

THE EMERGING DIMENSIONS OF PAKISTAN-NEPAL TRADE

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Abstract

Pakistan's trading relations with Nepal are hostage to a number of natural hazards that bilateral efforts have not yet been able to overcome. Bilateral growth in Pakistan-Nepal trade relations independently, without taking India into account, is not possible because of Nepal's landlocked position and its economy's extraordinary dependence on India. The prospects of Pakistan-Nepal trade hinge on the state of hostility between India and Pakistan. It would need gearing up regional and multilateral efforts to promote Nepal's external trade, which will, in turn, also boost its trade and economic relations with Pakistan.

Introduction

This paper attempts to analyse the trading dimensions of Pakistan-Nepal relations over the years. It should be mentioned at the outset that a debate on the dimensions of Pakistan-Nepal trade seems a bit out-of-trend for an analyses of this kind among the academia and researchers as well as among the businessmen in Pakistan. Diplomats alone may show some interest in this aspect of bilateral relations between the two countries.

The paper addresses the following questions and issues related to Pakistan-Nepal economic relations: The factors that prevented the growth of trading ties between Pakistan and Nepal over the years? The variations of the theory of *dependencia* will be reinterpreted to see how far Nepal's pushes to develop outside trading routes and linkages to lessen its dependency on India have succeeded and how much of Nepal's dependence on India is a factor in affecting its northward and westward relations with China and Pakistan respectively. Bilateral and institutional steps and measures will also be discussed to see how much government

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level intervention was made and was needed to build the trading linkages between Pakistan and Nepal. An analysis of bilateral trade will be made to understand the depth of trading relations between the two countries. The intra-regional trade in South Asia will also be discussed to elaborate the significance of bilateral trade between Pakistan and Nepal. Suggestions that may help overcome hurdles in the way to boost trade and promote economic ties between Pakistan and Nepal in the years to come will also be made.

Perils and Hazards

Pakistan-Nepal economic relations have been a victim of natural hurdles rather than any man-made or strategic factor. The role of India, however, cannot be fully ruled out in affecting the development of trade between Pakistan and Nepal.

- I. No recorded trade ever took place between the two peoples in ancient, old, and modern times up to 1970;
- II. Difficult geographical terrain and approaches are the foremost natural hurdles;
- III. The long colonial rule also did not build any trading infrastructure in the region;
- IV. The post-colonial rift in the region of South Asia continued the colonial legacy;
- V. The South Asian Association of Regional Cooperation (SAARC) has largely remained ineffective in fostering economic ties among its members; and
- VI. The concerned countries took no advantage of the free market and trade liberalization trends.

In promoting Pakistan-Nepal trade relations, geography has played and will continue to play the key role with India as a dominant factor. Countervailing strategy either by China or Pakistan, or any other outside power, could help a little in making a breakthrough in developing trading routes and trading links with Nepal. Having mentioned the hurdles, which make Nepal's economic relationship with Pakistan highly non-complimentary, we can now move on to find the reasons why over the years such relations could not be developed between the two countries.

Trading *Dependencia*

A discussion on Nepal's trading dependency on India is essential to understand Pakistan-Nepal trading dynamics. Trade is a locomotive for domestic economic development and for creating influence and making an asymmetrical relationship between and among equally big, equally small, and small and big countries. Expanded trade becomes an important contributor to Gross Domestic Product (GDP) and a source of leverage in conducting a country's foreign relations. Therefore, countries focus on developing external trading relations. A country's economic growth largely depends on its foreign trade. The greater the level of foreign trade, the greater the level of economic development and vice versa. Historically, trade also plays a big role in conflict resolution among countries.¹ Bilateral and multilateral trade liberalisation also fosters better conditions for economic growth and development and reduces regional political conflicts. On the one end, trade dependence prevents countries from launching political offensives against each other, on the other it nurtures resentment among national bourgeoisie and masses against such dependence on a certain country or neighbour. For this purpose, they prefer to diversify the sources of their trading relations and directions of their trade. Neil R. Richardson & Charles W. Kegley Jr. argue that asymmetrical trade vulnerability of the dependent countries leads to their compliance on the bigger partner.² They maintain that symmetrical economic independence affords political leverage and opportunity on foreign policy.³ A qualitative change with regard to *dependencia* could only be brought in with changes in the domestic economic structure and foreign relations as put up by Theotonio Dos Santos in his study on Latin America's dependency on the United States.⁴

¹ Solomon William Polachek, "Conflict and Trade," *The Journal of Conflict Resolution*, vol. 24, no. 1, (March 1980): 55-78.

² Neil R. Richardson and Charles W. Kegley, Jr, "Trade Dependence and Foreign Policy Compliance: A Longitudinal Analysis," in *International Studies Quarterly*, vol. 24, no. 2, (June 1980): 191-222.

³ Ibid.

⁴ Theotonio Dos Santos, "The Structure of Dependence," *The American Economic Review*, vol. 60, no. 2: 231-236.

Nepal's Trading Dependency

Nepal's trading relations with India do not sharply differ from that of trading relations that exist between Latin American countries and the United States with a strong element of dependency, hegemony, monopoly, and domination that could easily be interpreted in political terms. The reasons for Nepal's trading dependency on India are deep-rooted. Historically, Nepal has had an indigenous imperial background. The monarchy in Nepal, especially the 104 years of the Rana Oligarchy, developed a limited economic system to protect it from outside intervention, like the agrarian Tokugawa Japan prior to the Meiji Restoration in 1868, in the name of trade or economic expansionism. The conceding of trading rights to the British East India Company by the Mughal Emperor Jehangir in 1615 AD ultimately converted the whole of India into a British imperial colony. The Nepalese learnt a lesson for this trading expansion and kept themselves in isolation for nearly three centuries confining the major chunk of their trade with India in the south and a tiny fraction with China, mainly with Tibet, in the north. The proud Nepalese imperial history, however, continued to keep the country impoverished after the winning of independence by most of the Asian countries after World War II.

Exploiting Nepal's natural land-locked position, India, much like Pakistan in case of Afghanistan, regards Nepal as a subordinate country for the dependence of its trade and transit on India. Both Pakistan and India, however, differ in their respective stereotype economic approaches toward their landlocked neighbours. The landlocked Nepal lies in the south and east of India and in the north of Chinese Tibet along a border of 1750 kms shared by the two. Nepal lies in the northern territories of India which is considered a 'strategic heritage' passed on to India by the British in 1947.⁵ Second, Indian suspicions are centred on the question of Nepal's potential to generate additional 83,000 megawatt hydro-electricity for the burgeoning Indian industry. On the other, Pakistan-China friendship and Nepal's desire to enhance its trade with China, worries India too, which prefers to see Nepal as a buffer between China and India especially after the Sino-Indian border clashes of 1962 when China occupied Aksai Chin and ran over Arunachal Pradesh. The clash

⁵ John W. Garver, "China-India Rivalry in Nepal: The Clash over Chinese Arms Sales," in *Asian Survey*, vol 31, no. 10, (October 1991): 956.

had far-reaching and lasting implications for Pakistan-Nepal relations.⁶ Pakistan's unwavering support to China and Nepal's neutrality in the matter significantly damaged the prospects of promoting Nepal's trade and developing its trading routes to the outer world. India is therefore sensitive about opening Nepal through China and onward to Pakistan. The growth of Nepal's trading relations either in the north or the west does not serve India's coming strategic economic interests. If Nepal edges closer either to China or Pakistan, India gets cautious. SAARC's connectivity also worries India a lot. For instance, the plan to connect the Tibetan city of Lhasa in China to Pakistan via Nepal through the Golmud-Lhasa railway is negatively viewed by India. A 1,088 km long oil pipeline has been constructed from Golmud to Lhasa. India views these plan jeopardising its natural edge and influence over Nepal.⁷ India is also critical of the Chinese assisted Syafrubesi-Rasuagadhi road link, which will be the second road link of Nepal with China and may alter the entire dynamics of Nepal's regional trade, transit, and tourist milieu.⁸ This road link will be instrumental in using the Tibetan territory for Pakistani goods to Nepal via China. So is the building of an oil pipeline from Tibet to Nepal. Panchkhal or Kathmandu could also be connected to Zhangmu through an oil pipeline. Such arrangements will have tremendous economic benefits for Nepal. These new developments would take not only the Sino-Nepalese ties to new heights; this would also open new directions for Pakistan-Nepal trade in the foreseeable future. The proposed railway plan may also significantly promote trade and set new patterns of trade between Nepal, China, Pakistan, and other countries. It should be mentioned here that over the years, Nepal's relations with other South Asian countries, especially with united Pakistan, later Bangladesh, and again with present Pakistan, have been driven by its search for developing alternate transit routes and facilities to reduce its dependency on India.

India is Nepal's natural trading partner. Nepal's 70 per cent exports go to India and over 59 per cent of its imports come from India.

⁶ M. D. Dharmadasani, "India as factor in Pakistan-Nepal relations," *Journal of Political Science*, vol 1, no 1, (1998): 20.

⁷ Kamal Raj Sigdel, "India Cautious as Nepal, Pakistan Edge Closer," *Caijing Magazine*, June 11, 2007.

⁸ Nishchal Nath Pande, "Nepal's Foreign Policy vis-à-vis India and China: The Security Imperatives," Kathmandu: *Institute of Foreign Affairs*, <http://www.ifa.org.np/article/article10.php>, (accessed December 21, 2009).

Nepal's two most crucial economic outputs, i.e., hydropower and tourism, also largely depend on India, which is also the sole supplier of fuel and the largest investor in Nepal. The two-way Nepal-India trade had reached the US\$ 1.9 billion mark by 2009.⁹ Both countries have over 23 trade and transit-trade points. Interestingly, the Maoist-led political agitation in Nepal over the years has also strengthened trade between Nepal and India as traders tended to look inward instead of outward.¹⁰

Nepal's resentment against India forced it to develop relations with both China, on the one end, and Pakistan, on the other. United Pakistan was the best alternative to achieve this objective but it did not work. However, after 9 years, following former East Pakistan's secession in December 1971, Nepal's focus shifted to Bangladesh for its desire to have sea access, as could be seen in its hurried recognition of Bangladesh as an independent country within a month on 16 January 1972. Whether Bangladesh could resist any pressure from India as strongly as could Pakistan was none of Pakistan's concern whose trade relations with Nepal badly suffered as the two countries became geographically more distant after the break up. Nevertheless, at present there are five possible routes to connect Nepal southward and one route on the northwest. These are:

- I. The shortest route which used to go through East Pakistan via Radhikapur, is now between Nepal and Bangladesh;
- II. The second most feasible route is through India to go down southward;
- III. The third route goes through China but it lacks the sea access;
- IV. Pakistan is the fourth but potential route, which passes through three Indian States of Utter Pradesh, Haryana, and Punjab, which could transit Nepal's trade southward and connect it to South West Asia, Afghanistan, and Central Asia.
- V. Nepal's sea access to the Mongala Port situated at the confluence of the Pashur and the Mongla Rivers lies 100 km north of the Bay of Bengal.

As Nepal enjoys cordial relations with China, Pakistan, and Bangladesh, it receives positive responses from these countries for its

⁹ *The Straits Times* (Singapore), August 23, 2009.

¹⁰ *The Financial Express* (New Delhi), May 7, 2009.

trade and transit-trade access via sea and land routes. For example, Bangladesh has taken positive measures for providing transit-trade facilities to Nepal and Bhutan as a *quid pro quo* for granting India similar rights to use its territory to reach the north-eastern States of India. Therefore, the potential transit-trade possibilities with access to a wider region in South West and Central Asia compel Nepal to seek the Pakistan route and for that purpose both countries have made bilateral efforts that are briefly explained in the following section.

Bilateral Efforts

Pakistan-Nepal economic efforts had two aims: (1) to build and expand the contours of economic relations in all directions and (2) to reduce Nepal's heavy dependence on India. To achieve these twin objectives, both countries launched a programme of bilateral efforts that were divided into the following two phases: The first phase covered 1962-1971; and the second was launched after 1971. As far as these phases are concerned, both countries remained extremely slow in developing the necessary trading framework. For instance, full-fledged diplomatic relations were established 14 years after the independence of Pakistan on 29 March 1960. When King Mahendra Bir Bikram Shah Deva undertook the first-ever visit to Pakistan on 10-16 September 1961, no specific mention of trade, transit-trade, or forging of economic relationship was made. Such matters were, however, generally acknowledged in both countries' common desire to expand relations in various mutual cooperation and assistance fields.¹¹ The visit, therefore, provided the base on which the coming economic ties could be established between the two countries keeping India's fears, apprehensions, and reservations in mind.

Giving practical shape to the framework of economic cooperation, Pakistan agreed to provide Nepal with transit-trade access and transport facilities through the port of Chittagong in the former East Pakistan and established an air link, according Most-Favoured-Nation (MFN) status reciprocally in January 1963. Both countries expressed their firm resolve to develop bilateral trade and further expand economic and technical cooperation. This was mentioned in the Joint Communiqué issued on

¹¹ Joint Communiqué issued on the visit of the King of Nepal to Pakistan on 10-16 September 1961, Islamabad: *Joint Communiqués 1947-1976*, (Ministry of Foreign Affairs, 1998): 91-92.

the visit of President Field Marshal Mohammad Ayub Khan to Nepal on 9-12 May 1963.¹² In the meantime, in November 1960, India also agreed to Nepal's request for transit facilities across its territory for Nepal's trade with Pakistan.¹³ These arrangements were double guarantees by two arch rivals to promote Nepal's trade. Ironically these arrangements tended to reduce Nepal's dependency on India though to a limited extent as India could disrupt transit-trade between Nepal and former East Pakistan as the former occupies a 20 km strip in West Bengal state separating Nepal from the former East Pakistan. Although the Indo-Pakistan war of September 1965 overshadowed and undermined such bilateral arrangements between Pakistan and Nepal, both continued to forge some sort of economic relationship even after that. When President General Muhammad Yahya Khan undertook a four-day state visit to Nepal on 27-30 September 1970, both countries decided to explore possibilities for further cooperation in trade and other economic matters in addition to transit trade facilities to Nepalese cargoes through Pakistan territory.¹⁴ They affirmed their conviction in adopting more liberal trade and economic policies. The Nepalese Government "reiterated the urgency of signing and ratifying the 1969 Convention on Trade and Transit of the Landlocked States," "which will greatly help the less-developed and landlocked countries to expand their international trade and accelerate the pace of their economic development".¹⁵ As mentioned above, the separation of East Pakistan from West Pakistan in December 1971 greatly reduced Pakistan's potential for providing land route access to Nepal.¹⁶ Therefore, bilateral efforts to establish economic relations on some solid footing between the two countries during 1960-71 were largely wasted and lost their relevance.

Under the changed geographical situation of Pakistan, both countries once again inked a trade agreement in 1982. A Joint Economic Commission (JEC) was also set up to promote economic relations in various directions. The first official visit of the Nepalese Foreign Minister, Ramesh Nath Paandey, to Pakistan took place in 2005 in

¹² See Joint Communiqué on the Visit of President of Pakistan, Field Marshall Mohammad Ayub Khan, 9-12 May 1963. *Ibid.*, 107-8.

¹³ See Y. P. Pant, "Nepal's Recent Trade Policy," in *Asian Survey*, vol. 4, no. 7, (July 1964): 947-57.

¹⁴ See Joint Communiqué on the Visit of President of Pakistan, General Mohammad Yahya Khan, 27-30 September 1970, *Joint Communiqué*, 221-22.

¹⁵ *Ibid.*, 122.

¹⁶ Dharmadasani, 16.

which vital issues of bilateral concern were discussed. In recent times, the JEC met in March 2005 at Kathmandu. Pakistani State Minister for Economic Affairs, Hina Rabbani Khar, Nepalese Finance Minister, Madhukar Shumsher Rana, led the respective delegations to boost cooperation in a wide range of areas such as bilateral trade, cooperation in industry, agriculture, tourism, water resources, and civil aviation. The two countries are also expected to conclude a Free Trade Agreement (FTA) to boost bilateral trade. For this purpose, high level consultations have already been underway between the two governments. Consultations were held in 2004 and the most recent were between Pakistan's Foreign Secretary, Salman Bashir, Nepal's Prime Minister, Madhav Kumar Nepal, and Foreign Minister, Sujata Koirala, as well as bilateral talks with Foreign Secretary, Gyan Chandra Acharya at Kathmandu, on 27-29 June 2009.¹⁷ Both sides attached particular importance to enhancing trade and economic co-operation including FTA and decided to deepen bilateral cooperation in the field of agriculture, energy, environment, science & technology, IT, culture, education, and people-to-people contacts, connectivity, and transport to take Pakistan-Nepal relations to new heights.¹⁸ The next round of the foreign secretary-level bilateral consultations would take place in Islamabad in 2010. As far as FTA is concerned, it is believed that a draft agreement has already been finalized. These are the latest bilateral arrangements to promote trade at government level

Bilateral Trade

Since diplomatic relations with Nepal were established many years after Pakistan's creation, trade data for the first two decades is not available. It was only in 1970 that the International Monetary Fund's (IMF) *Direction of Trade Statistics* (DOS) mentioned some statistics of Pakistan-Nepal bilateral trade. Pakistan's exports to Nepal were recorded at as low as US\$ 0.2 million, and imports from Nepal at US\$ 0.3 million. Export data again goes missing for the intervening years appearing next in the IMF document in 1975 placing Pakistan's exports to Nepal at US\$ 0.1 million and remaining static at this figure up to 1977. Imports dwindle

¹⁷ Islamabad: Ministry of Foreign Affairs, "Pakistan and Nepal Reaffirm Commitment to Deepen Bilateral Cooperation in Diverse Fields, Islamabad," *Press Release*, no. 253/2009, June 28, 2009.

¹⁸ *Ibid.*, "Pakistan-Nepal Statement on Bilateral Consultations," *Press Release*, no. 256/2009, June 29, 2009.

from US\$ 2.9 million to just US\$ 0.2 million in the period. Trade stagnation continued up to 1993. A slight increase occurred in 1994 and 1995 when Pakistan's exports to Nepal increased to US\$ 3 million. This upward trend continued and Pakistan's exports increased to US\$ 6 million in 1996, rising to US\$ 8 million in 1998, the most phenomenal increase ever. In the following years, no sizeable trade took place and two-way trade hardly stood at US\$ 6 million in 2008. (See Table 1).

Table 1: Pakistan's Trade with Nepal during 1970-2008

(US\$ Million)

<i>Year</i>	<i>Pakistan's Exports</i>	<i>Pakistan Imports</i>
1970	.2	.3
1971	-	.1
1972	-	.4
1973	-	.4
1974	-	.2
1975	.1	2.9
1976	.1	.8
1977	.1	.2
1978	.5	1.3
1979	.1	3.2
1980	.4	4
1981	.1	2.2
1982	.1	1
1983	.2	.6
1984	.1	.6
1985	.1	2
1986	.4	1.7
1987	1.6	1.1
1988	.9	1.2
1989	1.1	.9
1990	1.1	.4
1991	.5	4.3
1992	1.4	3.5
1993	-	1
1994	3	-
1995	3	1
1996	6	-
1997	4	1

1998	8	1
1999	2	1
2000	3	3
2001	2	1
2002	2	1
2003	4.8	1.9
2004	3	3.7
2005	3.6	3.5
2006	4.4	4.4
2007	2.9	3.5
2008	2.5	3

Source: IMF: Washington: *Direction of Trade Statistics* (Various volumes).

Commodities

Pakistan's commodities' export to Nepal is quite limited and not based on value-added goods or high elasticity value. These commodities include leather goods, garments, light engineering and electronic goods, Basmati rice, surgical instruments, sports goods, dry fruits, and some other minor items. Imports from Nepal mainly consist of herbs, tea, spices, pashmina, and paper products. Nepal has been granted duty free import of its tea into Pakistan. Trade in heavy goods cannot be carried out with Nepal due to the non-availability of land routes and transit-trade facilities between Pakistan and Nepal. Pharmaceutical products, however, can make a good entry into Nepal's market via air route like other small commodities being traded with Nepal at present.

SAARC's Trade Perspective

Pakistan is the second most important economy in South Asia. So smaller countries, especially landlocked Nepal, looks toward Pakistan for trade promotion. Besides these limited bilateral arrangements, present relations between the two countries are viewed from regional considerations and multilateral perspective such as SAARC's which is in the process of developing a multilateral trading regime under the auspices of the World Trade Organisation (WTO). SAARC concluded a Preferential Trade Arrangement (PTA) in 1991 leading to the South Asian Preferential Trade Arrangement (SAPTA) signed in 1993 and the formation of the South Asia Free Trade Agreement (SAFTA) in 2007. Pakistan and Nepal are signatories to SAFTA and members of the South Asian Economic Union. The biggest criticism, however, surrounding

SAARC is that it has not yet developed into a trading regime for the region. So intra-regional trade has been low and trade capacity-building for the Least Developed Countries (LDCs) within SAARC has not been initiated yet.

During 2000-2004 Bangladesh appeared to be the largest export destination of Pakistani goods in the SAARC region. For imports, however, India continued to be the largest market for Pakistan throughout 2000-2009. Pakistan's trade with Nepal has stagnated and has not shown an upward trend. Nepal's share of Pakistan's exports and imports from the SAARC region has been around 0.3 per cent in 2007 and 2008, and 0.4 per cent in 2006 respectively. Irrespective of the fluctuating Pakistan-India relationship seen in the disruption of the Composite Dialogue process up to 2004, Pakistan's imports from India continued to rise from US\$ 134 million in 1999 to US\$ 455 million in 2004. This proves the insularity of trade activities from strategic and political conflict considerations and even political and diplomatic goodwill. Nevertheless, presence of goodwill and understanding do contribute to growth of economic relations between countries. Nepal's position vis-à-vis trade with Pakistan is only better than Bhutan's in the SAARC region, keeping in mind that India is Pakistan's largest trading partner in this regional grouping.

As far as intra-regional trade is concerned, it does not exceed 5.7 per cent for Pakistan's exports in the region and 2.6 per cent for imports from the region in 2008. This is around the average for other years since 2000.

Table 2: Pakistan's Trade with SAARC during 2000-2008

(US\$ Million)

Countries	Bangladesh	Bhutan	India	Maldives	Nepal	Sri Lanka	SAARC	SAARC's % Share of Pakistan's Exp&Imp
2008								
Exports	151.02	0.28	470.69	173.2	2.5	131.71	929.2	5.7 %
Imports	74.68	0.97	771.56	6.03	3.0	50.85	907.09	2.6 %
2007								
Exports	179.00	0.37	517.48	4.05	2.9	161.86	865.66	4.4 %
Imports	87.84	0.88	885.60	5.28	3.5	60.99	1044.09	2.6 %
2006								
Exports	179.00	0.37	517.48	5.05	2.9	161.86	865.66	4.4 %

Imports	87.84	0.88	885.60	5.28	3.5	60.99	1044.09	2.6 %
2005								
Exports	234.36	0.24	337.39	66.63	3.6	153.74	795.96	5.6 %
Imports	68.11	0.57	577.4	3.44	3.5	59.14	780.27	3.0 %
2004								
Exports	197.48	0.17	157.71	64.71	3.0	134.24	754.96	5.6 %
Imports	45.21	0.08	455.42	0.06	3.7	46.01	550.48	3.1 %
2003								
Exports	166.33	0.29	83.53	94.04	4.8	83.54	432.53	3.6
Imports	42.91	0.16	226.39	0.21	1.9	43.25	421.92	3.2 %
2002								
Exports	104	-	49	3	2	53	211	2.1 %
Imports	31	-	163	-	1	32	227	2.0 %
2001								
Exports	119	-	66	2	2	47	236	2.5 %
Imports	26	-	241	-	1	27	591	5.7 %
2000								
Exports	139	-	58	1	3	54	255	2.8 %
Imports	36	-	178	-	3	35	252	2.3 %

Source: Compiled from IMF: *Direction of Trade Statistics* (Various annual volumes).

Nepal's Share of Pakistan's Trade in the SAARC Region

As far as Nepal's share of Pakistan's exports and imports in the SAARC region is concerned, it has a tiny percentage share of that. For instance in 2008, its share of Pakistan's exports to SAARC stood at only 0.2 per cent and imports at 0.3 per cent. (For other years, see Table 3). Overall, during these years, Nepal's share of Pakistan's exports to the SAARC region has declined and so has its share of Pakistan's imports from this region. Therefore, bilateral trade has not been growing but declining. A major breakthrough and intervention is needed in which India can play a significant role. For Pakistani traders, Nepal is a difficult market for geographical, political, and strategic reasons with the least complementarity and profitability.

Table 3: Nepal's Percentage Share of Pakistan's Exports to and Imports from SAARC during 2000-2009

Years	Nepal's % Share of Pakistan's Exports to SAARC	Nepal's % Share of Pakistan's Imports from SAARC
2008	0.2	0.3
2007	0.3	0.3
2006	0.4	0.4
2005	0.4	0.4
2004	0.3	0.6
2003	1.1	0.4
2002	0.9	0.4
2001	0.8	0.1
2000	1.1	0.1

Source: Ibid.

Suggestions

Mountaineers would like to but traders do not want an exotic journey into the Himalayan State of Nepal. It should be confessed here that there have been no handy and dynamic solutions available to overcome natural odds and traditional factors hindering Pakistan-Nepal trade. Nevertheless, considerations may be given to the following eight suggestions at least to improve the present day low level of bilateral trade between the two countries:

- I. SAARC framework and India's intervention are two more viable options to give a slight jump to Pakistan-Nepal trading relations.
- II. Nepal must continue to look outward to overcome its inherent economic hardships. Cultivating strong relations with China and Pakistan's goodwill are points in the right direction, provided that India does not turn hostile to such developments. Nepal and India also must bilaterally sort out transit-trade facilities up to Wagha border.
- III. Tourism is the most probable future opportunity between Pakistan and Nepal, but again it would depend upon how India responds to its development. The Lahore-Wagha-Amritsar-Delhi-Bhairawi-Sanauli route can open up a new tourist route. Under the Asian Development Bank (ADB) plan to promote regional tourism, the two countries also reached agreement in February

- 2008 on a joint tourism programme that also included India and Sri Lanka starting with four Buddhist towns namely; Lumbini (Nepal), Kandy (Sri Lanka), Nalanda (India) and Taxila (Pakistan).
- IV. Within the context of tourism, the Nepal Tourism Board should organise familiarisation trip for Pakistan and open a Nepal tourism office in Pakistan to attract Pakistani tourists to visit Nepal.
 - V. Federation of Nepalese Chamber of Commerce and Industry (FNCCI) and the Federation of Pakistani Chambers of Commerce & Industry (FPCCI) to enter into a meaningful dialogue to expand trade relations between the two countries.
 - VI. Frequent reciprocal visits of trade delegations between the two countries should be geared up to improve trading ties. A number of investment opportunities such as hydro generation in Nepal for Pakistani investors and joint ventures in textiles, leather, garments, surgical goods should be explored.
 - VII. Information about the existing and potential opportunities should be explored in all areas and sectors related to trade between the two countries. Governments and businessmen should work closely to identify possible fields of cooperation and disseminate information.
 - VIII. Above all to build confidence and trust and to minimise India's anxiety over Nepal's building of a transit -trade corridor, a four-member forum, comprising Nepal, India, Pakistan and China (as observer) within the SAARC framework, represented by trade and commerce ministers of these countries, should immediately be formed to consider ways and means to expand Nepal's regional trade.

Conclusion

Pakistan and Nepal share a geographical region but stand separated by the world's highest mountainous terrain. Trade must cross over this physical barrier and pass through a hostile territory ruled by India. Bilateral trade between Pakistan and Nepal is a new consideration and this can be promoted through mostly multilateral efforts as bilateral effort has been subject to Indian intervention and influence. It is commonly believed that bilateral or regional trade cannot be promoted

in a hostile political environment like that of South Asia's. Therefore, in order to expand Nepal's foreign trade in the north and westward directions, trust would be needed to be built between Pakistan and India on the one end, and China and India on the other. India-Pakistan rivalry and India-China hostility negatively impacted Nepal's trade with Pakistan on the one hand, and China on the other. Pakistan would need to take extraordinary measures to develop bilateral economic relations with Nepal. Priority therefore should be given to multilateralism in seeking Nepal's trade expansion in the south, west, and northward directions. Afghanistan is going to be another critical and sensitive area if and when Nepal attempts to reach there through a trading corridor either via Pakistan or China. A trilateral way involving Nepal, China, and Pakistan to help improve Nepal's trade and transit-trade would not yield the desired outcome because of its natural and heavy dependence on India. Lastly any discussion on trade relations between Pakistan and Nepal would remain State-centric till the private sector came forward to capitalise on the existing vacuum to promote economic ties and trade between the two countries with limited Government intervention. In the final analysis, only regional economic integration could foster Nepal's trade with Pakistan and the surrounding countries. ■