>67.70</td>
<td>14.2</td>
<td>284.47</td>
<td>28.2</td>
<td>-216.77</td>
<td>33.3</td>
</tr>
<tr>
<td>2010</td>
<td>60.80</td>
<td>-10.2</td>
<td>374.30</td>
<td>31.6</td>
<td>-313.50</td>
<td>44.6</td>
</tr>
<tr>
<td>2011</td>
<td>64.30</td>
<td>5.8</td>
<td>396.20</td>
<td>5.9</td>
<td>-331.90</td>
<td>5.9</td>
</tr>
<tr>
<td>2012</td>
<td>74.30</td>
<td>15.6</td>
<td>461.70</td>
<td>16.5</td>
<td>-387.40</td>
<td>16.7</td>
</tr>
<tr>
<td>2013</td>
<td>76.92</td>
<td>3.5</td>
<td>556.74</td>
<td>20.6</td>
<td>-479.82</td>
<td>23.9</td>
</tr>
<tr>
<td>2014</td>
<td>91.99</td>
<td>19.6</td>
<td>714.37</td>
<td>28.3</td>
<td>-622.38</td>
<td>29.7</td>
</tr>
<tr>
<td>2015</td>
<td>85.32</td>
<td>-7.3</td>
<td>774.68</td>
<td>8.4</td>
<td>-689.36</td>
<td>10.8</td>
</tr>
<tr>
<td>Annual average</td>
<td>65.32</td>
<td>4.2</td>
<td>461.70</td>
<td>18.2</td>
<td>-387.40</td>
<td>22.9</td>
</tr>
</tbody>
</table>

*Source: Nepal Rastra Bank*
The concept of trade liberalization assumes that free flow of trade would ensure supply of quality goods and services at lower prices to the global citizens. On the other hand, it encourages countries to enhance their competitiveness. Based on this philosophy, World Trade Organization came into existence to promote free trade activities globally. Members of WTO are treated equally and they need to compete with each other irrespective of their size and status of the economy. WTO members get unconditional access to each others’ market. In case of Nepal, where capital account is by and large unconvertible and residents cannot make capital investment abroad, WTO membership has become one-way traffic, just providing market to other countries. As a result, domestic industries which might have grown under some protection from the government have collapsed as import became cheaper.

Figure 1 above shows that export has remained at the same level but imports picked up dramatically after Nepal’s WTO membership in 2004. To maximize the benefits of the free access to the world market, diplomatic efforts need to be enhanced.

5. Foreign Investment

Developing countries like Nepal need huge investment to unlock their economic growth potential. This is not possible with the limited resources available within the country. Foreign investment also helps in developing systems and standards and technology transfer. Hence, developing countries
strive to attract foreign investment. Table No. 5 presents the foreign investment scenario of selected countries. Foreign investment in Nepal is not even one percent of the GDP. On the other hand, foreign investment as a percent of GDP is continuously declining since 2010. Countries such as Vietnam and Maldives have been able to achieve higher economic growth supported by increased foreign investment.

Table 5: Foreign Investment Status (Foreign Investment to GDP Ratio)

<table>
<thead>
<tr>
<th>SN</th>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bangladesh</td>
<td>0.80</td>
<td>0.75</td>
<td>0.92</td>
<td>1.11</td>
<td>1.00</td>
</tr>
<tr>
<td>2</td>
<td>Bhutan</td>
<td>1.45</td>
<td>4.75</td>
<td>1.71</td>
<td>1.34</td>
<td>2.79</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>2.61</td>
<td>1.60</td>
<td>1.99</td>
<td>1.31</td>
<td>1.51</td>
</tr>
<tr>
<td>4</td>
<td>Maldives</td>
<td>7.29</td>
<td>9.28</td>
<td>17.21</td>
<td>8.99</td>
<td>13.34</td>
</tr>
<tr>
<td>5</td>
<td>Myanmar</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>1.79</td>
<td>3.84</td>
</tr>
<tr>
<td>6</td>
<td>Nepal</td>
<td>0.30</td>
<td>0.55</td>
<td>0.50</td>
<td>0.49</td>
<td>0.39</td>
</tr>
<tr>
<td>7</td>
<td>Sri Lanka</td>
<td>0.96</td>
<td>0.96</td>
<td>1.62</td>
<td>1.58</td>
<td>1.36</td>
</tr>
<tr>
<td>8</td>
<td>China</td>
<td>3.30</td>
<td>4.52</td>
<td>4.43</td>
<td>3.49</td>
<td>3.67</td>
</tr>
<tr>
<td>9</td>
<td>Mongolia</td>
<td>13.60</td>
<td>23.53</td>
<td>45.29</td>
<td>36.21</td>
<td>17.15</td>
</tr>
<tr>
<td>10</td>
<td>Singapore</td>
<td>12.38</td>
<td>23.30</td>
<td>17.43</td>
<td>19.54</td>
<td>21.44</td>
</tr>
<tr>
<td>11</td>
<td>Vietnam</td>
<td>7.17</td>
<td>6.90</td>
<td>5.48</td>
<td>5.37</td>
<td>5.20</td>
</tr>
</tbody>
</table>

*Source: World Bank Database, 2015*

6. Investment Environment in Nepal

Due to the high growth potential and gradually improving investment environment, Nepal is one of the attractive destinations for foreign investment. However, foreign investment is not flowing in to the country at the expected level compared to the competitor countries where investment environment is less attractive. According to the Doing Business Index compiled by the World Bank, Nepal ranks 108 in 2015, which is above the regional average (Figure 2). Based on this ranking, investment environment in Nepal seems to be better than that in Bhutan and India. It is obvious that Nepal is lagging behind in marketing its potential. Hence, diplomatic missions stationed abroad should be mobilized for effective marketing of the opportunities available in the country.

Following are the specific factors that make Nepal attractive destination for foreign investment:
Liberal Policies: Nepal is one of the most liberalized countries in South Asia. Trade and foreign direct investment are open as it has become member of the WTO and other free trade treaties such as SAFTA and BIMSTEC.

![Figure 2: Ranking of Nepal and Comparator Economies](image)

*Note:* The rankings are benchmarked to June 2014 and based on the average of each economy’s distance to frontier (DTF) scores for the 10 topics included in this year’s aggregate ranking. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each Doing Business indicator. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities. Source: Doing Business database.

Location Advantage: Nepal is situated between two giant markets - India and China. The country can become a transit hub between two countries. A number of infrastructure development projects are under way which will facilitate the trade and transit between these countries in the coming days.

Low Human Resource Cost: Labor costs are low compared to that in other countries in the region. The literacy rate is increasing and various human development initiatives are underway.

Abundant Natural Resources: Nepal is rich in biodiversity. It has variety of metallic, nonmetallic and fuel minerals. It is believed that there are large deposits of limestone, talc and other industrial and construction related materials in the country. So far, 63 minerals have already been identified.
Low Land Price and Renting Costs: Land and buildings are easily available and land price and renting costs are comparatively low.

Government Support: Government supports big investment projects in a number of ways. Projects in priority areas get tax exemptions. Link roads are constructed by the government in selected project areas such as cement factories and hydropower projects.

Forms of Investment and Technology Transfer: Foreign investments can be in the form of equity, loan and reinvestment of earnings. Technology transfer is allowed in the form of use of any technological right, specialization, formula, process patent or technical know-how of foreign origin. Similarly, use of any trademark of foreign ownership and acquiring any foreign technical consultancy, management and marketing services are allowed.

Central Bank Policies: Nepal Rastra Bank maintains easy and transparent FDI approval and recording system. Current account is fully convertible and capital account is being opened up gradually. Exchange rate is pegged with Indian currency and flexible to convertible currencies. Selected raw materials can be imported from India by paying in US Dollar. Procedures for opening and maintaining foreign exchange accounts are very simple.

7. Potential Areas of Investment

Almost every area is open to foreign investment in Nepal. Following are some of them:

Agriculture: Sunflower seeds, large cardamom, cut flowers, herbs, ginger, tea and livestock.

Manufacturing: Leather and leather products, hand woven carpets, jute and jute products, essential oils, paper, textiles, polyester yarn, pashmina mufflers and shawls, specific garments and construction materials.

Tourism: Mountaineering, trekking, retailing, jungle safari, mountain flights, hotels, resorts and restaurants.

Recreation: Theme parks, water parks, hunting resorts and casinos.

Health and Education: Medical, agricultural, forestry and tourism schools of higher education, hospitals, nursing homes and age care centers.

Hydropower and Renewal Energy: Hydropower generation, transmission lines to India and Bangladesh for power trade, renewal energy such as solar and wind power.
Infrastructure Development: International and domestic airports, roads, railways, mass rapid transport systems, cable cars and water ways.

8. Foreign Employment

Nepal is one of the countries receiving huge remittance from migrant workers. About half million youth enter into the job market every year but most of them cannot get a job within the country. Because of the rising unemployment, increasing number of young people is leaving the country every year in search of employment. In 1993/94, number of people leaving the country for foreign employment was less than four thousand, which has reached more than half million in 2013/14 (Table 6). Currently, approximately 15 percent of the country’s population is estimated to be working in foreign countries. In recent years, Malaysia has become top destination for Nepalese youth followed by Qatar and other Gulf countries.

Table 6: Foreign Employment Trend
(Number of Person Leaving for Foreign Employment)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>1</td>
<td>Qatar</td>
<td>391</td>
<td>9030</td>
<td>24128</td>
<td>76175</td>
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<td>0</td>
<td>151</td>
<td>45760</td>
<td>35070</td>
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<tr>
<td>3</td>
<td>Saudi Arab</td>
<td>2290</td>
<td>14948</td>
<td>16875</td>
<td>48749</td>
<td>86876</td>
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<tr>
<td>4</td>
<td>UAE</td>
<td>132</td>
<td>1417</td>
<td>12760</td>
<td>31688</td>
<td>54965</td>
</tr>
<tr>
<td>5</td>
<td>Kuwait</td>
<td>361</td>
<td>609</td>
<td>3194</td>
<td>2291</td>
<td>19353</td>
</tr>
<tr>
<td>6</td>
<td>Bahrain</td>
<td>91</td>
<td>787</td>
<td>606</td>
<td>6360</td>
<td>4185</td>
</tr>
<tr>
<td>7</td>
<td>Oman</td>
<td>43</td>
<td>90</td>
<td>73</td>
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<td>3435</td>
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<td>0</td>
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<td>2125</td>
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<td>0</td>
<td>0</td>
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<td>1117</td>
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<td>0</td>
<td>433</td>
<td>3378</td>
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<td>11</td>
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<td>1538</td>
<td>605</td>
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<tr>
<td>12</td>
<td>Japan</td>
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<td>0</td>
<td>0</td>
<td>1827</td>
<td>2098</td>
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<tr>
<td>13</td>
<td>Others</td>
<td>297</td>
<td>764</td>
<td>2831</td>
<td>2354</td>
<td>9358</td>
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<td>Total</td>
<td>3605</td>
<td>27796</td>
<td>106660</td>
<td>219965</td>
<td>527814</td>
</tr>
</tbody>
</table>

Source: Department of Foreign Employment
Table 7: Workers’ Remittance Inflow

<table>
<thead>
<tr>
<th>Year</th>
<th>Remittance (NPR billion)</th>
<th>Growth rate (Percent)</th>
<th>GDP (NPR billion)</th>
<th>Remittance to GDP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003/04</td>
<td>58.59</td>
<td>8</td>
<td>536.75</td>
<td>10.9</td>
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<tr>
<td>2004/05</td>
<td>65.54</td>
<td>11.9</td>
<td>589.41</td>
<td>11.1</td>
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<tr>
<td>2005/06</td>
<td>97.69</td>
<td>49</td>
<td>654.08</td>
<td>14.9</td>
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<tr>
<td>2006/07</td>
<td>100.14</td>
<td>2.5</td>
<td>727.83</td>
<td>13.8</td>
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<tr>
<td>2007/08</td>
<td>142.68</td>
<td>42.5</td>
<td>815.66</td>
<td>17.5</td>
</tr>
<tr>
<td>2008/09</td>
<td>209.7</td>
<td>47</td>
<td>988.27</td>
<td>21.2</td>
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<tr>
<td>2009/10</td>
<td>231.73</td>
<td>10.5</td>
<td>1192.77</td>
<td>19.4</td>
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<tr>
<td>2010/11</td>
<td>253.55</td>
<td>9.4</td>
<td>1366.95</td>
<td>18.5</td>
</tr>
<tr>
<td>2011/12</td>
<td>359.55</td>
<td>41.8</td>
<td>1527.34</td>
<td>23.5</td>
</tr>
<tr>
<td>2012/13</td>
<td>434.58</td>
<td>20.9</td>
<td>1695.01</td>
<td>25.6</td>
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<tr>
<td>2013/14</td>
<td>543.29</td>
<td>25.0</td>
<td>1941.62</td>
<td>28.0</td>
</tr>
<tr>
<td>2014/15</td>
<td>617.28</td>
<td>13.6</td>
<td>2124.65</td>
<td>29.0</td>
</tr>
</tbody>
</table>

Source: Nepal Rastra Bank

Along with the increase in the number of migrant workers, remittance inflow in the country has increased. In 2003/04, the country received remittance of NPR 58.59 billion, which was 10.9 percent of the GDP. In 2014/15, remittance inflow has crossed NPR 617 billion, which is 29 percent of the GDP (Table 7). Nepal is incurring huge trade deficit and it is alarmingly increasing every year. Remittance has been the main source to cover most of the deficit incurred in the foreign trade. In the absence of remittance inflow of this magnitude, country would not have been able to cope with such a huge trade deficit.

Various sectors of the economy are facing labor shortage due to the labor flight. Agricultural lands are being left uncultivated and development related works have slowed down. Against this backdrop, it is argued that foreign employment should be discouraged. However, due to the unavailability of employment within the country, it seems that Nepalese youth will continue to migrate abroad for job for some time. In order to maximize the benefit of foreign employment and to provide protection to the migrating youth, this sector should be properly managed. Some measures have been taken by the government and the private sector in this direction but these are insufficient and need to be enhanced. Under the foreign employment management, new and safer destination countries should be explored which may help in destination diversification.
Most of the Nepalese youth working abroad are unskilled. Efforts should be made to train the foreign job seekers to make them at least semi-skilled. For this purpose, types of skills demanded by the labor importing countries should be identified. Accordingly, skills should be imparted to the potential group through mass scale training in the country. Similarly, protection of Nepalese workers is another important issue that needs to be addressed immediately and effectively. In many cases, Nepalese workers are compelled to work in different area than mentioned in the agreement and salaries and benefits are not provided as agreed before. In several places, Nepalese workers have to work in unacceptable physical environment. To protect Nepalese workers from such exploitation and various other deceptions, blanket labor agreement should be done at the government level.

9. Concluding Remarks

Nepal is a country of opportunities and high growth potential. However, the country is lagging behind in economic growth and development despite possessing such opportunities and potential. Political instability, structural bottlenecks and weak institutions are the major factors holding the country back. In the recent years, there has been gradual improvement in the political front and several measures have been taken to address the structural bottlenecks. As a result, the country was starting to achieve a growth rate of 5 percent and higher growth rate was expected in the following years. However, the earthquake of April 2015 caused enormous damage to the economy. Concerted efforts need to be made by every unit of the state for timely recovery of the economy. In this regard, economic diplomacy also has an increased role to play in rebuilding of the country.

Promoting export trade and attracting foreign investment are the common areas of the economic diplomacy. Looking at the Nepalese trade and foreign investment data, it can be argued that Nepal’s economic diplomacy has not been effective so far. In some cases, diplomatic failure may be blamed for losing market and declining exports of certain Nepalese products. If the situation remains the same, it will be very difficult to justify the expenses of maintaining the Nepalese missions abroad. Hence, diplomatic missions should involve in aggressive marketing for promotion of Nepalese exports and attracting foreign investment. Foreign investment may help increase the export if such investments are channelled to the projects that produce exportable items.

Nepal’s economy is highly dependent on the workers’ remittance. Large portion of the trade deficit is covered by the remittance income. Due to
the large number of work force entering into the job market every year and unavailability of the employment opportunities within the country, workers migration seems to continue for some time. In this regard, proper management of foreign employment can enhance the benefit from this sector. Hence, Nepalese economic diplomacy should play effective role in foreign employment area too.

Illegal trade, transactions and capital flows between countries create instability and uncertainty in the external sector. For example, remittance inflows decline dramatically despite increasing number of migrant workers and increase in worker remuneration in the destination countries. This is caused by the nexus of the illegal trade, capital flight and remittance through informal and illegal channels, which are interrelated. Workers’ hard earned remittance is used to finance illegal trade and capital flight. To discourage such activities, diplomatic missions can help the government by economic intelligence and surveillance works.
Chair of this session, Mr. Bairagi, Secretary, Ministry of Foreign Affairs, Paper Presenter Dr. Shrestha, Eminent Personalities with diplomatic background, media person, Ladies and gentlemen

I would like to thank the organizers for giving me this opportunity to comment on the scholarly paper presented by Dr. Shrestha on the topic "Rebuilding Nepal: Post Earthquake Economic Diplomacy" which is very timely and result oriented viewing the situation of continued tremors even after the major quake of April 25, 2015. I congratulate the paper presenter for his effort in putting issues together the case of damage caused by earthquake and importance of economic diplomacy in rebuilding task.

Dr. Shrestha has given theoretical aspects of economic diplomacy and indicates the areas in which economic diplomacy effectively provides results. In Nepal’s context, economic diplomacy might contribute in promotion of trade and tourism, bring investments, safeguard the interest of migrant workers and discourage illegal activities. By pursuing these aspects economic interest as well as mutual relations among nation states could be promoted. In the paper the presenter had cited the data produced by 'post disaster need assessment (PDNA) prepared by the National Planning Commission in cooperation with donor agencies. As per the report cited, the total loss (including damage equivalent to NPR 517.421 billion) was NPR 706.45 billion while the need for reconstruction was estimated NPR 669.50 billion only. Allowing private investment Dr. Shrestha has depicted the picture of Nepalese economy very well. The GDP growth in 2014 was recorded 3.4 percent scaled down due to earth quake, otherwise, it was estimated 5 percent. Similarly, remittance receipt was 28.1 percent of GDP and the foreign reserve equivalent to US dollar 7.7 billion covering import of goods and services of more than 11 months.

Over 241 banks and financial institutions with 3721 branch net works throughout the country are working. Policy reforms are continued process. Nepal has adopted current account convertibility and repatriation of profit is
fully assured. Investment opportunities are high with better returns specially in agriculture, tourism, hydro sector beside cement and manufacturing industries. Despite of all these facts foreign direct investment receipt is meager compared to neighboring countries. According to 2013 figures, Nepal received the FDI equivalent to 0.39 percent of GDP, while China and India received the FDI 3.67 percent and 1.51 percent of the GDP respectively.

Dr. Shrestha, very logically, has put his arguments for conducting economic diplomacy at a time of crisis caused by earthquake. The paper presenter should be thanked for the date and the list of reform measures taken in the economy.

The paper would have been more lucid had the following elements been included:

International assistance has guiding principles based on which industrial or developed countries have promised to earmark 0.7 percent of their Gross National Income as Official Development Assistance (ODA). The promise has never been translated into practice, rather a popular slogan is gaining momentum internationally as 'trade not aid'. Definitely nexus of trade of developing countries are not in favor. Redefining the present position definitely benefits the low income countries. Still technology and management skill transfer could be facilitated through external assistance. Therefore, based on basic principles of Aid Effectiveness, Accra Plan of Action and latest Busan Partnership for Effective Development Cooperation, Nepal could expect ODA at a time when nation is in dire need of capital and other resources for reconstruction and rebuilding transforming into "New Nepal". Highlighting on the accepted principles of aid effectiveness, Nepal should direct its diplomatic missions overseas. But to enhance such activities, the missions need timely directions and budget, so that the loss incurred due to earthquake could be demonstrated clearly and assistance elicited.

Similarly, Dr. Shrestha could not present the critical view on PDNA report. The loss far exceeds the needs projected to reconstruct the damaged private houses and structures of cultural heritage. Total loss is estimated NPR 706.45 billion while the need of resources to restore or rebuilt is NPR 669.5 billion only. Naturally, the costs involved for reconstruction becomes high than the loss but, PDNA advocates otherwise. That is why the pledge made by donors during the international conference was limited to NPR 440 billion only.

While discussing about the reconstruction of the damaged properties, main role becomes that of the 'Reconstruction Authority' which was constituted just yesterday (13th August 2015). Losing the patience the neighboring countries
China and India have spelled out the areas in which the promised amount will be used. Had there been plans and programs formulated in advance, which was normally expected because relief, reconstruction and rehabilitation works should have been handled at war footing. After three and half months of the earthquake just the officials of the 'Reconstruction Authority' have been partially announced. Preparedness to mitigate the incidents like earthquake should have been in place though in crude form. In our case even cabinet meeting could not take place because Rt. Honourable Prime Minister was on official visit to overseas. Officiating Prime Minister either did not bother or did not dare to hold cabinet meeting. The relief works were taken up by government agencies like army, policy and more by spontaneously from private initiatives. It happened just like in Rana regime. During the earthquake of 1934 AD, the then PM was in 'Naya Muluk' the present Nepaljung area on safari tour. Only after tour days PM heard about damage in Kathmandu valley. This time, it is claimed that the sad message was learnt by Nepalese Prime Minister from tweet of Indian Prime Minister. This is pitiable condition of communication system in the government.

Owing to lack of proper decision, Nepal could not mobilize human and financial resources properly within the country. Neighboring India immediately dispatched army helicopters with provisions of stationing at Pokhara and Kathmandu airports. None of the government agencies were aware of the incident it is claimed in the press. The activities of the search and relief team were not in command of Nepalese authorities. Not in the same scale but similar events were reported about military assistance from other countries too.

Relief materials were not stocked properly. Neither the request of some other countries to land at Tribhuvan International Airport with relief materials were permitted nor handled well after the materials already landed. Chaos atmosphere prevailed resulting in mismanagement and misuse of materials and resources received from friendly countries. No one was punished for misusing the relief materials, though RT. Honourable PM himself declared that there was plenty of reporting’s about the misuse of resources, while the affected persons did not have access to relief materials. On these internal grounds the donors preferred to handle the reconstruction and rehabilitation work on their own using the pledged amount.

The paper claims good investment climate in Nepal. It is true that while attracting FDI we pledge many facilities including one door policy – rendering services to the investors from one table. Unfortunately, in practice we have not been able to organize and coordinate service as promised.
At a time we are expecting international cooperation in the country when many Nepali missions overseas are headless. Dealing by the chief of the mission becomes quite different than the officiating officials. Let us expedite therefore, to designate mission head and guide them properly with adequate resources so that economic diplomacy produces tangible result. Tasks performed by different missions should be monitored and carrot and stick principle be adhered to so as to produce results in the interest of the country.

Earthquake affected persons are enduring trauma and difficulties particularly that of shelter under shift tents. Well coordinated efforts among government and private agencies within the country and information sharing and eliciting assistance from donor countries and agencies are needed. The meaning of empowering the “Reconstruction Authority” will be meaningless if it cannot discharge its duties at war footing and afford immediate benefit by reconstructing new buildings and infrastructure to transform country into New Nepal.

Thank you.
Despite the huge loss of lives, property and infrastructure, the devastating earthquake that hit Nepal on 25 April and its aftershocks brought out some positive influences. It helped remove the seven-year deadlock over the country’s new constitution with emergence of a political consensus on way forward including on future “reconstruction” and development and on the mobilization of international support and for rebuilding Nepal. But the earthquake exposed Nepal’s poor state of preparedness for a major disaster, made bare Nepal’s state fragility, brought out in the open Nepal’s vulnerability to competition among its neighbours and big powers, and uncovered weaknesses in the country’s “disaster diplomacy” and made open the vested interests of outside parties that came to assist. Nepal’s post-earthquake rebuilding is bound to have external dimensions and influences in the country’s foreign policy. Though Nepal’s long-standing experience in “aid diplomacy” paid well in mobilizing international support for reconstruction after the earthquake, it also uncovered fissures in the coordinated response between the country’s finance and foreign ministries. While “rebuilding Nepal” should be done with Nepal’s own leadership, initiative and talents, mobilizing outside support is key to the success of this complicated process, which requires pragmatic diplomacy, efficient execution of the pledged commitments with the partner countries and organizations and effective channeling of the spontaneous support that may come from many organizations and individuals from around the world. Rebuilding Nepal requires rebuilding hope and confidence and leaving the political differences, which the leaders have demonstrated with a renewed vigour to adopt the country’s new constitution through a political consensus. But that process is not free from risks and troubles too and needs to be managed internally as well as externally. Though it is tough, Nepal’s rebuilding is possible with a national resolve, sustained mobilization of international support and commitment to rise from the adverse situation and an effective economic and disaster diplomacy.
A. Most Predicted, Yet Least Prepared Disaster

In recent memory, Nepal’s earthquake was one of the most-predicted yet least prepared disasters in the world. Though the international aid agencies kept raising their voice for awareness for the possibility of a big earthquake and the need to prepare better for the same, they did precious little to help the government to move towards that direction. Typical international response is to wait for a disaster and to act afterwards. This is what has basically happened in Nepal. The donors could not act according to the recommendation of the Nepal Disaster Report 2009 which they themselves helped produce. The same report had depicted that a 1934 earthquake-like scenario in the Kathmandu Valley would kill more than 40,000 people and create a huge destruction of the housing, infrastructure and heritage. Even though the April earthquake was far less mightier than the 1934 one, it exposed how utterly unprepared Nepal was for the same. The report had identified Nepal as a “disaster hot spot” and highlighted the urgency of putting in place a disaster risk reduction strategy and policies as a matter of “high priority” in the country. But neither the donor agencies, nor the government acted with exact urgency the matter deserved. In the immediate aftermath of the earthquake, most aid agencies were waiting for government help to ferry their aid to needy victims until weeks after the earthquake. Only a few, such as the ICRC, could activate their response mechanism immediately after the quake, while others struggled to put their acts together until weeks afterwards. Nepal’s donor agencies were caught unawares in this. It is a pity that these same agencies were criticizing Nepal’s government for whatever inadequacy it may have encountered during the process of putting together a rescue and relief operations were underprepared themselves. Nepal did not have tents, medicines, search and rescue teams and relief items that were urgently required after such disaster.

It has been shown globally that less than 4% of humanitarian aid and less than 1% of development assistance in the poorer countries is spent for pre-disaster prevention, preparedness and risk reduction. The same is true in Nepal, as very little of humanitarian and development assistance has been applied in disaster prevention, risk reduction and preparedness. That speaks of reason why the country was under-prepared for the earthquake.

The April earthquake not only exposed the instability of the geological plates underneath, it also exposed the fragility of our state and government. The government and its machinery struggled to put together a response to rescue, relief and recovery, as the magnitude of the disaster was too big and the state institutions were utterly under prepared for the same. State fragility arises
out of weak governance, political instability, violent conflict, recurring natural disasters, rampant corruption as well as poverty and underdevelopment, some of which are in abundance in Nepal. Though debatable under objective criteria and methodology of ranking, Nepal has started to appear high on the list of countries according to their ranking on “state fragility”. One such ranking\(^3\) made by the American think-tank Fund for Peace puts Nepal at 36th most fragile state from below in 2015, down from 31st in 2014. Globally, it has become obvious that risks of disasters compound the state fragility and that managing the aftermath of disasters become much more complicated in a fragile state. Furthermore, it has become evident everywhere that state fragility increase the impact of natural disasters.

**B. Transient “Disaster Diplomacy”**

Academically, the term “disaster diplomacy” is applied to the policy of setting aside political differences, especially on a conflict, during and after an humanitarian emergency. This has been studied at length, including in Ilan Kelman’s *Disaster Diplomacy: How Disasters Affect Peace and Conflict* (2011)\(^4\). The conflict in Aceh that killed 160,000 people was resolved after the massive tsunami of 2004 which washed the Indonesian province. The parties to the conflict agreed to a peace deal to help accelerate the post-tsunami rebuilding. India and Pakistan cooperated in allowing access and relief assistance in the conflict-prone Kashmir area after the earthquake in 2005. The basic premise of “disaster diplomacy” is that disasters usually induce cooperation between erstwhile rivals nationally and internationally. There is enough evidence internationally that disasters help generate new diplomatic activities and initiatives. There are experiences from around the world where major disasters have helped societies and nations heal their past differences to focus on rebuilding. In Nepal, one of the remarkable positive influences of the earthquake that devastated central areas of Nepal is the emergence of a political consensus among major parties for rebuilding Nepal narrowing down their political differences including in the new constitution that seems likely now more than before. If everything goes as intended, Nepal will soon have a new constitution soon, something Nepal was not able to do in the seven years of the exercise through the elected Constituent Assembly. This paves way for evolving a new narrative in the country’s political, economic and foreign policy discourse a discourse that is based on consensus, one that applies to future of Nepal and that creates hopes and aspirations for better Nepal. This can be described as one of the positive influences of “disaster diplomacy” in Nepal.

In this paper, the term “disaster diplomacy” is used to describe Nepal’s mobilization and handling of international support and interests in response
Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

to the earthquake and post-earthquake rebuilding and to assess how the disaster has influenced the conventional diplomatic links and foreign policy. It is more focused on mobilizing and maintaining the international interests and support during the entire process from rescue to relief and reconstruction without compromising Nepal’s foreign policy and national interests. Disaster diplomacy as such can play an important role in foreign affairs, as countries seek to promote their hard as well as ‘soft power” influence during disasters and humanitarian emergencies.

One hundred days after the earthquake hit Nepal on 25 April this year, Nepal still does not have critical heavy equipment that is required to pull down endangered tall buildings that cracked during the disaster. Nepal has been making efforts to procure these equipment on its own. But it may have to appeal to foreign governments to do so. By definition, an event becomes a “disaster” when it goes beyond the coping capacity of the local community or the country where it has occurred. International response in such situations is a must. Realizing the enormity of the task that it could not handle on its own, the Government of Nepal appealed for international assistance for rescue and relief aid within hours of the disaster on 25 April itself. Many governments, organizations and individuals responded sending help in the form of search and rescue teams, relief supplies, funds in the government’s relief fund and pledging reconstruction aid. There was unprecedented show of goodwill and sympathy towards Nepal in the aftermath of the disaster, which killed nearly 9,000 people and affected nearly 8 million people in the country’s central region, including the capital Kathmandu. Nepal received tremendous support from its international partners, philanthropic individuals and organizations both from within and abroad.

The Government demonstrated exemplary leadership in putting together the Post Disaster Needs Assessment (PDNA) in cooperation with major multilateral partners. The PDNA was carried out in accordance with the best practices around the world. The National Planning Commission took the lead, while major multilateral partners such as the World Bank, the Asian Development Bank, the European Union and the United Nations co-sponsored it. The PDNA report estimated the value of damage and loss due to the earthquake at $7 billion and that the Government would need at least $6.7 billion for Nepal’s post-earthquake reconstruction. It acknowledged that post-disaster rebuilding must incorporate considerations for disaster risk reduction and that it must be done with “development” emphasis or on the internationally-accepted principle of “build back better”.
Nepal has received a huge international political, moral and economic support to rebuild itself from the debris of the earthquake. This was evident in the involvement of many foreign countries during the rescue and relief phase and their participation at the international conference for Nepal’s reconstruction. On 25 June, the Government successfully convened an International Conference on Nepal’s Reconstruction (ICNR), which pledged $4.4 billion for reconstruction aid, less than total needs assessed at $6.7 billion, but more than what the Government had expected. For that matter, even the response to the UN’s appeal for raising $422 million for emergency operation to meet Nepal’s critical humanitarian needs was met with only a third of the estimated amount. In that regard, it can be said that the Government’s efforts for mobilization of international support was more effective than the UN’s. This owes to the government’s successful “disaster diplomacy”.

But the earthquake also exposed certain weaknesses in Nepal’s disaster diplomacy. In the early relief phase, Nepal’s donors were reluctant to pledge aid. Only a few donors deposited their pledged aid in the Prime Minister’s Relief Fund, the official funding channel set up by the Government. The reluctance owed primarily to the lack of trust on the government’s ability to make effective use of the fund so deposited. The Government could not convince the potential donors of the transparency, accountability and non-siphoning off the aid received through the PM’s Relief Fund.

The continued vacancy of ambassadorial positions in many important countries does not speak well of Nepal’s “disaster diplomacy. Nepal’s embassies were
sending reports about the amount of money they had collected for the Prime Minister’s Relief Fund almost on a daily basis. Presence of ambassadors in the posts abroad could have helped ease the situation to an extent.

The Government’s claim for an “one-door policy”, which was endorsed by a resolution of the country’s parliament was also not received well by the international community. The Government struggled to bring a comprehensive framework for bilateral and multilateral donors, INGOs as well as charitable private organizations and individuals within such “one-door policy”. This was somewhat resolved after the INCR, which acknowledged that there would be multiple channels of support, including budgetary support, diversion of existing assistance to reconstruction aid and a separate framework for reconstruction work for the INGOs and charitable organizations. This could have been handled in better manner through consultations with the partners rather than making unilateral pronouncements in the beginning and backtracking afterwards.

C. Maintaining Donor’s Trust

International experience suggests that there is always a huge gap between what is pledged and what is actually provided. If we prepare our rebuilding plans based on the pledged funds, we can run into huge shortfalls. Foreign aid has a cumbersome process that includes sanction by the parliament of the donor countries and a lot of paperwork both at donating and receiving ends including the agreement that the government must sign with individual donors on the modality of the funding. It will take long time for the pledged amount to actually reach the needy. Delay in foreign aid will be delaying recovery and reconstruction, as Nepal hopes to depend upon aid as a major chunk for reconstruction. The Government must prepare itself to raise more funds locally, including through consumption-based “reconstruction tax” or other innovative methods. For example, one rupee reconstruction tax per liter of petroleum product sold in the country can generate huge sums of money internally.

One of the challenging aspects of Nepal’s post-earthquake disaster diplomacy lies in continuously drawing the attention of the donors and in maintaining their trust in the government’s ability to deliver as pledged in the ICNR. Taking the lead and ownership of the conference, Nepal’s government did exemplary job hosting the conference in the Nepalese soil, instead of outsourcing this to other friendly governments like that of India and Japan that had offered to host the conference. Maintaining donor’s trust requires that the aid they have pledged for rebuilding must be spent as targeted, with transparency and
accountability built into the system and without any pilferage and leakages. Many donors still have doubts about how the Government is going to execute the reconstruction aid they have pledged to Nepal. The delay in the appointment of officials to the newly created Reconstruction Authority for rebuilding Nepal after the earthquake has already fortified this dubiousness. Even the ordinance to this effect was hastily introduced bypassing the parliament which was due to meet in few days. This was basically done with a view to satisfying the donors at the INCR. The delay in the appointment of the Chief Executive Officer of the Reconstruction Authority is adding to the suspicion that the Ordinance was an eyewash to mask the Government’s inaction before the international conference.

The process of mobilization of foreign assistance to Nepal’s reconstruction should not be viewed as one-time effort. The successful organization of the ICNR is just a beginning. There has to be a continuous process of adjustment and engagement with the donors and those who have pledged aid to rebuild Nepal. The Government must continue to engage the donors locally and at their headquarters for an efficient and prompt delivery of the pledged aid and must do its part to clear the assistance shortening the process that goes in between. Given Nepal’s long-standing experience on foreign aid, this should not be a difficult exercise.

The Government’s capacity to spend has been rather weak, as is shown by lackluster performance of development activities. The Government must do its best to spend the pledged and realized amount in aid to reconstruction. The creation of Reconstruction Authority and its provision to waive the prohibitive clauses in various laws, including that on public procurement, land acquisition and environmental impact assessment, is supposed to remove some of the difficulties in implementation. There is also the fear of public probity which retards the incentives for making expeditious decisions for spending the amounts allocated in the national budget. This needs to be addressed as well, without shielding the officials from any possible wrongdoings.

Nepal’s ranking on Public Expenditure and Financial Accountability (PEFA) is higher than many fragile and low-income countries. According to the second assessment on this count, Nepal has ranked better than 15 fragile states and 27 middle-income countries, showing a jump of average PEFA index from 2.2 in 2008 to 2.7 in 2014. Hence, the apprehension of siphoning off funds or corruption in the reconstruction assistance is more of a perceptive than of real nature. There are already reports about bogus victims, some of which are already made to return the benefits they got from the government. The
Government must do everything to plug any loopholes that may appear in this process.

During the ICNR, Nepal government put a coordinated show and was able to earn the support from the partner countries. Though the foreign aid coordination is traditionally under the domain of the Ministry of Finance, the involvement of the Ministry of Foreign Affairs in diplomatic initiative was a strong element in the successful hosting of the INCR. It was nice to see both Foreign and Finance ministers together in press conferences and in the inauguration of the ICNR. Traditionally, Nepal’s ministries of finance and foreign affairs have not acted in the most coordinated fashion when it comes to “aid diplomacy”. Even though “development cooperation” has been inserted under the country’s “economic diplomacy”, Nepal’s diplomatic machinery often finds itself at odds when it comes to matters related to foreign aid. Even during the INCR, the Government dispatched its Finance Minister to New Delhi to invite the Indian Prime Minister, but did not ask the Foreign Minister to do the job. No Minister was sent to deliver the invitation to the Chinese government. Discrepancy in such matters could have been avoided. There is a need for better coordination between the finance and foreign ministries, especially in the work of the Nepalese diplomats abroad in mobilization of the continued international support to Nepal’s rebuilding.

Nepal and its donors are obliged to observe and follow the international frameworks on disaster resilience and reconstruction. The most famous of them is the famous Hyogo Framework adopted in 2005 and reinforced in the Sendai Framework for Disaster Risk Reduction (SFDRR) adopted in March 2015. The resolve of the international community to work together to reduce disaster risks and to respond to disasters when they strike was put to test soon during the Nepal earthquake soon after the Sendai Framework was adopted. What these frameworks say essentially is that the donors are required to work with the national and local governments to ensure that the assistance for disaster recovery, rebuilding and resilience reaches the community in a transparent and accountable manner. Nepal must continue to ask its partner countries and organizations to follow and apply the internationally-agreed framework on disaster risk reduction and response, including the latest framework adopted in Sendai just two months before the earthquake struck the Nepal Himalayas.

As the sitting chair of the regional association, Nepal could not do its part to activate the SAARC disaster response mechanism that the member states have adopted. Though all South Asian governments provided rescue
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and relief and some have even pledged reconstruction aid to Nepal, the proposed mechanism under the SAARC could not be activated during the Nepal earthquake. That is despite the fact that a SAARC Agreement on Rapid Response to Natural Disasters was adopted in 2011 and that there is a SAARC Disaster Management Centre established since 2006, including with a mandate to implement the rapid response mechanism. The ostensive reason for non-activation of the mechanism was said to be non-ratification of the instrument by one member state. Perhaps, a little initiative on the part of the current chair of the SAARC, incidentally held by also Nepal, could have helped ease this situation to activate the regional response mechanism. One of the obvious benefits for going through a regional mechanism would be the ease for bringing in military as well as non-military aid for the rescue and relief urgently required after the earthquake. That would have waived the conventional difficulty in having a big power military presence in the country during sensitive and fragile periods such as after a major disaster. In Southeast Asia, there is the ASEAN Agreement on Disaster Management and Emergency Response adopted only in 2010, building upon their experience after the tsunami that hit the region in 2004.

There was no protocol in place to regulate the arrival and presence of foreign military teams that came for assistance during the rescue and relief phase. In absence of an MOU with major countries, including the immediate neighbours, the foreign military presence was handled primarily by the country’s military establishment, not by the foreign policy mechanism and the political leadership. Though Nepal’s army and security forces did their best in rescue and relief operations, their presence and efforts were stymied by the presence of foreign military forces and the media coverage to the foreign troop presence. There were instances in which foreign military personnel seemed to be running the show. In absence of a bilateral agreement with any of the countries that sent emergency military aid after the earthquake, the arrival, positioning, movement and mobilization of the foreign troops became a matter of public worry and even aroused fears of foreign military intervention manipulating Nepal’s geopolitical vulnerability and state fragility at the time of the disaster.

Even at times of big disasters, the severely-affected countries and their governments seek to establish semblance of command and control over the situation and do not like the foreign government or personnel on the lead. An excessive international involvement in disaster response renders the national government ineffective in the eyes of the local people, which the politicians want to avoid at all costs. In Haiti, the US military took charge of the Port
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au Prince’s s international airport, which other assisting countries like France were not happy of. In Nepal, there were issues of control over airports and landing places. The overriding presence of the Indian military personnel and aircrafts at Nepal’s international airport was a source of anxiety locally as well to some other actors that wanted to assist. The Indian military personnel were at times seen to be seeking the operational control of rescue and relief exercise, something also demonstrated by the fact that the Indian operation in Nepal was titled “Operation Maitri”, the biggest such disaster response abroad. The Operation saw a massive mobilization of India’s military, political and economic resources for search and rescue as well as relief and recovery support. India also pledged a huge reconstruction aid amounting to US $1 billion. India was seen as the most influential player in the international response to Nepal’s earthquake.

China also made several diplomatic overtures, including sending of search and rescue teams, helicopters, as well as relief and pledging reconstruction aid. So did many other countries, including USA and the United Kingdom. The British Government wanted to send its own Chinook helicopters after India, China and the USA sent their own aircrafts to help ferry rescue teams and relief supplies.

It is not just geo-politics which puts Nepal between two giant powers, even geology has kept us in the fault line of two big tectonic plates. Just as the earthquake cracked at the vulnerability of the geological fault line between the Indian and the Eurasian plates within, it also exposed Nepal’s “geopolitical fault lines”. Nepal’s neighbours and major powers were seen to be seeking to gain the operational superiority in the rescue, relief and reconstruction efforts in Nepal. Major countries, including India and China, vied for influence in Nepal through disaster response.

There is already an unseen competition among the neighbours and big powers in Nepal. China increased its aid to Nepal fivefold just after Prime Minister Modi up-scaled the Indian economic assistance after his June 2014 visit to Nepal. China has already surpassed India as the largest source of Foreign Direct Investment. Soon, Chinese tourists will outnumber the Indian visitors to Nepal, who have been the highest in number of incoming tourists to Nepal. Both India and China have strong neighbourhood policies. Modi’s “neighbourhood first” policy has kept Nepal in high priority, demonstrated by his two visits to Nepal within the first year in the office. China has brought up several diplomatic initiatives including the creation of an Asian Infrastructure and Investment Bank (AIIB) and revival of the old Silk Road for better connectivity in the region and beyond and has invited Nepal in both.
Both India and China were major providers of relief and rescue as well as the reconstruction aid.

The last thing Nepal wants after a major disaster is to manage foreign military presence and to handle the competition between neighbours and powers that come to the country to assist in such emergencies. There has to be a procedural clarity agreed in advance. Therefore, the Government should seek to sign bilateral MoU with foreign governments, including that of India, China, USA and the UK for regulating foreign military aid during emergencies. Such MoU must specify that the foreign military personnel can come to Nepal at the Government’s request, should be mobilized as required by the local needs and must leave Nepal as soon as the tasks are completed or when the it wants them to leave.

D. “The Grass Gets Crushed in Either Case”

Within weeks of the earthquake, India and China made a significant deal affecting Nepal. They agreed to open a trading route through Lipulekh Pass located in the territory where Nepal and India have yet to demarcate their boundary owing to differences over Kalapani stretch, where an Indian army barrack is stationed since 1962. Paragraph 28 of the Joint Statement between the India and China during Indian Prime Minister’s visit to China issued on 15 May 2015 states:

*The two sides recognized that enhancing border areas cooperation through border trade, pilgrimage by people of the two countries and other exchanges can effectively promote mutual trust, and agreed to further broaden this cooperation so as to transform the border into a bridge of cooperation and exchanges. The two sides agreed to hold negotiation on augmenting the list of traded commodities, and expand border trade at Nathu La, Qiangla/Lipu-Lekh Pass and Shipki La.*

There is an African (actually Swahili) proverb which says “When two elephants fight it is the grass which gets trampled”. This adage has now been adopted in many versions. One that applies to Nepal aptly goes like this: “It does not matter whether the two big elephants are fighting or mating. It is the grass which gets trampled in either case”. This is especially true in relations to Nepal’s situation between India and China. If the two big neighbours are fighting, Nepal has so many things to worry. If they are cooperating and hobnobbing with each other, Nepal may get bypassed and ignored and even snubbed. That is what seems to have happened in their agreement to expand trade and pilgrimage through the Lipulekh Pass.

Lipulekh lies in the Nepalese territory, for which Nepal has strong evidence-based claims based on the documents, including the Treaty of Sugauli (1816)
and maps produced by the British India and afterwards. There are evidences of the locals owning Nepalese titles to their land and that of conduct of census on the areas from the Nepalese side. While the claims over the territory between India and Nepal is yet to be resolved, the bilateral statement between India and China to use the Lipulekh Pass for bilateral trade and pilgrimage undermines Nepal’s sovereignty on the matter. As the border tri-junction between Nepal, India and China is yet to be resolved, it is mandatory for India and China to consult Nepal in this matter on anything that is related to the territory.

Although the Government has asked both the countries to clarify their position in this regard, there are voices that it has not done enough to compel the two countries to cancel the agreement. It must do everything to make sure that Nepal’s position on this issue is not compromised just because India and China have found it suitable to use the Lipulekh Pass to their interests. Nepal’s claim to the territory will have to be resolved either bilaterally with India or trilaterally among Nepal, India and China. Here, it must be noted that the proposal for “trilateral cooperation” between Nepal, India and China, floated by the Indian and Chinese officials cannot be taken at its face value only until the issue of Lipulekh is resolved. We must not forget that the infamous Mahakali Treaty was concluded to give political legitimacy to the controversial Tanakpur Agreement. It is no wonder that provisions in the Mahakali Treaty other than that on Tanakpur took years to take off. We should keep the issue alive until we find an amicable solution.

E. Managing Outside Interests

Most of the countries, organizations and individuals that come to aid Nepalis in distress have pure humanitarian or philanthropic interests. “Humanitarian Diplomacy” is among the stated method of work of many international organizations including the United Nations. Many governments have declared humanitarian assistance as part of their foreign policy. Many of Nepal’s development partners have a strong humanitarian element in the aid they provide to Nepal, including for the care and maintenance of refugees, support to victims of disasters and in support of food security.

But it cannot be ruled out that several organizations and individuals come with their vested interests. Some come to provide assistance to get political recognition. Nepal had to reject unwanted aid from certain governments and organizations on various grounds. Nepal had to turn down Taiwan’s offer to send search and rescue teams, as it could be interpreted as recognition of the island nation’s political identity against Nepal’s declared support to “One
China’s policy. Nepal does not have relations with Taiwan and supports China’s position on Taiwan, which it considers a “renegade province”. Still others come with an objective to gain a foothold or legalize their existence. A few Islamic INGOs were here offering relief support so that could provide them as a stepping stone for their entry into the country for their work. Nepal turned down their offer as well. Still others come here to promote the professional interests. Some search and rescue teams were here to promote themselves. Others are willing to be seen as doing something. Thus, a disaster-affected country has a fine line to draw what to allow and what to reject.

Denial of access and rejection of international help is not new in a post-disaster scenario. There are stories on how China, Russia and Japan have refused such aid in their respective country’s disasters. In 2008, Myanmar blocked aid for weeks after Cyclone Nargis suspecting excessive outside indulgence during the disaster. One of the things that is common in all major disasters internationally is that the states concerned are cautious or afraid of encroachment to their sovereignty from outside players that come to assist. This was the case in Indonesia, especially in its initial reluctance to allow outside role in some of the tsunami affected areas such as the conflict-hit Aceh Province. Nepal also rejected a few offers, although it could have been handled a bit more “diplomatically”.

A significant lapse seems to have been made in relation to the British Chinook helicopters (heavy-lift rotary-winged aircraft actually). Despite reportedly repeated requests, including at the level of the Prime Minister, Nepal did not allow the British Chinook to land in Nepal, though they had already brought the sophisticated choppers to India. It is hard to believe that the British military did not know the Nepalese terrain and fragility of the buildings to withstand the Chinook flights, something Nepal government used to reject the British offer. Though it may have been not urgently needed, the British government was probably wanting to be seen as doing something parallel to what other governments had done in Nepal after the earthquake. That is not unusual for Nepal’s largest bilateral donor and the country with long-standing relations. Though denied officially, the episode is said to have possible links to the arrest and prosecution of a Nepalese army Colonel in the British courts on charges of alleged torture during the Nepal conflict. It may be just a coincidence that the British Government did not choose to send Minister in the ICNR held in Kathmandu. Though it sent a low key official, the UK Government pledged 70 million pounds in aid for reconstruction. In times of disaster, friends forget the past misgivings and use the time to patch up, not further aggravate the differences. Nepal could have handled the matter differently and chosen to take the latter path.
Many INGOs that are active in Nepal have their own “objectives”, while many missionaries have their own “missions”. In Nepal, the INGOs have reputation for working on their own without much transparency and accountability and often with heavy administrative and personnel costs that reduces the actual amount spent on the “beneficiaries”. Some INGOs and missionaries have intentions other than humanitarian ones. It is no secret that some are active for religious preaching and conversion. There are already reports of religious messaging and preaching in the relief activities some of the INGOs have conducted in Nepal, including the reports of distribution of Bibles with relief packages. There is an old maxim which says, “First comes the trader, then the missionary, then the soldier”⁸. These sayings have become particularly evident in times of disasters.

The Government has introduced guidelines/framework for the INGOs that are desirous of working in Nepal’s reconstruction. The Government must implement these guidelines sincerely and strictly. It cannot possibly allow the INGOs with intentions other than humanitarian and cannot allow them to advance their hidden agenda in the name of reconstruction. They must make their sources of income and expenses transparent and must conform to the government norms for reconstruction. The INGOs should invariably involve local people in executing their programmes. They must be brought under the government’s scrutiny or monitoring.

There is the usual tendency of the international media to parachute in a country to report such disasters and crises beyond the proportion of the crises. Though only 19 of 75 districts were affected and the most of the modern structures survived the quake, the intentional media portrayed Nepal as a country completely reduced to rubbles. One foreign media personnel is reportedly said to have asked, “Where is Kathmandu?”, after she could not find the scenes of devastation that was continuously aired in the international media for days after the earthquake. They did not care that most of the modern structure and housing in the capital Kathmandu were intact after the earthquake. What got reported was the devastation wherever it occurred, mainly old buildings structures and heritage sites.

A section of the Indian media was seen to be undoing what the Indian government had been doing for rescue and relief after the earthquake, promoting the Nepalese social media to ask them to go home instead. There insensitive reporting was also a sign of patronizing attitude of the foreign powers and media in the helpless situation that Nepalese people and government had found themselves after the disaster. In what is called as the “CNN Effect”, the international attention diverts away as the media spotlight
shifts to another major disaster or event elsewhere. The international interest usually fades as the disaster ceased to become a headline news. Keeping the international attention alive during the reconstruction will be a challenging task for the Nepalese disaster diplomacy.

While many generous individuals and organizations have put a lot of efforts in mobilizing funds for the relief and reconstruction after the Nepal earthquake, some of the funds so collected may never reach the victims. There are reports about how such fund-raising sites have over crowded the Internet. One such site called Crowdrise claims to be the best and largest community of online fundraising sites “for great causes”. A number of philanthropic organizations and Nepali association abroad have posted the amounts they have raised in these sites. Until the time of this writing, the Crowdrise website has posted that it had raised $ 2.8 million under its “help Nepal earthquake relief efforts”.

The Government should do everything to check unauthorized fundraising and checking misuse of funds raised in the name of the earthquake victims. Given the crowding of such fundraising activities and absence of a mechanism to control them, it is always likely that some of the funds so collected never get to the victims or to the intended villages of Nepal.

One of the lessons from the earthquake is that Nepal should develop a more stringent mechanism to check a few callous relief officials who may ruin the entire operations and their credibility. The response of a senior OCHA official to reported rotten rice that WFP had supplied shows how the relief officials can manipulate the disaster-affected community’s vulnerability and how that can be a source of friction between the government and an international aid agency. “Or, we will take the support to Syria and other countries”, the official was reported to have said in a press conference organized to refute the allegations against the WFP. While one should not be mean to WFP, which has done so much excellent work in Nepal and worldwide, their attitude on this episode sounded like they were doing a “favour” to Nepal, not doing their mandated humanitarian work. Nepal’s foreign ministry and agriculture ministry had to write to the UN agency to clarify about the reported distribution of rotten rice, which the National Human Rights Commission and the parliamentary committee had also confirmed in their investigation. Instead of pledging to investigate and stop distribution of the substandard food, they continued to insist that they were hunted baselessly. The OCHA official in question also said that the reports were “non-sense”, something unbecoming of a senior UN official. The Government should not let this issue die down without exacting a response from the UN system. It is obvious that it is not UN’s policy to make such insensitive and cold-hearted remarks to a
country’s people who have just witnessed the trauma of a major disaster. UN should, on its own, clarify its position on the matter, at least apologize for having hurt the sentiments of the people, if not showing any accountability on investigating and taking action against alleged distribution of rotten rice as relief aid to the quake victims.

It cannot be ruled out that the multinationals and others will seek to benefit from the crisis pushing their products and services to be sold in Nepal in the aftermath of the earthquake. There is even possibility of rise of “disaster capitalism”, in which the country’s leaders and private sector may manipulate and exploit the crises for pushing their exploitative policies and agenda (so called “shock doctrine”), when the people are emotionally and physically distracted by a major crisis or a disaster and cannot launch a resistance against such manipulation. To some extent, the hurried “consensus” on the country’s constitution in Nepal can be said to fit this description.

F. Foreign Policy in the New Constitution

Somehow, finding suitable foreign policy provisions in the country’s new constitution has not entered a serious discussion - thanks to the heated debate on other issues such as federalism, secularism, citizenship, electoral system and the type of government. Most of the provisions related to foreign policy in the draft constitution have been borrowed from earlier constitutions, mainly the Interim Constitution 2007. This speaks of relevance and continuity of Nepal’s foreign policy that has been inherited from earlier periods. The preamble of the draft constitution speaks of Nepal’s independence, sovereignty, territorial integrity as basic parameters that guide the constitution. One of the features in this draft is the definition of what constitutes “national interest”, which the constitution defines as protection and preservation of “sovereignty”, “territorial integrity”, “independence”, “national unity”, “protection of rights and dignity of Nepalis”, “border security” and “economic prosperity”. The draft has included state policies on international relations which includes protection of the national interest. It will be based on UN Charter, Non-Alignment, international law and international peace. The Directive Principles of the constitution, as appears in the draft, acknowledges the principles of “international relations based on sovereign equality” and “promotion of national dignity in the international community”.

The draft constitution puts foreign policy under the exclusive jurisdiction of the central government together with “diplomacy”, “international relations”, “UN-related matters”. Besides, there are a number of issues related to foreign policy on which both the provincial and central governments have overlapping
jurisdiction, kept under a “concurrent list”. Given the nature of issues, there is ample scope of disputes between the centre and the provinces on matters related to security, citizenship, immigration, allocation of resources, and ownership over natural resources. There is a provision which compels the central government to consult with the provinces on matters which relates to them. For example, only the central government is allowed to take foreign aid and foreign loan, on which it must consult the provinces concerned. Thus there will be a situation in which the central government will be forced to do “constituent diplomacy” with its own provinces. This could compromise the centre’s exclusive jurisdiction on foreign policy. Though the draft constitution says the legislation of the federal parliament will supersede that of the provincial parliaments, the draft does not include “pre-emptive clauses” which bars the provinces to enter into legislation on foreign policy issues, something found in many other federal constitutions.

The inclusion of a provision for review of the past treaties “based on reciprocity and equality” appears unnecessarily in the draft, as this relates to one treaty with one country, that was concluded under historical necessity and can be scrapped by one stroke of the government and is already under the process of a bilateral review. There is no necessity for the country’s constitution to acknowledges that the state has effective treaties which are not based on “reciprocity and equality”, which is what actually this provision translates into.

One of the features of the draft is the explicit mention of the “inclusive principle” in the appointment of the ambassadors. The draft also consists of the mandatory ratification of treaties and agreements related to peace and friendship, security and strategic relations, boundary and utilization of natural resources. This can significantly enhance the centre’s role in foreign policy-related matters.

It must also be noted that the integrity of the constitution-making process should be shielded from foreign interference. The queue of Nepali political leaders for a visit to New Delhi just after the Constituent Assembly adopted a draft of a new constitution speaks a lot how Nepal’s political process is prone to outside interference. It is no secret that many foreign governments and INGOs have shown their vested interests in Nepal’s constitutional issues, such as on the issue of federalism, secularism, religious conversion, citizenship issues, ethnic inclusion, and on the rights of minorities. It will be a mockery of the sovereign decision of the Nepalese people to write a new constitution if the political process allows foreign interference in the constitution-making process. There is a fine line between helping and meddling. Both Nepal and
its neighbours and bigger powers must understand the redline between interference and assistance.

G. Economic Diplomacy after the Disaster

As Nepal has endeavored in “disaster diplomacy” to rebuild Nepal with the international support, there is much wider scope for streamlining the country’s “economic diplomacy”. Nepal needs to do more proactive economic diplomacy to revive the slackened tourism activities after the disaster and to attract more foreign direct investment in development of damaged infrastructure and industry. It will be necessary to further disseminate the messages that the heritage sites and trekking routes affected by the earthquake are now open. The word must spread that Nepal is now safe and normal for resuming regular tourism activities. It is also equally important to do necessary lobbying for amending the adverse “travel advisory” that many governments had posted in the immediate aftermath of the earthquake. Only a few governments have so far revised the “non-essential travel ban” that they had suggested to their citizens after the April earthquake. The Government should ask its embassies to monitor these advisories and lobby for their repeal as the situation has changed for better now.

The government’s plan to launch the Nepal Investment Year 2015 may be a little far-fetched, especially if the necessary homework to this effect has not been made. Some of such initiatives have failed in the past owing to lack of homework and advance preparation. But, it will be important to instill confidence of foreign investors that are already in the pipeline as well as that are in the process of coming. For example, the commitment for investment for a large Chinese cement company that was cleared by the Investment Board is probably eyeing the possible increase in demand for cement in the new phase of reconstruction in Nepal. Similar investments in construction materials would go a long way for creating jobs and income in the country.

It will be equally important to continue to attract the attention and supportive spirit of the Nepalese Diaspora spread around the world. The Government must not fall into trap of individual ambitions of a few NRN activists. The appointment of a “special representative” is the case in point. Instead, the effort should be channeled in mobilizing the collective resources and skills of the NRN as a community as well from individual and organizational charities that are willing to contribute. If necessary, the Government should ask a section of skilled workers to comeback to help Nepal’s rebuilding offering them competitive or even better salaries at home than they are earning in some hardship situations in the Gulf countries etc. The PDNA has highlighted
the need to reach out to the Nepalese migrant workers in order to secure their support and resources for Nepal’s reconstruction.

We have seen an increase in remittances after the earthquake. This may be a temporary phenomenon driven by the desire of the Nepalese workers to use part of their earning to rebuild their damaged houses and to help their compatriots to rise after the disaster. Otherwise, remittances were already in the declining trend. While there is shortage of skilled and unskilled workers at the countryside, the post-earthquake rebuilding may bring back many workers that are abroad. This might reduce the remittances and by effect create a new economic situation that is different from the current complacency. It must not be forgotten that remittances sent by workers abroad may be doing more rebuilding than the foreign aid Nepal gets from its donors.

Among the lofty goals that Nepal has adopted for itself is to graduate from the club of the world’s poorest countries within next half decade. Nepal’s thirteenth plan has incorporated a vision for Nepal’s graduation from the category of the Least Developed Countries (LDCs) to a developing country by 2022. Given Nepal’s progress in the human and social development, including in the Millennium Development Goals, and strong resilience of its economy, Nepal has already met two of the three criteria to be eligible to graduate from the LDCs. In the latest review (2015) held by the Committee on Development Policy, a subsidiary body of the UN Economic and Social Council, Nepal has already crossed the threshold on Human Assets Index and Economic Vulnerability Index, though Nepal is far below in the yet other important criterion - the Per Capita Gross National Income (GNI). With a per capita GNI of $ 730 (2014)\(^{11}\), Nepal is not likely to meet soon the economic criteria crossing the threshold currently required at $ 1232 (updated from $ 1990 in 2015 review). Already, the growth rate projected for 4.6% for 2014/15 has been lowered to 3.0%, to be the lowest in the last eight years\(^{12}\).

The earthquake has also affected Nepal’s long-term development goals and priorities, as the attention will have to be diverted to reconstruction after the disaster. Technically, Nepal can still graduate meeting two of the three criteria in three consecutive reviews, held every three years. But the graduation without meeting the economic criterion may not be sustainable and may be even harmful to Nepal. All is not rosy as Nepal may qualify for graduation by 2022, as Nepal is likely to lose a lot of benefits it gets internationally as the LDC. These benefits range from commitment from the developed countries for a certain percentage (0.15 to 0.20%) of their GNI to the LDCs, concessions under the WTO, including duty-free quota free exports of 97% of its products to the markets of developed countries. There are provisions for technical
assistance and technology transfer that Nepal qualifies as the LDCs. Further, the LDCs are allowed to access a number of international funding mechanisms such as the Adaptation Fund and the LDC Climate Fund. Nepal will lose all these benefits three years after it graduates from the category of the world’s poorest countries. There may be a situation in which Nepal might have to ask to defer the graduation on account of the tremendously big setback that it has encountered in its economy and development due to the 2015 earthquake. The Maldives lobbied for delay in its planned graduation on accounts of its backward slide from the affect of the big Tsunami that had hit several oceanic countries around Southeast and South Asia in December 2004.

H. Nepal is no Haiti

Many skeptics had predicted that Nepal could go the Haiti way after the earthquake. But it did not. In fact, the comparison between Nepal and Haiti (2010) earthquake and their aftermath are flawed for a number of reasons. Nepal has well developed national institutions, which Haiti did not have. Nepal has a long-standing experience in handling foreign aid for development, and post-conflict reconstruction, hence handling post-earthquake reconstruction aid is no difficult. Major systems and infrastructure are still intact. The essential supplies were restored immediately, All routes were cleared for transport within hours of the disaster. There was no outbreak of an epidemic as it happens, such as the cholera in Haiti after 2010 earthquake. Nepali government institutions like the army and security forces acted very well. Nepal has demonstrated remarkable resilience against the odds of the tectonic shift.

There is every reason to be confident that Nepal will not go Haiti way. It will pave its own way back for building better and safer. For this, Nepal needs international help and support, not charity and interference. What donors and partners should focus on post-disaster reconstruction is to stick to the policy of “do no harm” that is commonly accepted internationally. They must not do things that will hamper Nepal reconstruction efforts. The international community does not always know all the answers. Local people have a lot of conventional wisdom and experience that counts in such situations and must be utilized. In the first place, the internationally aided reconstruction can make the cost of rebuilding Nepal higher.

It is the international community that erred in the aftermath of the Haiti earthquake, not the Haitians. The international community has also developed a habit of repeating mistakes they make, when it comes to disaster. How the
$10.2 billion that pledged for Haiti’s reconstruction aftermath was used remains debatable. The Haitian government and people were bypassed in utilization of the pledged funds, one of the reasons cited for failure of effective reconstruction aid in the island republic. Some of the funds so pledged were provided to the NGOs, which were not accountable and transparent enough. Described as the “republic of NGOs”, Haiti had too many NGOs in action the coordination of which became a nightmare job and they went their own way. This is more or less resolved in the case of Nepal as the Government has taken the lead and donors have agreed to employ the government ownership as framework for their assistance, while they still may be loopholes in this. Nepal needs a better system to coordinate the assistance through the NGOs, if the lessons from Haiti are to be applied. But there is no possibility in Nepal for large scale siphoning off the funds through the Government or from the NGOs, as was the case in Haiti. One of the things that has similarity between Nepal and Haiti in the aftermath of the disaster is the absence of elected local authority. This can produce a situation in which unaccountable officials may siphon off funds for their personal benefits. But this alone cannot draw a parallel between Nepal and Haiti in a post-disaster scenario. This speaks for an urgent need to hold the local body elections in Nepal.

I. Rebuilding Nepal is possible

There is a debate as to how long it will take to complete Nepal’s rebuilding after the earthquake. The post-earthquake disaster assessment and the government’s pledge to donors was that it would do rebuilding within next five years. But it may take longer than anticipated, as it may be much more difficult than is currently conceived and thought of. Plus, rebuilding needs a long-term vision that may span over decades. Unless well planned and executed, the post-earthquake rebuilding of Nepal can be a race against time. It requires forward-thinking and longer term vision, which has been a rare commodity in the post-earthquake Nepal. Except a few political leaders and a few experts, no one has really been able to put together a succinct vision for rebuilding Nepal better than before. Some even say Nepal needs a “Marshall plan” for reconstruction. It must take into account that the reconstruction efforts will have to compete for resources with the construction of infrastructure for newly created federal provinces, especially for eight provincial legislature, provincial governments and the associated expenses.

To conclude, we should not entangle ourselves in the debate as to whether the rebuilding after the earthquake should be reconstruction (punarnirman) or new construction (nawanirman). If any structure is devastated, it will have
to be demolished and built anew. It does not matter if we call it reconstruction or new construction. The main point we should not forget is that we should be guided by the strategy of “building back better”. Though this has by now become a worn-out jargon, we must not lose sight that the rebuilding from the earthquake is an opportunity to create better resilience and reduce disaster risks. This requires us to build our houses and structures better, safer and stronger than before. As has been proved elsewhere, reconstruction and rebuilding can be a good driver of economic growth. Massive investment from the government and the private sector in the infrastructure and housing will help generate jobs and give a boost to production. It helps expansion of construction and services business. It will spur economic activities. Though it is tough, Nepal’s rebuilding is possible with a national resolve, sustained mobilization of international support and commitment to rise from the adverse situation and an effective economic and disaster diplomacy.

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9. Comment by
Dr. Khadga K. C. Associate Professor, Masters in
International Relations and Diplomacy Department,
Tribhuvan University

Presentation by Amb. Madhu Raman Acharya on "Post-earthquake: ..." is very comprehensive, critical, analytical, pro-policy-guiding, qualitative and descriptive methodology based paper, carrying diplomatic rhetoric and ample political jargons giving enough room for thoughtful discussion. The paper also endeavors to cover positive repercussions of earthquake to vehement comments of the flaws of state and government during and after the earthquake. Paper also recommends policy feedbacks on post-disaster diplomacy, managing aid, assertively admitting that Nepal is not and won’t be Haiti and almost too fragile or failed state to handle crises. The theme of the paper focused foreign policy and diplomacy discourses, however contents inside are more political and economy-predominated. The paper neither adhere any school of thought (i.e. realist, constructivist, liberal and Marxists inter-alia) to analyze or discuss the foreign and disaster diplomacy of Nepal. I found methodological flaws since it neither followed APA nor MLA in citation.

The coherence of sub-theme or issues seems not compatible with the main theme of the paper. Lipulekh episode and Constitutional provisions in the upcoming Constitution, which in my perspective is not post-disaster by products alone. The domestic media houses and international media houses like Chinese media (CCTV and China Daily) found quite positive toward Nepal concerning positive on disaster and humanitarian news compared to extraordinarily negative, exaggerated and provocative news story disseminated by the Indian media about the catastrophe. The appreciable role of Nepal Army and APF and NP, in rescue and relief operation, by successful coordination of multinational rescue forces under its integrated leadership does not prove the index of ‘fragile state’. Government of Nepal i.e. Ministry of Finance, MOFA and Planning Commission largely proved their credentials with balanced foreign policy and diplomacy during and after disaster. However, some neighbors criticized that Nepal favored much to her southern neighbor. Bringing all regional, and international powers including multilateral i.e. into one door-aid policy, PDNA publication and ICNR conference largely proved
Nepal’s independent foreign policy and diplomacy. As is trend since time immemorial, regional powers, particularly immediate neighbors seemingly appeared competitive in the name of rescue, relief and reconstruction of Nepal after April 25 and May 12, 2015 earthquake. India assertively approached first with hardware rescue operation, poured ample relief materials and proved as no 1 donor for Nepal’s reconstruction. Northern neighbor China, however, found disenchanted with the assertive presence of India and accepted their humanitarian norms given during the rescue and relief operation. It is an often talk discoursed, since 1990 post-disaster economic diplomacy, however, remained largely successful. Prompt international cooperation to rescue and relief and promises for further grants, loans and commitments by the bilateral and multilateral donors during the ICNR Conference was hospitable. Geopolitical rivalries since after end of the Cold War have stormed back to the center stage in the year 2014. The Russian suzerainty over Crimea, Chinese aggressive claims over East and South China Sea islands and Japanese increasing assertive strategic responses to China and South Korea and the Syrian, Iranian issues indicated the roll back rationale of geo-politics in International Relations. Geo-political implications in domestic as well as in foreign policy of Nepal is not a come-back discourse. Since during the Lichhivi era to date, Nepal has remained as an independent nation, however, has been incessantly influenced by northern and southern neighborhood. Geopolitical influence in Nepal is age-long phenomenon, which further escalated when Nepal encounters political fragility, eco-social upheaval and natural disaster. However, during the rescue and relief operation the front runner is always state apparatuses; (unlike Civil society which hardly plays pro-active roles ) Nepal Army, APF, Nepal Police, Political Parties’ cadres, and general public were the front runners. Therefore, we need to concentrate our foreign policy and diplomacy to reconstruct the country. In the meantime, we should also disseminate the funds to well trained state apparatuses to prepare for cope up such great natural disaster, which interchangeably downsize the external influence and interventions as well (less chance to fishing in muddy water). As per realist theory of IR, geo-politics and power play significant role in bilateral, trilateral and multilateral relationships. Therefore, effective implementation of economic diplomacy which enhance economic independence, form liberal values through liberalization of foreign policy, eventually may reduce the influence and interventions of external power of game changers.

Thank you.
10. Floor discussion of both sessions

Dr. Meena Vaidya Malla, Head of Political Science Department, TU

Both of the paper presenters presented very lively and thought provoking topics of current issues of Nepal. This can be taken as a good start in the economic and disaster diplomacy in Nepal for which we have to be prepared to know many lessons for the time ahead. This was taken as a new literature in the diplomatic dimensions of Nepalese foreign policy as well. We are assured of many opportunities. Hon'ble Foreign Minister assured for keeping diplomatic counselors for enlargement of professional diplomacy in Nepal. Dr. Adhikari talked on sending well trained diplomats from Nepal and Dr. Shrestha talked on economic diplomacy which has very large dimensions with the sense for promoting exports, attracting investments, managing labor exports and discouraging illegal trade and labors. There are of course very social dimensions of economic diplomacy.

So my question to Dr. Shrestha is whether possibilities exist to manage diplomacy without experienced diplomats who holds minimum knowledge of emerging issues and emerging actors and emerging areas of communication in diplomatic practices. How do you analyze this situation in practice for Nepal?

Dr. Bishnuhari Nepal, Former Ambassador

We have to improve connectivity part to enhance economic diplomacy. On perspective point of post-Lipulekh, I congratulate Madhu Raman jee for raising Lipulekh issue in his paper.

Mr. Gopal Bahadur Thapa, Former Chief of Protocol

My question to Dr. Shrestha is what kind of diplomacy do we need in terms of handling the international actors in diplomacy while entering in the state of reconstruction and defense? How do we prioritize their involvement in reconstruction? Perhaps we have to focus on rebuilding diplomacy. We have to have positive interface with our donors. Who are the actors in economic
diplomacy? Are they really in the foreign ministry? There is economic, cultural, strategic, historical and legal face. There are many face of economic diplomacy. How foreign ministry alone tries to bring the holistic pictures with real foundation and profile of economic diplomacy?

**Mr. Mohan Krishna Shrestha, Former Ambassador**

First I comment on Dr. Shrestha's presentation on Economic Diplomacy. My question is what, in your opinion, are the main obstacles to achieve desired effects of economic diplomacy and how in future we can make an effective economic diplomacy in your opinion?

**Dr. Rajendra Bahadur Shrestha, President, NCWA**

You have highlighted the key factors on economic diplomacy. I see some contradiction based on economic indicators. The connectivity issue and technology transfer part is missing. As Dr. Shrestha suggests, policy reforms are taking place which is not favorable for attracting FDI especially after post-earthquake situation. How is institutional set-up restricted to that? Institutional issue is very much lacking after post-earthquake. How foreign ministry alone tries to bring the holistic pictures with real foundation and profile of economic diplomacy? How the ministry is going to coordinate and monitor?

**Dr. Prem Singh Basnet, Brigadier General, Nepal Army**

We have to be very much sincere on our nationality and sovereignty. Nepal has been never colonized in the past. Why did not we have border sealed in the South? What is in 1950 Treaty that enables us? It is suggested that the 1950 Treaty should be reviewed. First of all we are all Nepalese. Talking on owns perspective, we are never been seen as a sovereign state. Journalist, politicians, diplomats including all Nepalese, must talk on having Southern boundary as in Northern boundary. I urge all Nepalese people from different political background, different professions to be united and be responsible for the country.

**Mr. Keshab Poudel, Editor, Spotlight**

Nepal is 8th state in the world for earthquake vulnerability, 3rd in flooding and second in overall disaster. We talk that climate change is more vulnerable but in negotiations on climate change, how many times foreign ministry represents on negotiating issues? In how many agreements we have signed? The role and obligation of foreign ministry after devastating earthquake is more vital.
Isn’t it time for Foreign Ministry to preside on disaster cell? Disaster is neither multilateral nor bilateral. I request Madhu Raman sir to highlight on the issue.

**Mr. Kosh Raj Koirala, Diplomatic correspondence, Republica**

Having heard the presentation from both the paper presenters, I found that Ministry of Labor and Employment has been highlighted and the policies we have to adopt. Isn’t it time for Nepal to start exerting pressure to some major labor destination countries to have government to government level agreement on labor issue? I witnessed the internal pain of Nepalese labors in Malaysia. Economic diplomacy too talks about it and how to manage this sector is equally important.

**Mr. Chauyanlai Shrestha, Political Activist**

Has the foreign policy of Nepal changed? This will be discussed in future too. What will be the areas of investment after devastating earthquake? I always suggested Foreign Ministry to work as a research center too, not only on bureaucracy and urge Government of Nepal to be more responsible after this earthquake on formulating and implementing their policies.

**Ms. Antara Singh, Section Officer, MoFA**

My question is intended to Dr. Shrestha. In one of the slide you mentioned that we have been packed up in the area of economic investment and then you went on to say that we have cheaper labor as compared to our neighbor countries. So what country basis or on what particular area you have said so as India and China are two big economic tie that have already granted themselves as cheaper level and growing market?

**Mr. Biplav Acharya, MIRD, TU**

While talking about policy, we must talk about policy makers. We are in yam metaphor. Why Nepal is still economically weak as it lies between two economic giants? How we deal with such particular situation whilst with bad governance, corruption and civil war? We are locked in our freedom.

**Mr. Ashbin Pudasaini, Public Relations Advisor to Foreign Minister**

I have two questions. On goes to Dr. Min Bahadur Shrestha. He has highlighted on capital flights. If we are able to control capital flights, we don’t need much investment and FDI. In this critical situation of post-disaster, we have critical issue of money laundering. Money laundering is becoming some sort of
opportunity. So, what would be the strategy of economic diplomacy in the post-disaster situation? How do you observe this?

And my other question goes to Mr. Acharya. It is said in the literature that public diplomacy and cultural diplomacy will be very much vulnerable in post-disaster situation. How do you observe this?

Mr. Vijay Raj Tandukar, Section Officer, MoFA

I have question to Dr. Shrestha. How Nepal Rastra Bank is been monitoring the fund collected in PM Relief Fund?

Mr. Ghanashyam Bhandari, Under Secretary, MoFA

My question goes to Madhu Raman sir. Thank you for your presentation as excellent as ever. Do you think in the context of mobilization of foreign assistance/foreign resource, Foreign office is more coordinated? Getting foreign assistance is not like raising VAT, there are so many issue involved. What type of approach we are adopting?

Mr. Nimesh, Student of Political Science, TU

After the industrial war, the remarkable observation in the international system is the rise of India and China and during our 8th Convention, Indian and China became first and second largest donor leaving traditional donor’s like WB, ADB and other countries like USA and Japan behind. In such circumstance, what kind of paradigms shifts you see in economic diplomacy that indicates in case of Nepal?

Response by Dr. Min Bahadur Shrestha

Almost 13 questions have been asked so I like to summarize my answer due to short time given to me for response. Many of you highlighted the missing points in my paper, which I accept. I will certainly improve and be more comprehensive in the final paper. Important points like technology transfer and connectivity part were missing and someone indicated that my paper is more theoretical and inconsistent. I am also not clear on the query but will try to clear it. Questions pointed out on the capabilities of our diplomats and question from former ambassador asking solution to tackle obstacles while implementing economic diplomacy and making it more effective are crucial.

First, let me start economic diplomacy with its definition. Economic diplomacy for the diplomats is to preserve and support economic prosperity of the country doing political analysis and keeping national interest intact. How successful
and able we are on this is a matter to ponder. Though our diplomatic history is long but we are still confined on core diplomacy. We turn out to be very late on adopting and implementing economic diplomacy. We are still in the process of discussion. I don't see core diplomacy in other countries. Whatever issue they have, it will be related to economic diplomacy. Iraq was economic issue for America. Other countries went to economic statecraft but we are still in primary stage on economic diplomacy. But discussions and interactions like this will be more effective while in the process of lesson learning. I presented my paper keeping preparatory level of economic diplomacy not mentioning practical level of it. I tried to focus on the needs of our country earlier and what will be after devastating earthquake of April and what are the areas to sail on economic diplomacy making this disaster an opportunity.

On labour issue, may be it will not be a part for some but for country like us where 12% of youth population is abroad in labour destinations and flow of migration is continuing at higher rate, it is very much vital to manage their interests which are a part of economic diplomacy. On capital flights and how to address it, first, we are imbalancing our trade. Our import is higher and export very low making trade deficit high. We have to increase our export and decrease import for balance of payment. Rather than focusing on how to increase it, illegal trade and transition should be stopped. Economic intelligence must be in economic diplomacy. Illegal activities on trade must be stopped and decision making must be supported.

These are the points I tried to focus on and will try to improve my mistakes in future.

Response by Mr. Madhu Raman Acharya

It seems that there is proper coordination of Foreign Ministry and Finance Ministry. So far, two ministries have shown proper coordination and exemplary work in a very well coordinated way. There are lapses of diplomacy politically and diplomatically while finance minister visited only India but not China. It might be harmful in diplomacy.

He also raised the concept of Bottom Billion. He has suggested that UN should repackage whole program target to be bottom billion. The concept of Bottom Billion was emerged in G20 meeting.

Thank you.
I would just try to share some of my clauses that I see it. Chairing this afternoon session is a privilege and thanks IFA family for the opportunity. First on economic diplomacy, Economic diplomacy today is the central theme of diplomacy. Economic issues dominate diplomacy; there is no doubt on it. Economic progress is essential for nation to grow. Economic progress is a license to global entrenchment. That labels your state to be fully recognized, the state dignity enhanced, well being is enhanced, outlook is widened and your opportunity to decide is widened on autonomic mandate.

Economic distress remains as a core of political instability. It is very important for political process as well. And in today’s world, who have best story to tell will succeed. I think our colleagues in the Foreign Ministry are capable of meeting this challenge. We need right environment. We need to coordinate for policy framework. We need capable institutions. We need adequate resources. There is no specialized trained cadre in trade service. There is no specialized investment cadre. So Foreign Ministry is taken as the best friend. You can test it. But we are ready to meet this challenge. As I said, the context, right need of policy, institutions and resources are essential. So with that spirit, we will continue to mobilize our diplomatic services. We have already started focusing diplomatic activities with economic activities. Ambassadors are now given TORs, job description, which is a new case, which was not there in past. We developing countries have specific strategies. We are developing system of effective monitoring and evaluation of all ambassadors’ assignments. Hope these innovations in foreign office will certainly improve in the Foreign Ministry and diplomatic missions abroad. So that’s a quick comment on economic diplomacy and now I will speak briefly on foreign policy in the changed context.

Well of course, there is only one constant thing it is said that it is change. We have to adjust to changing realities. And we will not be wiser to use hibernated diplomatic terminologies any more. Disaster diplomacy, cultural diplomacy is part of diplomacy. Economic diplomacy is also a part of wider diplomacy.
If you look at the Vienna Convention on Diplomatic Relations, important function of the mission is to promote economic relations, promote economic cooperation between countries. We need to reengineer the process. Of course, to be more result oriented than process oriented. This is all about giving more focus. We don't need new terminologies like these because that will confuse the system more. Managing earthquake of such a huge scale was not an easy task anyway, but we did it.

The convening of international conference on Nepal’s reconstruction was a major success. Of course now, the result will tell whether all the pledged amount are raised and delivered on the ground or not, whether the reconstruction work will be carried on as per the need for Nepal with effective national ownership and leadership, whether partners could be able to provide resources through our national system. These are our challenges and we have to manage it. Ambassador Madhu Raman Acharya is right that managing foreign interest is a critical issue here. It is not only a constitutional domain but economic domain too. How to manage the conflicting interests of the partners? We have to fully understand that context. There is huge need of investment. Reconstruction has in fact made foreign policy, and economic diplomacy more important. It is not only about seeking aid, it is about seeking long term trade consensus, seeking more tourists and safeguarding the vital economical interest of Nepal through economic diplomacy. So these are also the critical challenges and foreign policy machinery will be directed towards that now and in future. Well of course, topic like this emanates through the discussions, through analysis. Today, what we have tried has somehow focused to address some of concerned raised and in future I would like to have more serious discussions, focused discussion on issue like this.

With these notes let me thank Ambassador Acharya and Dr. Shrestha for their excellent papers and Dr. K. C. for his comprehensive comment and former Vice Chariman, NPC Mr. Kshetry for his comments and finally to you all who have made really substantive comments enriching the discussion from your active participation. And finally thank IFA team once again for their contribution making this a success.

Thank you
Introduction

Foreign policy and Economic Diplomacy are the national issues to build the nation. Since two decades, the issue of nation building and foreign policy of Nepal have become the burning topic. Nepal has moved on the path of modernization ever since the political arena following the 1950 changes. Like the leaders of first generation of democratic movement, the leaders, who championed the republican system, are also vigorously raising the issue of nationalism. The situation is going stable and political parties have agreed to promulgate the constitution.

Devastating Earthquake of 25 April 2015 and its tremors massively destroyed our villages and pilgrimges. More than 9000 Nepali lost their lives. Around, 200 thousand Nepali have been displaced. Large number of international community came to Nepal for the search and rescue with some relief materials. Meanwhile, there is no dearth of people to argue that the nationality is in trouble as a result of the collective failure of the parties in writing constitution and their flattery towards the foreign power centers.

With the cause of growing trust deficit among the major forces in issues like nationality, the issues of foreign and economy policies have been also contested. These topics are actually corresponding with each other. Without a dynamic foreign policy boosted by strong economy, nationality simply turns out a hollow slogan only to be exploited by demagogues to lead the masses into a populist trap.

National interest should be the back bone for the formulation and execution of foreign policies. However, it requires a minimum consensus among the key domestic players. A divided society cannot frame and implement independent foreign policy effectively. In the era of inter-dependent world, the foreign policy should be a catalytic factor to spur economic growth by activating economic diplomacy and attracting investment to the country. Only with a vibrant economy, the country can perform in the international forums with...
considerable aplomb. In the mean time, a security concern of the neighbors is the major factor for foreign policy that will enhance mutual confidence to respect each other’s sovereignty.

Against this backdrop, Institute of Foreign Affairs (IFA) and Friedrich Ebert Stiftung (FES) jointly organized a one-day seminar ‘Rebuilding Nepal: Post-Earthquake Foreign Policy and Economic Diplomacy in the Changed Context’ on 4 August 2015 with the objective of brainstorming as many ideas as possible on the given topic. Politicians, Intellectuals, Ambassadors, Diplomats, Professionals, Students and cadres of different political parties and media shared their views in the seminar.

Speech by Foreign Minister

As a chief guest of the program, Foreign Minister Mahendra Bahadur Panday said that the national interest should guide the country’s foreign policy. "The foreign policy should not be swayed by anti-Indian or anti-Chinese rhetoric. We should develop cordial ties with India, China and the western countries,"

It has already been three months since the devastating earthquake caused a huge loss of life and damage to properties across the country. The topic of this talk program remains extremely apposite to the present context of massive rehabilitation and reconstruction works require to be carried out in tandem with Nepal’s long-term development needs and priorities, by effectively executing economic diplomacy.

There is no doubt, the earthquake was disastrous. It brought an unprecedented level of destruction to us. In many cases, the damages are irreparable. Yet, together with these destructions and damages, it has also bought a stronger sense of attachment to our nation and an overwhelming felling of unity among the Nepalese people.

And I am confident that the commendable unity and resilience will guide us to overcome the disasters. Let’s tap this opportunity, this feeling of unity to reconstruct our nation.

Nepal has abundance of natural as well as human resources. The supportive hands of the international community with generous contribution are also available. This time is unique too for us as we are all set to promulgate a new constitution for the country. So, the momentum gained in our unity backed by the remarkable resilience of Nepalese people together with their aspiration for development, peace and prosperity should chart a new course for development and prosperity.
'As all of you are aware, the Government of Nepal has promulgated the Ordinance on the reconstruction of structures damaged by the earthquake with a provision of powerful Reconstruction Authority.

The overwhelming international commitments and the words of solidarity to Nepal’s reconstruction delineated the success of the International Conference on Nepal’s Reconstruction (ICNR) which was organized in Kathmandu on June 25. All these events and developments in Nepal in the aftermath of the disaster have surely given a push for rethinking and reviewing our overall development policies, and make our foreign policy more effective and contributive to safeguarding and promoting our national interests in the changed context.

Nepal maintains a relation of friendship and goodwill with all the countries in the world. We attach great importance to our relations with both India and China as they are our immediate neighbours and good friends, and our relations to them are time-tested, historic and mutually beneficial to each other. This fact is exemplified from time to time and finds its best expression lately during and after the earthquake disaster in Nepal. So, we enormously value our relations with our neighbours and friends.

With the changes in time and international demands, our friendly relations with all countries around the world need to be further enhanced for mutually collective gains. Nepal has projected its image in the international arena as a peace-loving, non-aligned and friendly country with a greater emphasis on development and prosperity through dynamic engagements and diplomacy.

With the shifting economic parameters lately towards Asia with the buzzwords “Asian Hemisphere” or “Asian Century”, Nepal is even more encouraged and optimistic that the long cherished dreams of Nepal to graduate from LDC status and participate in the international forums with even more vigour and contributions for the world peace and prosperity would be realized. The impressive economic growth achieved by both India and China is indicative of our growth and prosperity as well. Nepal should make efforts to benefit from unprecedented economic transformation that is taking place in the neighborhood.

An equally important function of the foreign policy is to create a conducive and enabling environment for socio-economic development of the country. In the post-disaster reconstruction endeavors of Nepal, adequate attention needs to be paid to diplomatic pursuance for garnering more international goodwill and solidarity, support and technology to Nepal’s reconstruction, and also a higher flow of investments in the country in order to build our
overall productive capability. Our economic diplomacy needs a revamping and an unprecedented boost for realizing all these ambitions. The economic diplomacy, as a part and parcel of foreign policy, I think, should be made result-oriented by increasing the resources of the Nepalese missions abroad and by mobilizing them effectively.

The ministry of Foreign Affairs with a view to promoting economic diplomacy is planning to set up a resource centre at the Ministry for assisting study, research and analysis in the area. We are undergoing a difficult phase in Nepal’s history. There are challenges, too, but I would rather like to say that history has given this opportunity for all of us to do something. Despite challenges, we should move on, should move forward and pave a way for a better future. The future generations will judge us on the basis of our contributions to the nation at present, he noted.

Mr. Leela Mani Paudyal, Former Chief Secretary, Government of Nepal

According to Former Chief Secretary, a number of international communities and agencies came to Nepal in search and rescue with some relief materials during the devastating earthquake of 25 April 2015 and tried to influence Nepal in the name of humanitarian assistance. Their arrival in Nepal had created awkward and uncomfortable situation without proper coordination with the officials of Nepal Government. Massive number of relief teams reached to Nepal after the invitation by Nepal government to International communities for assistance, whereas they did not obey to the Nepali officials. Chief Secretary himself was compelled to ask for the clarification with them. During the period even reputed organization like United Nations Humanitarian Assistance Office did its activities without coordination with Nepal Government.

With the decision taken at Central Disaster Relief Committee Nepal of asking Choppers and Aero planes from India and China for the relief during the earthquake created a big problem. A huge number of Choppers from India filled the Tribhuvan International Airports and Pokhara Airport that hampered to bring Chinese Choppers. We worked in a terrorized condition while the military forces from abroad came for the humanitarian assistance.

In the request of doctors from the Nepal Government for the treatment of injured during the earthquake, unnecessarily, about 90 percent doctors came for the treatment. In this regard, Nepal received the materials like water bottles from the foreign countries at the request for trapaulin for the displaced people.
He opines that it is important to prepare Standard Operating System to coordinate with the foreigners during the period of earthquake and other natural disasters as Nepal Government faced lots of challenges and obstacles during the disaster. Similarly, he added that Nepal Army, Armed Police Force and Nepal Police should be well equipped and capable to fulfill their duty in an effective way throughout the natural disaster.

Dr. Rishi Raj Adhikari, Executive Director, IFA

Dr. Adhikari gave inaugural session closing remarks and said that Nepal is still at cross road of myriad issues especially in the grueling and never ending exercise of constitution writing.

Adding salt to the injury, the series of earthquake and aftershocks starting April 25, 2015 killed over 9,000 people, injured over 22,000, and destroyed hundreds of thousands of homes. A million people were rendered homeless. Reconstructing Nepal has become the first priority of the country. There is great need and accordingly debates are going on about different approaches of reconstructing Nepal including national and international resources mobilization.

In the mean time Nepal witnessed new power rivalry taking shape between our neighbors and other friendly countries. However, it is remarkable to note that our friendly countries have tried to downplay any rivalry and it is being felt that the competing donations in billions from them are in Nepal’s favor. To maintain a sound economy in the competitive global arena, the role of economic diplomacy is crucial. Nepal needs to pursue economic diplomacy to bring in more foreign direct investment for its regular development work and post-earthquake reconstruction and rehabilitation that befits the massive loss of lives and physical infrastructures.

During the June 25 2015 Post-Earthquake Donors’ Conference on Reconstruction (PDCR) the international pledge for massive donation and financial support for reconstruction is to be highly appreciated. In the meantime the government also is required to ensure better expenditure ratio with good governance that shows better and drastic improvement from the past under-performance.

Mr. Yadav Khanal, Resource Person, IFA

While welcoming to the delegates, Mr. Yadav Khanal, Resource Person, encouraged on restructure of the society.
Paper presentation session

The attending leaders, intellectuals and diplomats listened to Former Foreign Secretary Madhu Raman Acharya and Executive Director of Nepal Rasta Bank, Dr. Min Bahadur Shrestha’s paper.

General picture of Acharya’s paper

There is only one goal of Nepal’s foreign policy that is to protect and promote our nationality. Our relations with India and China are at strategic level. A small mistake on our part could imperil the country’s existence. Since we are very small and weak compared to our neighbors, handling the foreign relations is a very sensitive matter for us.

In recent memory, Nepal’s earthquake was one of the most-predicted yet least prepared disasters in the world. Though the international aid agencies kept raising their voice for awareness for the possibility of a big earthquake and the need to prepare better for the same, they did precious little to help the government to move towards that direction. Even though the April earthquake was far less mighty than the 1934 one, it exposed how utterly unprepared Nepal was for the same. The report had identified Nepal as a “disaster hot spot” and highlighted the urgency of putting in place a disaster risk reduction strategy and policies as a matter of “high priority” in the country. Only a few, such as the ICRC, could activate their response mechanism immediately after the quake, while others struggled to put their acts together until weeks afterwards. Nepal did not have tents, medicines, search and rescue teams and relief items that were urgently required after such disaster.

The conflict in Aceh that killed 160,000 people was resolved after the massive tsunami of 2004 which washed the Indonesian province. The parties to the conflict agreed to a peace deal to help accelerate the post-tsunami rebuilding. India and Pakistan cooperated in allowing access and relief assistance in the conflict-prone Kashmir area after the earthquake in 2005. The basic premise of “disaster diplomacy” is that disasters usually induce cooperation between erstwhile rivals nationally and internationally.

The Government demonstrated exemplary leadership in putting together the Post Disaster Needs Assessment (PDNA) in cooperation with major multilateral partners. The PDNA report estimated the value of damage and loss due to the earthquake at $7 billion and that the Government would need at least $6.7 billion for Nepal’s post-earthquake reconstruction.

Nepal has received a huge international political, moral and economic support to rebuild itself from the debris of the earthquake. This was evident in the
involvedment of many foreign countries during the rescue and relief phase and their participation at the international conference for Nepal’s reconstruction. On 25 June, the Government successfully convened an International Conference on Nepal’s Reconstruction (ICNR), which pledged $4.4 billion for reconstruction aid, less than total needs assessed at $6.7 billion, but more than what the Government had expected.

But the earthquake also exposed certain weaknesses in Nepal’s disaster diplomacy. Only a few donors deposited their pledged aid in the Prime Minister’s Relief Fund. The reluctance owed primarily to the lack of trust on the government’s ability to make effective use of the fund so deposited.

Nepal’s embassies were sending reports about the amount of money they had collected for the Prime Minister’s Relief Fund almost on a daily basis. Presence of ambassadors in the posts abroad could have helped ease the situation to an extent.

The Government’s claim for a “one-door policy”, which was endorsed by a resolution of the country’s parliament, was also not received well by the international community. The Government struggled to bring a comprehensive framework for bilateral and multilateral donors, INGOs as well as charitable private organizations and individuals within such “one-door policy”.

As the sitting chair of the regional association, Nepal could not do its part to activate the SAARC disaster response mechanism that the member states have adopted. Though all South Asian governments provided rescue and relief and some have even pledged reconstruction aid to Nepal, the proposed mechanism under the SAARC could not be activated during the Nepal earthquake.

Many governments have declared humanitarian assistance as part of their foreign policy. Many of Nepal’s development partners have a strong humanitarian element in the aid they provide to Nepal, including for the care and maintenance of refugees, support to victims of disasters and in support of food security.

But it cannot be ruled out that several organizations and individuals come with their vested interests. Some come to provide assistance to get political recognition. Nepal had to turn down Taiwan’s offer to send search and rescue teams, as it could be interpreted as recognition of the island nation’s political identity against Nepal’s declared support to “One China” policy.

Most of the provisions related to foreign policy in the draft constitution have been borrowed from earlier constitutions, mainly the Interim Constitution
2007. This speaks of relevance and continuity of Nepal’s foreign policy that has been inherited from earlier periods. The preamble of the draft constitution speaks of Nepal’s independence, sovereignty, territorial integrity as basic parameters that guide the constitution.

Nepal needs to do more proactive economic diplomacy to revive the slackened tourism activities after the disaster and to attract more foreign direct investment in development of damaged infrastructure and industry. It will be necessary to further disseminate the messages that the heritage sites and trekking routes affected by the earthquake are now open. The word must spread that Nepal is now safe and normal for resuming regular tourism activities. Only a few governments have so far revised the “non-essential travel ban”. The Government should ask its embassies to monitor these advisories and lobby for their repeal as the situation as changed for better now.

Among the lofty goals that Nepal has adopted for itself is to graduate from the club of the world’s poorest countries within next half decade by 2022. In the latest review (2015) held by the Committee on Development Policy, a subsidiary body of the UN Economic and Social Council, Nepal has already crossed the threshold on Human Assets Index and Economic Vulnerability Index, though Nepal is far below in the yet other important criterion- the Per Capita Gross National Income (GNI).

Many skeptics had predicted that Nepal could go the Haiti way after the earthquake. But it did not. Nepal has well developed national institutions, which Haiti did not have. Nepal has a long-standing experience in handling foreign aid for development, and post-conflict reconstruction, hence handling post-earthquake reconstruction aid is no difficult. Major systems and infrastructure are still intact. The essential supplies were restored immediately; All routes were cleared for transport within hours of the disaster. There was no outbreak of an epidemic as it happens, such as the cholera in Haiti after 2010 earthquake. Nepali government institutions like the army and security forces acted very well. Nepal has demonstrated remarkable resilience against the odds of the tectonic shift.

Despite the huge loss of lives, property and infrastructure, the devastating earthquake that hit Nepal on 25 April and its aftershocks brought out some positive influences. It helped remove the seven-year deadlock over the country’s new constitution with emergence of a political consensus on way forward including on future “reconstruction” and development and on the mobilization of international support and for rebuilding Nepal.
Nepal’s post-earthquake rebuilding is bound to have external dimensions and influences in the country’s foreign policy. Though Nepal’s long-standing experience in “aid diplomacy” paid well in mobilizing international support for reconstruction after the earthquake, it also uncovered fissures in the coordinated response between the country’s finance and foreign ministries. Rebuilding Nepal requires rebuilding hope and confidence and leaving the political differences, which the leaders have demonstrated with a renewed vigour to adopt the country’s new constitution through a political consensus.

**General Picture of Mr. Shrestha’s Paper**

Economic Diplomacy is one of the parts of Diplomacy. It promotes exports and explores the market. Economic diplomacy attracts tourists, manages labor migration and also discourages illegal trade and transactions.

Need of effective economic diplomacy has further increased. Earthquake of April 25, 2015 has opened opportunities for trade and investment in Nepal. The country has become more attractive for foreign assistance, trade and investment.

So far as talking about key economic indicators, we have low economic growth but high growth potential. Economy is entering into a new growth trajectory. Macroeconomics indicators are sound and massive policy reforms have taken place.

Nepal is a transit hub for the foreigners to invest. As it is located in between two giant markets. There is location advantage for investment to the investors. Along with it, massive infrastructure development projects are ongoing. There is no strict policy at all for the investment in Nepal. It is one of the most liberalized countries in South Asia. We have open trade and Foreign Direct Investment as Nepal is the member of WTO, SAARC and SAFTA. According to the World Bank, 2015 report, business index rank of Nepal is 108.

In the context of Investment and Technology Transfer, we have very low human resource cost compared to that in the region. Increasing number of literate population and the running programs of capacity development are also the sources of investment in our country.

Nepal is highly rich in natural resources including water. As we are rich in biodiversity, there are varieties of metallic, nonmetallic and fuel minerals. Moreover, we have large reserves of limestone, talc and other industrial and construction related minerals. So far, 63 minerals have been identified. These are the significant of huge possibilities for investment in these areas.
Discussing about the NRB Policies, there is easy and transparent FDI approval and recording. Similarly, there is conducive exchange rate regime pegged with IC and flexible to convertible currencies and the unlimited convertibility of IC. Likewise, there is provision of selective imports from India in USD. There is easy access to banks for availing domestic credit and easy opening and operation of FX accounts.

There is an easy access and cheaper cost to the foreigners for the investment. In this regard, there is an opportunity of low land price and renting costs and easy availability of land and buildings. Nepal government fully supports in Infrastructure too. For instance: Nepal Government links roads to project site constructed by them. Investors can expect high return with lower tax burden and reasonable financing costs.

There is possibility of investment in equity, investment in the form of loan or loan facilities and reinvestment of earnings from foreign investment for foreign investor. Use of any technological right, specialization, formula, process patent or technical know-how of foreign origin, use of any trademark of foreign ownership and acquiring any foreign technical consultancy, management and marketing service is permitted.

There are several potential areas for investment. Agriculture, manufacturing, tourism and recreation are the examples. Interested investors may invest in sunflower seeds, large cardamom, cut flowers, herbs, ginger, tea and livestock. On the other hand, leather and leather products, hand woven carpets, jute and jute products, essential oils, paper, textiles, polyester yarn, Pashmina mufflers and shawls, and some specific garments, construction materials etc. are also important for investment.

Tourism consists of mountaineering, trekking, rafting, jungle safaris, mountain flights, hotels and restaurants. Theme parks and water parks can be kept in recreation. These are the possible areas for investment.

Like other sectors, health and education is the major area to be invested. Medical, agriculture, forestry and tourism schools of higher education are to be opened.

Along with the above mentioned areas, Hydropower and Renewable Energy and Infrastructure Development are also the potential areas for the development and investment.
Questions and Answers Sessions:

Dr. Meena Vaidya Malla, Head of Political Science Department, TU

Economic and disaster diplomacy is taken as a new literature in the diplomatic dimensions of Nepalese foreign policy. We are assured of many opportunities. Hon’ble Foreign Minister assured for keeping diplomatic counselors for enlargement of professional diplomacy in Nepal. Dr. Adhikari talked on sending well trained diplomats from Nepal and Dr. Shrestha talked on economic diplomacy.

So my question to Dr. Shrestha is without experienced diplomats with minimum knowledge of emerging issues and emerging actors and in diplomatic practices can we manage diplomacy?

Dr. Bishnuhari Nepal, Former Ambassador

We have to improve connectivity part to enhance economic diplomacy. On perspective point of post-Lipulekh, I congratulate Madhu Raman jee for raising Lipulekh issue in his paper.

Mr. Gopal Bahadur Thapa, Former Chief of Protocol, MoFA

What kind of diplomacy do we need in terms of handling the international actors in diplomacy while entering in the state of reconstruction and defense? Perhaps we have to focus on rebuilding diplomacy. There are many face of economic diplomacy. How foreign ministry alone tries to bring the holistic pictures with real foundation and profile of economic diplomacy?

Mr. Mohan Krishna Shrestha, Former Ambassador

What, in your opinion, are the main obstacles to achieve desired effects of economic diplomacy and how in future we can make an effective economic diplomacy in your opinion?

Dr. Rajendra Bahadur Shrestha, President, NCWA

You have highlighted the key factors on economic diplomacy. I see some contradiction based on economic indicators. The connectivity issue and technology transfer part is missing. As Dr. Shrestha suggests, policy reforms are taking place which is not favorable for attracting FDI especially after post-earthquake situation. Institutional issue is very much lacking after post-earthquake. How foreign ministry alone tries to bring the holistic pictures with real foundation and profile of economic diplomacy? How the ministry is going to coordinate and monitor?
Dr. Prem Singh Basnet, Brigadier General, Nepal Army

We have to be very much sincere on our nationality and sovereignty. Nepal has been never colonized in the past. Why did not we have border sealed in the South? What is in 1950 Treaty that enables us? Talking on own perspective, we are never been seen as a sovereign state. Journalist, politicians, diplomats including all Nepalese, must talk on having Southern boundary as in Northern boundary. I urge all Nepalese people from different political background, different professions to be united and be responsible for the country.

Mr. Keshab Poudel, Editor, Spotlight

Nepal is 8th state in the world for earthquake, 3rd in flooding and second in overall disaster. We talk that climate change is more vulnerable but in negotiations on climate change, how many times foreign ministry represents on negotiating issues? Isn’t it time for Foreign Ministry to preside on disaster cell? Disaster is neither multilateral nor bilateral. I request Madhu Raman sir to highlight on the issue.

Mr. Kosh Raj Koirala, Diplomatic correspondence, Republica

Having heard the presentation from both the paper presenters, I found that Ministry of Labor and Employment has been highlighted with the policies we have to adopt. Isn’t it time for Nepal to start exerting pressure to some major labor destination countries to have government to government level agreement on labor issue? I witnessed the internal pain of Nepalese labors in Malaysia. Economic diplomacy too talks about it and how to manage this sector is equally important.

Mr. Chauyanlai Shrestha, Political Activist

Has the foreign policy of Nepal changed? This will be discussed in future too. What will be the areas of investment after devastating earthquake? I always suggested Foreign Ministry to work as a research center too, not only on bureaucracy and urge Government of Nepal to be more responsible after this earthquake on formulating and implementing their policies.

Ms. Antara Singh, Section Officer, MoFA

My question is intended to Dr. Shrestha. In one of the slide you mentioned that we have been packed up in the area of economic investment and then he went on to say that we have cheaper labor as compared to our neighbor countries.
Mr. Biplav Acharya, MIRD, TU

While talking about policy, we must talk about policy makers. We are in yam metaphor. Why Nepal is still economically weak inspite of the fact that it lies between two economic giants? How we deal with such particular situation whilst with bad governance, corruption and civil war? We are locked in our freedom.

Mr. Ashbin Pudasaini, Public Relations Advisor to Foreign Minister

If we are able to control capital flights, we don’t need much investment and FDI. In this critical situation of post-disaster, we have critical issue of money laundering. So, what would be the strategy of economic diplomacy in the post-disaster situation? How do you observe this?

It is said in the literature that public diplomacy and cultural diplomacy will be very much vulnerable in post-disaster situation. How do you observe this?

Mr. Vijay Raj Tandukar, Section Officer, MoFA

I have question to Dr. Shrestha. How Nepal Rastra Bank is been monitoring the fund collected in PM Relief Fund?

Mr. Ghanashyam Bhandari, Under Secretary, MoFA

Do you think in the context of mobilization of foreign assistance/ foreign resource, foreign office is adequately coordinated? Getting foreign assistance is not like raising VAT, there are so many issues involved. What type of approach we are adopting?

Mr. Nimesh, Student of Political Science, TU

After the industrial war, the remarkable observation in the international system is the rise of India and China and who became first and second largest donor leaving traditional donor’s like WB, ADB and other countries like USA and Japan behind. In such circumstance, what kind of paradigms shifts you see in economic diplomacy that indicates in case of Nepal?

Response by Dr. Shreshtha, Paper Presenter

While answering to the floor, Dr. Shrestha accepted some of the missing points pointed by the audiences. The missing points like technology, connectivity and the theoretical paper rather than more practical would be improved in near future as he assured.

In the context of implementing economic diplomacy a diplomat’s duty is to preserve and support economic interest of his country through the economic
diplomacy learnt and seen in the foreign country. Nepal is confined in core diplomacy and very late in economic diplomacy and the discussion in it has just begun. As we are in preliminary stage, we must search the way of selling our opportunities in the market.

Labor export issue is economic diplomacy to us. It is very important to address and manage the issue of youth migration to abroad. Proper utilization and well management of labor resources would be more effective and high economic impact instead of investing in abroad.

Comment by Dr. Khadka K.C. on Mr. Acharya’s paper

The paper has been found comprehensive, critical, analytical, pro-policy-guiding. Qualitative, and descriptive methodology based, carrying diplomatic rhetoric and ample political jargons, and has given enough room for thoughtful discussion. The paper also endeavors to cover positive repercussions of earthquake to vehement comments of the flaws of state and government during and after the earthquake. Also recommended policy feedbacks on post disaster diplomacy, managing aid, assertively admitted that Nepal is not and won’t be Haiti like too fragile or almost failed state to handle crises. The theme of the paper seems more foreign policy and diplomacy discourses focused, however contents inside are more politics and economy-predominated. The paper neither adhere any school of thought (i.e. realist, constructivist, liberal and Marxists inter-alias to analyze or discuss the foreign and disaster diplomacy of Nepal. The paper has some methodological flaws.

The domestic media houses and some international like Chinese media (CCTV and China Daily) found quite positive toward Nepal’s disaster compared to extraordinarily negative, exaggerative and provocative news story disseminated by the Indian media about the catastrophic. The appreciable role of Nepal Army and APF and NP, in rescue and relief operation, by successful coordination of multinational rescue forces under its integrated leadership does not prove the index of ‘fragile state’. Government of Nepal i.e. Ministry of Finance, MOFA’s and planning commission largely proved their credentials; balanced foreign policy and diplomacy during and after disaster (however, some neighbors criticized that Nepal favored much to her southern neighbor) bringing all regional, and international powers including multilateral i.e. into one door- aid policy, PDNA publication and ICNR conference largely proved Nepal’s independent foreign policy and diplomacy. Northern neighbor China, however, found disenchanted with the assertive presence of India and acceptance of her limited roles entertained during the rescue and relief operation. Geopolitical rivalries since after the Cold War have stormed back to the center stage in the year 2014. The Russian suzerainty over Crimea, Chinese aggressive claims over East and South China sea islands and Japanese
increasing assertive strategic responses to China and South Korea and the Syrian, Iranian issues indicated the roll back rationale of geo-politics in IR. Geo-political implications in domestic as well foreign policy of Nepal are not a comeback discourse. Since during the Lichhivi era to date, Nepal has remained as an independent nation, however, has been incessantly influenced by northern and southern neighborhood. However, during the rescue and relief operation the front runner are always state appurtenances; (unlike Civil society which hardly plays pro active roles) Nepal Army, APF, Nepal Police, Political Parties’ cadres, and general public. Therefore, we need to concentrate our foreign policy and diplomacy to reconstruct the country to make it better. As per realist theory of IR, geo-politics and power play significant role in bilateral, trilateral and multilateral relationships.

**Mr. Deependra Kshetry**

**Mr. Kshetry's comment on Dr. Min Bahadur’s paper:**

During the Earthquake, Prime Minister Sushil Koirala was in Indonesia as the then Prime Minister was in animal hunting during the earthquake of B.S. 1990. The decision throughout the time had to be taken without his presence and many decisions were not able to be taken on right time. Unless we get higher level permission from administration, our bureaucrats and diplomats are very reluctant to go ahead in the special situation.

By now the developed countries have not been able to fulfill their promises to devote 0.7% of their gross national income as foreign assistance. Some of our neighboring countries tried to reach with equipments, helicopters etc. We had to refuse their generous assistance mainly as it was not manageable. Still, we are in need of commodities for post earthquake, rehabilitation and restructuring process. Foreigners have good opportunity to invest in our country.

Dr. Baburam Bhattarai introduced Investment Board that has enough power to make every decisions. nevertheless, extra power was withdrawn upon government change.

**Mr. Shanker Bairagi, Acting Foreign Secretary**

Economic Diplomacy today is central theme of diplomacy. There is no doubt that Economic Diplomacy dominates diplomacy because economic progress is essential for nation to grow. Economic progress is a licence to global enfranchisement that enables state to be fully recognized. Country’s dignity is enhanced. Your outlook is widened, opportunity to decide widened. Economic distress remains core of political instability. Our colleagues in Foreign Ministry are capable of meeting this challenges. We need right environment; we need to coordinate for policy framework. We need capable institutions, need
resources. Ambassadors are now given with TOR, job descriptions which is a new case, was not in past. We developing countries have specific strategies. We are developing a system of effective monitoring and evaluation on all the ambassadors’ assignments. Hope, these innovations, foreign office will certainly improve in foreign ministry and diplomatic missions abroad.

One of the major task of foreign policy by Vienna Convention is to promote economic condition, economic cooperation between countries. We need to reengineer the process and of course, to be more result oriented than process oriented. The international conference was major success. Normally, it is a constitution domain but economic domain as well. There is huge need of Foreign Investment, there is no doubt.

**Conclusion**

It is a matter of satisfaction that India and China have respected Nepal’s independence, sovereignty and territorial integrity. However, Nepal should achieve political stability and economic prosperity to attain independence and sovereignty in the real sense. Otherwise, our independence and sovereignty will merely be confined in the papers. We should also assure our neighbors about their security concerns. China has never demonstrated its ‘superiority complex’ despite being a big country. It treats all neighbors - big or small- on equal terms. It behaves with the neighbors as per its own national interests, not based on any political ideology.

Nepal and India share open borders; some of them are in disputes, creating occasional hiccups. Closing borders is not the solution. We have to manage them. It is in the benefit of two sides to resolve the border disputes based on the mutual understanding. A benign cooperation from India is widely expected to solve the border disputes because this issue has brewed anti-Indian sentiments here that will hurt both Indians and Nepali.

As one US scholar put it, Nepal’s foreign policy has been guided by a strategy for survival since centuries. Our ancestors fought throughout history to keep Nepal’s dignity intact. This is a reason why the country has remained independent till the day. The strategy for survival helped to protect the nation. Now we have to shift from survival strategy to development strategy. Without development, our survival has become almost impossible. Therefore, peace, unity and socio-economic development should be the cornerstone of the country’s foreign policy. We should focus on following facts:

There are many countries in the world that are smaller than Nepal. But, they are more independent, self-reliant and enjoy more self-dignity than Nepal. For example, Switzerland is three times smaller in geography and five times
smaller in population than Nepal. But, it exercises more freedom than Nepal because it is very rich. Nepal also possesses big potential in terms of natural and human resources. What we lack is the right leadership, right idea, right policy and programs to achieve the development goals.

The issue of federalism, particularly ethnic federalism, has been flared up because of the lack of balanced socio-economic development. What we need first – development or ethnic identity? Have the Nepalese lost their ethnic or linguistic identity? The small country like Nepal houses 103 ethnic groups and 93 languages. Development will not happen overnight if the federal states are carved out on the basis of castes. Let’s make our development process proportionate and inclusive, and introduce reservation for the backward people. Let’s promote the works that enhance meritocracy but do not recommend incompetent persons in the name of inclusion.

Political equality can be attained once the political revolution completes but economic equality is a long process. It depends on the growth of production that requires capital saving and reinvestment. The economic equality does not mean the distribution of poverty.

Safeguarding the national interest should be the primary goal of foreign policy. Nepal needs to be sensitive towards the security concerns of its neighbors. The country’s foreign policy lost its flavor because we disregarded far-sighted foreign policy guidelines of the country’s unifier Prithvi Narayan Shah. Today’s world is economically globalized and politically fragmented. The political parties should forge a minimum consensus on foreign policy. Now we have to shift from survival strategy to development strategy to carve out an independent image of the country.

The nation is in grave crisis owing to the collective failure of the political parties. Political stability, internal unity and economic prosperity is the key to the execution of independent foreign policy. Recently, earthquake has devastated human, properties and heritages and rebuilding and renovations seems to be urgent. Effective economic diplomacy has to be further increased. It is an opportunity to the investors for trade and investment in Nepal. We need right leadership and right policy to tap abundant water resources, and the potentials of tourism and agriculture sectors.
13. List of Participants in the Talk Programme

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

2. Mr. Shanker D. Bairagi
   Acting Foreign Secretary
   Ministry of Foreign Affairs

3. Mr. Madhu Raman Acharya
   Board Member, IFA and Former Ambassador

4. Prof. Dr. Meena Vaidya Malla
   Board Member, IFA, Head of Department of Political Science, TU

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

6. Mr. Buddhi Narayan Shrestha
   Board Member, IFA and Border Expert

7. Dr. Min Bahadur Shrestha
   Executive Director, NRB

8. Mr. Deependra Kshetry
   Former Governor NRB and
   Former Vice Chair, NPC

9. Mr. Leela Mani Paudyal
   Former Chief Secretary
   Office of the Prime Minister and Council of Ministers
Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

20 Mr. Mani Bhattarai
Under Secretary
Ministry of Foreign Affairs

21 Mr. Rajendra Thapa
Under Secretary
Ministry of Foreign Affairs

22 Ms. Rununu Chapagain
Under Secretary
Ministry of Foreign Affairs

23 Mr. Dornath Aryal
Under Secretary
Ministry of Foreign Affairs

24 Mr. Pushpa Raj Bhattarai
Under Secretary
Office of the President

25 Mr. Durapada Sapkota
Under Secretary
Ministry of Foreign Affairs

26 Mr. Gehendra Bahadur Rajbhandari
Under Secretary
Ministry of Foreign Affairs

27 Mr. Ashbin Pudasaini
Public Relation Adviser to Hon.Minister
Minister of Foreign Affairs

28 Mr. Dipak Paudel
Computer Officer
Ministry of Foreign Affairs

29 Mr. Rebati Raman Paudel
Director, DOP
Ministry of Foreign Affairs
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Former Chief of Protocol
Ministry of Foreign Affairs

53 Mr. Dhananjay K. Singh
SAARC Secretariat

54 Prof. Dr. Sushil Raj Pandey
T.U. Kirtipur.

55 Prof. Dr. Pushpa Karn
Faculty of Education
Mahendra Ratna Campus

56. Prof. Dr. Shreedhar Gautam
Member, NCP-National People Forum
Foreign Relation Department

57. Mr. Kapil Pokharel
Member
Foreign Relation Department
CPN (ML)

58. Mr. Chauyen Lai Shrestha
Foreign Relation Department
Nepali Congress.

59. Ms. Samira Paudel
FES, Nepal

60. Ms. Pratiksha Dahal
FES, Nepal.

61. Ms. Annika Knust
Student, German, Intern
FES-Nepal

62. Mr. Balananda Sharma
Lt. General (Retd.)
Nepal Army
74. Mr. Kosh Raj Koirala  
Journalist  
The Republica

75. Mr. Parshuram Kaphle  
Journalist  
Naya Patrika National Daily

76. Mr. Suman Giri  
Journalist  
Avenues TV

77. Mr. Nischal Rijal  
Journalist  
Dibyadarshan Weekly

78. Bhishma Raj Ojha  
Journalist  
National News Agency (RSS)

79. Mr. Maha Prasad Lamichhane  
Journalist  
Nepal Television

80. Mr. Rajan K.C  
Nepal Television

81. Mr. Yogesh Raj  
Chairman  
Martin Chautari

82. Mr. Sharad Chandra Bhandari  
Senior Reporter  
National News Agency (RSS)

83. Mr. Santosh Ghimire  
Journalist  
Annapurna Post
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<th>No.</th>
<th>Name</th>
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<td>Mr. Keshab Paudel</td>
<td>Journalist, Spotlight Magazine</td>
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<td>85</td>
<td>Ms. Radha Chalise</td>
<td>Reporter, Gorkhapatra National Daily</td>
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<td>86</td>
<td>Mr. Kamala Rasaily</td>
<td>Reporter, Radio Nepal</td>
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<td>87</td>
<td>Mr. Kiran Aryal</td>
<td>Reporter, Radio Nepal</td>
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<td>88</td>
<td>Ms. Dela Parsain</td>
<td>English News Anchor, Nepal Television</td>
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<td>89</td>
<td>Ms. Injina Panthi</td>
<td>Student, Master's in International Relation and Diplomacy (MIRD), TU</td>
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<td>90</td>
<td>Mr. Lavesh Pyakural</td>
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<td>92</td>
<td>Mr. Dronad Lamichhana</td>
<td>Student, Political Science, TU</td>
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<tr>
<td>93</td>
<td>Ms. Prabha Bogati</td>
<td>Student, Political Science, TU</td>
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<tr>
<td>94</td>
<td>Mr. Krishna Lamichhane</td>
<td>Student, Political Science, TU</td>
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14. Photos

Mr. Shanker Das Bairagi, Acting Foreign Secretary, Mr. Leela Mani Paudyal, Former Chief Secretary Hon. Mahendra Bahadur Pandey, Minister of MoFA, Dr. Rishi Raj Adhikari, ED, IFA, Mr. Yadav Khanal Resource Person, IFA. (From Left to Right)

Inauguration of Talk Programme by Hon. Mahendra Bahadur Pandey, Minister, MoFA assisted by Dr. Rishi Raj Adhikari, Executive Director, IFA & Mr. Yadav Khanal Resource person, IFA
Hon. Mahendra Bahadur Pandey, Minister, MoFA, Delivering Keynote Speech.

Mr. Leela Mani Paudyal, Former Chief Secretary, Delivering Opening Speech.
Rebuilding Nepal: Post-earthquake Foreign Policy and Economic Diplomacy in the Changed Context

Dr. Rishi Raj Adhikari, ED, IFA delivering Closing Remarks at inaugural session

Dr. Min Bahadur Shrestha, ED, Nepal Rastra Bank, Mr. Shanker Das Bairagi, Acting Foreign Secretary, Mr. Deependra Bahadur Kshetry, Former Vice Chairman NPC & Governor, NRB (From Left to Right)
Mr. Madhu Raman Acharya, Dr. Min Bahadur Shrestha, (Paper Presenters), Mr. Shanker Das Bairagi, Chair, Dr. Khadga K.C., Commentator (From Left to Right)

IFATeam
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