

Pakistan-Nepal Economic Relations: A Prologue from Past to Present

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ABSTRACT

Pakistan and Nepal established diplomatic relations in 1960. The Economic and Industrial cooperation was obliged in 1960s which further expanded into liberal bilateral trade regimes from 1970 to 1990s. New fields of cooperation and bilateral engagements in education, socio-cultural and defense were proposed in early 2000s. However, the relations did not exceed from narrow strip due inconsistency in political dialogues between the stakeholder of the two nations. Opportunities of trade CPEC for the two nations is also part of this study. This research finds a prospects of bilateral engagements between Islamabad and Kathmandu in a detailed way. It has also found the potential for cooperation in many new areas. The study concludes that steady dialogue, negotiations, MOUs, agreements, regional engagements and obligation of bilateral, regional and international treaties is a way forward to strengthen the relations between two SAARC countries.

Key Words: SAARC, Pakistan-Nepal Relations, Diplomacy, Economic, Cooperation

Introduction

Nepal is a Himalayan state while Pakistan is a state with strategic importance in South Asia. Both states established formal bilateral relations in 1960s. King of Nepal His Majesty Mahendra and the President of Pakistan Ayub Khan visited to each other in 1961 and 1963 respectively. After the conclusion of negotiations at various levels, a two years bilateral trade agreement was signed between the two countries in 1962. This agreement established a bond for economic relations under which various protocols were framed to boost up the trade in the coming years. Under an additional agreement in 1963, Pakistan provided free transit trade facility to Nepal through her Eastern wing via Chittagong Port connectivity for carrying

external trade with other regional and global countries. The industrial cooperation was also started between the countries in the same period (Muhammad, Sohail Ayaz et. al., 2015).

In 1982, Joint Economic Commission (JEC) was constituted to expand the economic relations between Islamabad and Kathmandu. Several opportunities were granted to the business communities of the both countries under this JEC. Social, cultural, educational and tourism linkages were also developed during the coming periods of negotiations. Since 1974, steady increase in the relationship between the two sides built a bond for mutual engagements in shared areas of bilateral interests despite direct road/railway disconnectivity. In 2013, China started constructing road linkages inside Nepal and Pakistan to engage with both neighboring states. Both Pakistan and Nepal are desired to expand their bilateral connectivity with the assistance of Beijing in the near future. The dialogue and formal communication has been started between the three states since 2018 for establishing a shared memorandum of understanding in this direction (Upadhyaya, N. P., 2018).

This research has developed a framework to study the Pakistan and Nepal bilateral relations in two way spectrum. The narratives and the calculations of two sides are part of this research to analyze the past and present path and the future goals for achieving regional connectivity. Bilateral trade agreements 1962, 1963, formation of JEC in 1983, MOUs of 1996 and 2009 and cooperation on new trade routes under BRI and regional connectivity is also part of this research paper. This research is worth to examine and understand the bilateral relations of the two nations over the time.

Historical Developments

Pakistan and Nepal remained aloof from each other for almost one and a half decade owing to their internal political issues and India's critical neighbor posture. The King of Nepal His Majesty Tribhuvan Bir Bikram Shah signed treaty of Friendship in 1951 with Indian government. The king was more inclined towards India owing to the three centuries long isolationist policy. However, Nepal decided to revitalize the isolationist policy after 1955 under the His Majesty King Mahendra rule. The government decided to expand economic and social cooperation with countries like China, Germany, Philippine and Pakistan by lowering its dependency on India. In the changing regional scenario, when US and India jeopardizing Nepal's strategic venture, Pakistan also found a strategic path with focusing on small states of South Asia and decided to established relations with Nepal and Sri Lanka (Nayak, Nihar R. 2014).

The relations between the two states evolved from the industrial cooperation on the sideline platforms of Colombo Plan and NAM regional forums in early 1955 and expanded into diplomatic and political engagements in 1960s to 1990s. Several MOUs were signed between the two states to expand the cooperation beyond economic activities. The agreement on transit and port facilities for Nepal

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in 1970, cultural exchange agreement of 1994, agreed procedures on defense cooperation in 2005, agreement to promote tourism (especially in mountaineering/expeditions) of 2009 and negotiations between Pakistan, China and Nepal nexus under BRI since 2018 are some of the important initiatives taken by the two South Asian states. Despite many political, strategic and economic changes in in the domestic, regional and global orders, relations steadily developed between the two states over the time. A study about the intensity, diversity and willingness of both states in various sectors has been examined in the following headings;

Industrial Cooperation

The developed nations introduced many schemes for the Low Developed Nations (LDCs) for introducing industrialization or intensifying their role in the industrial development of the South within and sometimes out of the framework of United Nations Organization during 1950s to 1970s. There are two most important schemes which these Industrial states framed for the LDCs are; i) Colombo Plan and ii) Initiatives for Industrial cooperation. Under these two schemes, technical, industrial and mechanical assistance was transformed from the developed countries like USA, Britain, France and Italy to the LDCs. Under these schemes, the developing countries also established bilateral engagements at their platforms to exchange industrial capacity building (Edblad, Jeanette, 1996)

Pakistan established her initial engagement in the sector of industry and promote industrial cooperation with Nepal. The industrial sector developed vastly and speedily in the era of President Gen. Ayub Khan. The government of Nepal during the reign of His Majesty King Mahendra started approaching Pakistan at the sidelines of Colombo Plan meetings to ask for industrial assistance for the Nepali nation prior to establishing formal diplomatic relations. Pakistan was steadily grooming in the industrial sector due to the efficiently framed industrial policy by President Ayub Khan at that time (Burki, Shahid, Javed, 2008). In the meantime, Pakistan also assisting Pakistan was also assisting Japan and South Korea for establishing their industrial policies.

i. Colombo Plan

The Colombo Plan is an intergovernmental organization that was established in 1951. This organization is framed to build south-south cooperation for boosting human resource development for which is assisted by industrially developed nations. The program was framed for providing industrial assistance to South and Southeast regions of Asia. Pakistan joined this forum in 1951 while Nepal became its member in 1952. Under Colombo plan, Nepal and Pakistan found joint interests in industrial sector. Government of Pakistan started assisting Nepal on many industrial postures prior to establishing prior to establishing diplomatic relations (Pant, Y. P., 1962).

Under the aegis of Colombo plan, Pakistan started providing technical assistance in manufacturing sector and also tried to find investment opportunities for Pakistani industrialists in the industrial sector. After establishing diplomatic relations in 1960, this cooperation increased at narrow space. However formal negotiations did not emerged in this sector in 1960s to 1990s. As the Nepali business community and the government asked for heavy investment inside the industrial sector of Nepal. The government of Nepal also revisited its industrial policy to incorporate and adjust Pakistani industrialists in the industrial sector of Nepal. Due to India's fear, political instability in Nepal, Pakistan-India relationship instability and absence to direct road/sea linkages, this cooperation not evolve into full spectrum until now.

ii. Initiation of Industrial Cooperation in 1960s

A Joint Pakistan-Nepal venture for establishing new Industries in Nepal was proposed by a delegation of Nepali Business group in October 1962 who visited Pakistan at that time. They urged the industrialists from Pakistan to invest their capital for boosting industrial sector of Nepal. The government of Nepal under the reign of His Majesty King Mahendra at that time also revised their national industrial policy to accommodate the new industrial ventures from the countries like Pakistan (Pant, Y. P., 1962, p. 1955).

That was the time, when Pakistan was considered as one of the fastest growing industries of Asia. Some businessmen invested at small levels in manufacturing sector of Nepal at that time. During 1960s, Pakistan prefer to provide only technical assistance for developing industries in Nepal. Having dependency on India by Nepal, Pakistan also played a significant role for developing the economy and industry of Nepal. The relations between the two states started accelerating into bloom as His Majesty King Mahendra and President Ayub Khan also developed friendly relations on personal basis. This interests developed state level industrial cooperation between the two sides.

iii. Industrial Cooperation under JEC 1983

The steady cooperation between the two countries moved on during 1970s. Negotiations for finding new avenues for the expansion of industrial cooperation started in 1976 which ended in 1983 with the adaptation of JEC (Mohammad, Ayaz & Azid, Toseef, 1990). Apart from industrial cooperation, under this agreement both countries decided to develop cooperation in textile, leather, surgical instruments, aviation, banking and hotels sector. A Joint Business Council (JBC) was established by Federation of Nepalese Chamber of Commerce and Industries (FNCCI) and Federation of Pakistan Chamber of Commerce and Industry (FPCCI) in November 1994 to expand the industrial cooperation at two ways. Furthermore, Confederation of Nepalese of Industries signed various MOUs with Karachi, Lahore and Islamabad based chambers of commerce and industries

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in 2005. The objectives these MOUs was to transform the existing industrial cooperation by adopting in-built policies by FNCCI and FPCCI and promotion of people-to-people contacts.

One of the biggest hurdle for low industrial cooperation between the two states is the absence of road and air link. The transit flights between Pakistan and Nepal via Dubai costs high and becomes time consuming. There is urgent need to resolve this issue by the two governments. There is also need to revive SAARC forum by lowering down conflicts between India and Pakistan to speed up industrial cooperation. Despite these hurdles, still both states have exponential potential in manufacturing industry, Information Technology, Garments, Health, Education, civil aviation, as well as in agriculture and livestock. For this cooperation there is need to establish direct connectivity between the private sectors of the two countries through FNCCI and FPCCI forums.

Economic Cooperation

The bond of friendship and cordial relations between the two sides exponentially have grown since the establishment of diplomatic channels. However, the pace of trade remained low owing to missing of direct road linkages and Pakistan's bad relations with her eastern neighbor India, the country which have no restriction with Nepal. The detail of the economic cooperation is further elaborated as following;

i) Two Years Economic Agreement 1962

Pakistan and Nepal signed a two years economic agreement in October 1962. This agreement opened a new era for economic and industrial cooperation between the two nations. Some of the targets which were established under this agreement are; i) special agreement was concluded to provide facilities for transportation and movement of good between the two countries ii) special arrangements for payments on trade were mutually agreed iii) trade exhibition were decided to promote trade and the last but not least iv) it was decided to promote the visits by businessmen and trade delegates between the two sides (Mohammad, Ayaz & Azid, Toseef, 1990).

This trade agreement laid the foundation to link the business communities from both sides so that they can find new avenues of mutual cooperation in different fields. Reciprocally, the two countries granted Most Favored Nations (MFN) status under this agreement of 1962 (<https://countrystudies.us/nepal/66.htm>).

ii) Transit Agreement/Road & Air Cargo Agreement 1963

In 1963, by revising the nature of cooperation, the two states expanded it by including more areas. Nepal is landlocked state which is surrounded by India on three sides and associated with China on its north. The state wanted a transit trade

route to expand her economic exports to other states in the region and beyond. Under this desire, Pakistan and Nepal concluded a transit trade agreement in January 1963. Nepal enjoyed cordial relations with India after treaty of friendship, while Pakistan provided a transit facility to Kathmandu through its eastern wing via Chittagong Port through Radhikapur road link (<https://countrystudies.us/nepal/66.htm>). An air link was also developed between Kathmandu and Chittagong in the same year. This transit agreement reduced Nepal's dependence on India to some extent. Pakistan also facilitated Nepal's trade with other countries by exempting custom duties, levies and taxes upon trading goods for some time.

iii) Developments Afterwards

After the expiry of two years trade agreement, the two countries reviewed it in distinct rounds but could not reached on a conclusion due to the 1965 war between India and Pakistan. In 1966, again the two sides framed an initial protocol to expand the partial trade via Radhikapur corridor but owing the intensity of relations between Islamabad and New Delhi, could not reach on a composite framework. In 1969, President of Pakistan Gen. Yahya Khan visited Kathmandu. Various suggestions and initiatives were discussed. At the end of this visit, Pakistan signed agreements with Nepal and continued the previously decided transit trade agreement. Additionally Pakistan also decided to provide scholarships to Nepalese students in Pakistan under cultural exchange program (Chauhan, Kiran, 2020).

Like 1965 war between India and Pakistan; Nepal adopted a neutral position during 1971 war between the two estranged neighbors of South Asia. Following the war, Pakistan's eastern wing dismembered and new state with the name Bangladesh came into exist. In the changing geopolitical scenario, Nepal immediately decided to establish bilateral relations with Bangladesh after formal recognition on January 16, 1972. At this moment, Pakistan responded to Kathmandu by abrogating the formal diplomatic communication for a brief period time.

In 1974, the government of Pakistan under the aegis of Prime Minister Zulfikar Ali Bhutto decided to re-engage with Nepal (Khattak, 2022). He delivered a policy statement which was considered an important note on defining the future conundrums between to two South Asia states having common neighbor India. He stated that;

“Nepal is to Pakistan, what Afghanistan is to India. Nepal's (close)proximity to East Pakistan (Bangladesh) and vital states of Sikkim and Bhutan and the province of Assam with its Naga and Mizo free-dom fighters give Nepal a high place in the calculations of Pakistan's foreign policy” (Shrestha, Hiranya Lal, 2010)

In the given context, the negotiations started in 1977 to find the new possibilities to expand the cooperation. The trade between the two sides was also expanded. In 1979, it was mutually decided to revisit the 1962 agreement on fresh terms. The stakeholders decided to draw wider outline of trade and commerce. Under many rounds of negotiations, finally both countries agreed to frame JEC in 1983.

iv) Formation of Joint Economic Commission 1983

In 1983, a delegation led by Minister for Industries Mr. Ilahi Bux Somro visited Nepal. The delegation explored potential for industrial and trade cooperation between the business communities of the two sides. By negotiating with Kathmandu, they decided to frame a Joint Economic Commission and signed on the proposal. The terms of agreement decided under JEC were; i) MFN status was revoked ii) boosting for the facilities to exchange business communities iii) arrangements for trade fairs and exhibitions at both sides iv) facilities to start transit cargo flights and v) strengthening of the industrial cooperation between Nepal and Pakistan at new heights (Mohammad, Ayaz & Azid, Toseef, 1990).

So far, six meetings of JEC have been organized. The last meeting/6th meeting was held in Islamabad in August 2013 which was attended by Pakistan's finance minister Ishaq Dar and Mr. Shankar Prasad Koirala, Nepal's minister for finance, commerce and supplies. The joint meeting decided to venture on trade, commerce, banking, finance, agriculture, livestock, energy, health, education, culture, telecom, information technology, civil aviation and tourism sectors (<https://mofa.gov.np/nepal-pakistan-relations/>). The meetings to this JEC need to be regularized on annual basis, so that joint ventures may be decided into emerging fields of cooperation and trade impediments can be overcome.

v) Formation of Joint Business Council 1996

For boosting up people-to-people contact, a Joint Business Council (JBC) was established in November 1996. The MOU was signed between FNCCI and FPCCI to frame this forum. This objective of this forum was to promote joint business tours and to facilitate the business communities of the two sides. Furthermore Confederation of Nepalese Industries (CNI) has also signed additional MOUs separately with Karachi, Lahore and Islamabad Chambers of Commerce and Industry in 2005. This is evident that Nepal's Business community is interested to expand trade with Pakistan and also wanted mutual ventures.

vi) Negotiations on FTA and Regional Connectivity (2005-2009)

Pakistan and Nepal are the signatory of SAARC Preferential Trading arrangement (SAPTA) since 1993. This agreement came into force in 1995. The SAPTA was renamed as South Asia Free Trade Agreement (SAFTA) in 2006. To some extent,

trade under SAFTA is operationalized among states of Nepal, India, Bangladesh and Bhutan. These states are directly linked via road with one another. However, permanent link could not be framed by Nepal and Pakistan since the last three decades owing to Pakistan's limited/worst relations with India. Hence, the bilateral land connectivity is absent in case of Pakistan and Nepal direct trade (Adhikari, Ratnakar & Kharel, Paras, 2011). Since the formation JBC, many proposals are underway to developed direct land linkage and hence the implementation of free trade agreement, but no concrete arrangement has been so far. Both countries need to establish a joint negotiation process to explore the opportunities in this direction. Although, talks are underwent from last 20 years, no improvement has been seen in this direction.

Cultural, Social and Educational Cooperation

The cultural, social and educational cooperation between the two states started in 1969, when both governments signed a cultural agreement in Kathmandu. This cooperation steadily increased in 1990s and 2000s. A brief description is given about the cultural agreements is given as below;

vii) Cultural Agreement of 1969 and 1994

Pakistan and Nepal signed a cultural agreement in 1969 when President Yahya Khan paid a four days official visits to Nepal. The aim of this agreement was to enhance bilateral cooperation in cultural exchange in many sectors. Some of the areas of cooperation in this direction are;

1. Boosting of the cultural cooperation among various cultural groups
2. Establishment of inter-universities relations
3. Cooperation between Radio and Television sector to hold joint assignments
4. Grant of the scholarships to Nepali students in Pakistani universities

Nepal-Pakistan Friendship and Cultural Association has its headquarters in Kathmandu. This association has played a significant role to promote cultural and civilizational activities in Nepal (<https://www.risingnepaldaily.com/news/15384>). Same group also exists in Islamabad. The government of Pakistan signed an additional agreement in 1994 when Prime Minister of Pakistan Benazir Bhutto visited Nepal and decided to enhance the cultural cooperation. Under this MOU, Pakistan is providing 25 annual scholarship to the Nepali students to study in Pakistan in the disciplines like medical, engineering, pharmacy and journalism. At present more than 500 Nepali students are availing scholarship under Pakistan Technical Assistance Program (PTAP) (<https://mofa.gov.np/nepal-pakistan-relations/>).

i. Agreement on Cooperation in Agriculture 2007

Beyond trade relations, both countries decided to establish cooperation in the agriculture sector. This agreement was signed in Kathmandu in January, 2007. The Secretaries of agriculture of the two states signed the agreement on behalf of their respective governments. The areas of cooperation which was decided under this agreement are described as below;

1. Exchange of experts, research and literature in food technology, agriculture and livestock
2. Sharing of knowledge and technology
3. Human Resource Development
4. Farming development, management of soil and water, watershed management in mountainous areas of Pakistan with the assistance of Nepal
5. Social forestry, cold water fisheries and feed production for agriculture and aquaculture
6. Livestock breeding improvement (Dawn, 2007).

Nepal is advance in mountainous farming, livestock breeding method and aquaculture. Pakistan needs to develop deep cooperation especially for developing tea gardens in hilly areas and to promote aquaculture in her rivers and at sea sides.

ii. Bilateral Tourism Agreement 2009

Pakistan and Nepal signed an agreement to promote tourism especially in the Alpine expeditions and adventure tourism. Nepal has an attraction for tourists across the nations due to her Alpine scenery and adventurous nature. The Nepali *Sherpa's* are considered as the technically trained people who are expert in carrying out successful expeditions. Nepal has many training centers to promote Alpine adventures. On the other hand, Pakistan having five highest mountains over 8000 meters lack in this capacity building. Although, the agreement is a joint venture to promote tourism in both states. However, there more need to establish a joint framework to establish such training centers for Alpine expeditions in Pakistan (The Express Tribune, 2017).

Tourism is niche product for both Pakistan and Nepal. Both states are the hub for adventure tourism for regional and global population. From 14 mountain peaks above 8000 meters, eight are in Nepal, five in Pakistan and the remaining one is situated in China. Every year, hundreds of mountaineers and millions of general tourists visit Nepal for Alpine adventure, while Pakistan receives a few of them owing to Pakistan's poor tourism strategy to attract tourists. Apart from social, culture and economic linkages, tourism between the two states is an important area of cooperation in the near future. Both states needs to evolve more cooperation in this direction.

Military Cooperation

Military cooperation between Nepal and Pakistan did not until 2004. Nepal is a landlocked country surrounded by India on three sides and by China on one side. It enjoys good relations with both of her neighboring states and has signed friendship treaties on longer term with these neighbors. However, the internal instability is a big threat to Nepal especially from the Maoists during 2000s. Before this period, India, UK and USA were providing military assistance to Kathmandu to fight against the Maoists, but this assistance was abruptly ended by Delhi, London and Washington due to change in political command. In these circumstances, Nepal asked the Government of Pakistan for small strategic arsenals. Ultimately, a military agreement was signed between the two states. Pakistan provided military arsenals to Nepal during 2004 to 2006.

Furthermore, an agreement was also signed, under which Pakistan is providing initial military training to a small portion of Nepal cadets; who joined Nepal's armed forces after commission (Upreti, B.C., 2006). Both states deepened their military ties in 2004, when the monarchy in Nepal has been militarily isolated by India, UK and USA. In order to stay in political power and for strengthening his position, monarchy needs cooperation from alternative forums. In this way, closer military cooperation was established between Nepal and Pakistan.

Political Engagements

The political engagement between the states has remained irregular and at a low profile. However, the relations remain stable despite this off and on political inaction between the dignitaries of the two sides. The formal relations between the states were established in 1960. The beginning of the relations was politically so excited that the Government of Pakistan granted its highest civil award to His Majesty King of Nepal Mahendra's maiden visit in 1961. Nepal also repeated the same on the visit of President of Pakistan to Nepal in 1963. Both states also decided to attribute MFN status to each other in the same year (Lamsal, Yuba Nath, 2008). After that, political engagements steadily developed with medium pace with the passage of time. From time intervals, joint agreements, MOUs and treaties evolved to strengthen the political communication between the two sides. A brief summary of visits by the officials from Pakistan and Nepal is given as under;

Table 1: Pakistan and Nepal Official Visits (1961-2020)

Nepal			Pakistan		
Date	Visiting official	Agreement	Date	Visiting official	Agreement
Sep 10-16 1961	King Mahendra	NA	May 9-12 1963	President Ayub Khan	Establishment of resident diplomatic missions

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Nov 1980	King Birendra	NA	Sep 1970	President Yahya Khan	Transit port facility/cultural exchange agreement
1975	PM Nagendra P. Rijal	NA	1975	President Faizal Elahi Chaudhary	Recognition Nepal as Zone of Peace
Feb 1983	PM Surya B. Thapa	NA	May 1983	President Zia ul Haq	Formation of JEC
Aug 1988	King Birendra/ PM M.M.S Shrestha	SAARC Summit delegation	May 1994	PM Benazir Bhutto	MOU on expansion of cultural cooperation
-----	-----	-----	Jan 2002	Pervez Musharraf	SAARC Summit
Nov 1996	PM Sher B. Deuba	Establishment of JBC	Nov 2004	PM Shaukat Aziz	Military equipment/ training
2005	FM Ramesh Nath Panday	NA	2005	FM Hina Rabbani Khar	JEC meeting/ FTA negotiation
-----	-----	-----	2009	FS Salman Bashir	Regional connectivity talks
Oct 2014	FM Mahendra B. Panday	Invitation for SAARC	Nov 2014	PM Nawaz Sharif	SAARC summit
-----	-----	-----	March 2018	PM Shahid K. Abbasi	SAARC summit/ connectivity via CPEC

Source: Nihar R. Nayak, 2014, p. 161, updated by the researcher

During his visit to Nepal, former Prime Minister Shahid Khaqan Abbasi discussed the issues and opportunities to boost up the trade. The opportunity of regional connectivity under BRI project and the implementation of the additional protocols for accelerating cooperation in the tourism sector (<https://mofa.gov.pk/prime-minister-shahid-khaqan-abbasi-met-prime-minister-of-nepal-sher-bahadur-deuba-on-the-sidelines-of-72nd-un-general-assembly-session-in-new-york/>). A joint committee was also framed to find cooperation between the two states under BRI and CPEC project assisted by the China. The last meeting of this committee was held in 2020 in Islamabad. The working on this project is still underway in slow pace. The MOUs, agreements and joint strategies signed between the two sides are given as following;

MOUs/Agreement	Signature date/year
Trade agreement	1962
Transit facility agreement	1963
Cultural agreement	May 1970
Trade agreement	1982
Establishment of JEC	May 1983
Agreement for Cooperation in Agriculture Research	May 1983
Provision of US\$ One million Credit facility by Pakistan to Nepal	July 1989
MOU on Cultural Exchange	May 1994
Agreement on continuing consultation between Foreign ministries	November 1996
Agreement between FNCCI and FPCCI on establishment of JBC	November 1996
Agreement for the avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income	June 2001
MOU between College of Physicians & Surgeons (CPSP) Pakistan and Institute of Medicine Nepal	April 12, 2001
Agreement for Cooperation in Agriculture	January 2007
Agreement between BZU Multan and Tribhuvan University Nepal	August 2008
Agreement on Tourism Cooperation	February 2009
Scholar Exchange agreement between Tribhuvan University and UVAS	May 08, 2012
MOU between Nepal Institute for Policy Studies and Karachi Council on Foreign Relations	July 10, 2012
Agreement between Nepal Council of World Affairs and IPRI	September 16, 2013
MOU between Nepali Postal Services Department and Pakistan Post Office Department on Issuance of Joint Commemorative Postage Stamp depicting Mount Everest and Mount K-2	May 16, 2014
MOU between Nepal Academy and Pakistan Academy of Letters for promotion of Cooperation in field of literature	May 13, 2018

Source: <https://mofa.gov.pk/mous-agreements/>

Pakistan-Nepal Diplomacy at Regional and International Forums

The two countries enjoy fraternal and cordial relations since 1962. Both states also share common perceptions on various regional and global forums regarding the resolution of different issues and the strategies to propel peace and stability in the contemporary world. Both are committed to foster regional forum of SAARC to integrate the economy of South Asia. The economic diplomacy of Kathmandu defines foreign direct investment, technology, foreign employment of Nepali citizens and development of tourism as their core values (Regmi, Khil Raj, 2015). Pakistan also needs to adopt the same, at least to foster the regional economic relations.

i. SAARC

Pakistan and Nepal are the founding members of SAARC. The objective of this forum is to promote regional trade and development through connectivity. So, both states are committed to foster the pace of this regional organization as a forum for regional development and cooperation. The 19th SAARC summit which was proposed to hold in 2016 in Pakistan has been suspended so far due to India's boycott owing to Uri incident. Nepal is still committed with Pakistan to organize SAARC suspended summit in Pakistan whenever relations between Pakistan-India are re-engaged.

ii. United Nations

On many regional and international challenges and issues, both states have composite opinions and a shared diplomacy. Both states are willing to put the South Asian challenges on the platform of United Nations and other transnational forums for amicably resolution. Both are also willing to establish a regional and global peace, stability and economic justice.

iii. Climate Change Global Scenario

The world is passing through a worst climate change scenario. Consequences for global south are extremely dire. Owing to this important debate, Pakistan and Nepal are experiencing fragile eco-systems. Under the backdrop of this climate change, Himalayan and Hindukush are steadily becoming prone to natural disasters. Migration of humans and other species, flood, land sliding, melting glaciers and the changing patterns in agriculture are the common challenges being faced by the two states (Dawn, 2022). These challenges have compelled the two states for adopting a composite framework of cooperation in bilateral, regional and global platforms. Both states are committed to project the issue at various level to demand justice from the developed states.

Regional Connectivity and Future of Pakistan-Nepal Relations

Nepal's relation with China and South Asian countries like Pakistan has been driven by its search for developing alternative transit routes and trade facilities to reduce its economic dependency on India. That is the reason, Nepal is optimistic to find trade routes to promote its trade with Pakistan. However, there is no direct land connectivity between Pakistan and Nepal. The stakeholders in Kathmandu are committed to find consistent and developed trade route with Pakistan. The efforts are under process from 2016. Ploughing the debate on possible regional connectivity via road and sea between Nepal and Pakistan; some of the facts and calculations are briefly examined as below;

i. Nepal-China-Pakistan Road/Port Connectivity

After almost two decades, Pakistan's former Prime Minister took an official visit to Kathmandu in March 2018 and discussed the possibilities of taking joint initiatives to promote bilateral trade through road connectivity via China. For this purpose, both states established a joint committee to review the proposal on this important issue. The last sitting of this committee held in Islamabad in 2020. The outcomes of this committee are awaited. However, let calculate our own perspective of road link between Islamabad and Kathmandu via China through the lens of China Pakistan Economic Corridor (CPEC).

CPEC: CPEC is already developed. It is a road link between Pakistan and China that links with major cities of Pakistan including Gilgit, Rashakai, Mardan, Peshawar, Islamabad, Lahore, Multan, D.I Khan, Sukkur, Hyderabad, Karachi, Quetta and Gwadar. Total distance of this corridor is 3000 km (Ali, Komal, 2018). Average travel time from Kashgar to Gwadar is four to five days.

- i. Kashgar-Xining Link:* Kashgar is linked with Xining through China National Highway 315 (G315). The distance between Kashgar and Xining through this Highway is 2296 km. Travel time is 40 hours.
- ii. Kashgar-Lhasa Link:* Kashgar is also directly link with Lhasa (a region of Tibet under Chinese control) via Xinjiang-Tibet Highway. The total distance is 2757 km while the traveling time is 40 to 50 hours. However, travelling is restricted between May and October (Wong, Derek, 2023).
- iii. Xining-Golmud-Lhasa link:* This is 1937 km long link under Qinghai-Tibet Highway. Xining to Golmud distance is 1123 km and between Golmud to Lhasa is 814 km. Golmud and Lhasa are part of Tibet. China has constructed railway track as well as an oil pipeline between two cities. Travel time is 20 to 24 hours.
- iv. Lhasa-Kathmandu link:* the link is distanced at 980 kilometer. However, the travel is possible from April to June and in September and October. Road is Himalayan hilly and slippery. Travel time is 10 to 14 hours. Air connectivity is present between two cities.

After all, when we calculate the total distance, the total distance becomes 8213 km. the travel time is 7 to 10 days depending upon the circumstances. The economic costs for logistics, vehicle and trade is also huge. While the possible frequency of trade between Nepal and Pakistan from this route is limited. It is between April and October except July and August owing to monsoon and land sliding in alpine regions of Pakistan, China and Nepal. Most of the roads are hilly and logistics traveling becomes dangerous. Risks are huge while incentives are limited. It is the route which is in discussion now a days between Nepal and Pakistan.

Sea Port Access between Nepal and Pakistan via Shanghai Port: The overland distance from Katmandu to Shanghai Port via Xining is 5139 km while

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the sea distance from Shanghai Port to Karachi Port is 5403 km. Hence the total distance according to google map becomes 10542, more than the earlier road link which is described above. It is more time consuming, limited in value and costlier than road link. Both states have no choice to opt this route.

ii. Nepal-Bangladesh-Pakistan Road/Port Connectivity

The distance between Kathmandu and Chittagong via Radhikapur corridor is 1157 km and the distance between Chittagong and Lahore via Amritsar is 2524 km. The total distance according to google map calculation is 3681km. Indian involvement is there. So, multilateral agreement is require under SAARC forum. Road is mostly smooth, developed and speedy. The traveling cost is lower than the china link and the trade season is also regular throughout the year. However, both states never used this option, nor discussed so far.

The second option is connectivity to Karachi Port from Chittagong Port transit facility. In this the total distance becomes 3697 km almost the same as road link. However additional costs require to loading and loading at ports. Both states have used this route prior to 1971.

iii. Nepal-India-Pakistan Corridor/Port Connectivity

The distance between Kathmandu and Mumbai Port is 1995 km while from Mumbai Port to Karachi Port distance is 890 km. hence the total distance is 2885 km lower than the previous calculated distance of road and sea link between Pakistan and Nepal via Bangladesh. Trade facility was available for both sides through Mumbai Port. Owing to Pakistan-India animosity since August 2019, these facility is suspended.

The last option for making regional connectivity is Lahore-Amritsar-Haryana-Uttar Pradesh-Kathmandu road link. The total distance of this link is 1630 km. Interestingly, Pakistan asked to the Indian government for this road link facility to make trade links with Nepal in 2013. In the following year, a transit agreement was proposed under the aegis of SAARC forum, but Pakistan turned down the offer of becoming the party of that agreement asking to for more time for domestic consultation and technicalities. Nepal, Bhutan, India and Bangladesh proceeded by signing the regional connectivity framework (Pant, Harsh, V., 2016).

By summarizing the debate, it is evident that Nepal-India-Pakistan corridor connectivity is the shortest land route for the promotion of Nepal and Pakistan cordial relations, but it is also equally helpful to promote the regional connectivity of the SAARC nations. All other options are not as beneficial as this overland connectivity. Improved connectivity of roads, railways, waterways, Ports and Aviation will be leverage of economic development in South Asia.

Conclusion

While visiting Nepal, former Prime Minister of Pakistan Shahid Khaqan Abbasi stressed the need for mutual cooperation between the two states at all levels especially fostering the importance of SAARC as fulcrum for regional connectivity, peace and expansion of trade activities. He considered that Nepal is an important country of South Asia with which Pakistan has cordial relations. He further retreated that our support to each other at the bilateral and multilateral forums is indispensable. The present ambassador of Nepal to Pakistan Tapas Adhikari stressing the need to promote bilateral relations by expanding cooperation between the two sides ranging from political communication, regional connectivity to economic prosperity. Pakistan and Nepal can work together in many regional and global forums. The cooperation between the two sides is extremely important for strengthening the bilateral relations, but it is also equally significant for the promotion of regional trade connectivity and peace in the SAARC region.

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