

# Nepal's Development Diplomacy: Road to Prosperity

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## Abstract

Development diplomacy is crucial to the land-locked and least developed Nepal's progress and prosperity. It has been more than seven decades since Nepal liberated itself from 104-year-old family autocracy and ushered in democratic rule. Ever since Nepal was admitted to the United Nations in 1955, land-locked Nepal has been categorized as one of the least developed among developing countries (LDCs). Hopefully, Nepal will graduate from LDC status by 2026. The country, faced with numerous development challenges, is effortful in overcoming them through internal policies and programs as well as international cooperation for development. Development diplomacy received priority attention following the restoration of parliamentary democracy in 1990. While the country's land-locked ness, a geographical disadvantage, cannot be wished away, several task forces set up to recommend measures for the effective and efficient conduct of development diplomacy have identified trade, investment, tourism, foreign employment, and water resource development as major components of such diplomacy. The paper emphasizes the need for Nepal's diplomatic missions abroad to be actively involved in promoting the country's economic interests and facilitating all-round development through coordination and regular communication with the government's line ministries including the Ministry of Foreign Affairs (MoFA), National Planning Commission, and the private sector.

**Keywords:** *land-locked ness, least developed status, coordination, line ministries.*

## Introduction

It is common knowledge that Nepal entered a new era of democratic rule characterized by modernization, development, and opening up to a global community after the overthrow of a century-old family autocracy in 1951. Nepal was admitted to the United Nations in 1955 and has actively participated, since then, in all activities, particularly related to problems of land-locked developing countries (LLDCs) and the least developed countries (LDCs). Nepal, one of the founder members of

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the Movement of Nonalignment (NAM) has pursued a nonaligned foreign policy reinforced by principles and objectives enshrined in the UN Charter, *Panchsheel* (five principles of peaceful co-existence), adherence to international law, and contribution to world peace. For a country geo-strategically situated between China and India, the two most populous neighbors with different political and social systems, maintaining balanced relations with both is one of the cornerstones of Nepal's foreign policy. Nonaligned Nepal has been able to earn the goodwill of the international community and received cooperation and assistance from friendly countries like China, India, Japan, South Korea, the European Union, the United Kingdom, and the United States in infrastructure building and other development projects.

Following the political change of 1990, the elected government headed by Girija Prasad Koirala sought to reorient the MoFA by laying more emphasis on economic (development) diplomacy. This resulted in the setting up of some mechanisms, namely, the Institute of Foreign Affairs (IFA) and the Policy Planning and Economic Analysis Unit within the Ministry. They remained defunct as they were not adequately funded and properly staffed. Moreover, their relationship with other units in the MoFA was not also defined (Lohani, 1998). Doyen of Nepal's foreign policy, the late Yadu Nath Khanal observes: 'While countries with fewer comparative advantages have done better in raising the quality of life of their people, Nepal continues to struggle at the bottom of the ladder' (Khanal, 1995).

According to Phanindra Subba, a foreign policy expert, economic (development) diplomacy 'has been an important component of Nepal's total foreign policy ever since her emergence as a modern state more than two centuries ago. During the eighteenth and nineteenth centuries, Nepal pursued an activist trade policy and her foreign policy was focused on her trading interests (Subba, 1997). As India came under British colonial domination, Nepal found it difficult to withstand the onslaught of the developed economy of her southern neighbor. Even after India gained independence in 1947, Nepal's total dependence on India continued with the result that for more than a decade and a half in the fifties and sixties, Nepal made no attempt to diversify her foreign trade and attract foreign direct investment (FDI) as India remained the principal source of support and assistance as well as the only partner for the country's progress and development. Besides, India has remained since long a transit country for Nepal's access to the sea. At the same time, India continues to be a major trading and development partner of Nepal (Lohani, 1998).

### **Landlocked and LDC Status of Nepal**

Development diplomacy for Nepal is crucial as the country is hamstrung not only by

its landlocked ness but is also characterized by the UN as one of the least developed among developing countries (LDCs). Membership in the UN enabled Nepal to play an active role to champion the cause and concerns of the least developed and land-locked developing countries. Nepal played an active role in the long-drawn-out Law of the Sea Conference from 1973 to 1982. It was due to Nepal's untiring efforts supported by other land-locked countries that the Law of the Sea Convention adopted in 1982 could incorporate the right of free access to and from the sea and recognize the principle of the high seas as a common heritage of mankind. Credit goes to Ambassador Shailendra K. Upadhyaya, permanent representative of Nepal to the UN (1972-1978) for his active role in the negotiations leading to the successful conclusion of an agreement benefiting the least developed land-locked countries and their interests (Shrestha, 2021).

Apart from being a land-locked developing country (LLDC), Nepal, as stated earlier, has had to stay with the stigma of being an LDC for more than six decades of its association with the UN. It is heartening to note that two years ago, in 2021, the UN General Assembly endorsed the decision of ECOSOC to graduate Nepal from the LDC status. Experts like Gyan Chandra Acharya, former UN Under-Secretary-General in charge of LDCs, view it as recognition of sustained progress Nepal has achieved over the years, in particular in the last decade, in human development indicators as well as in the economic and some other defined vulnerability indicators specific to the LDCs (Acharya, 2021).

It is now necessary for Nepal to make the transition process 'smooth, irreversible, transformative and sustainable'. International support for LDCs is an investment in global peace and sustainable prosperity. Taking this opportunity of graduation, Nepal should develop a coherent transition and graduation strategy with a special focus on key transformative sectors that can drive the economy, people, and country to a new era of ever more accelerated and inclusive progress and prosperity. This is possible only if we summon our collective will and work together with all the stakeholders, especially the private sector and sub-national governments in a more coordinated and effective manner. Development diplomacy requires Nepal to deploy all its diplomatic skills and also effectively coordinate the home front and the external front. Acharya warns us that Nepal cannot afford to miss this opportunity 'for lack of initiatives, commitment, strategy or resources' (Acharya, 2021).

### **Emerging Consensus**

There is an emerging consensus that for development diplomacy to become effective, Nepal can no longer depend on foreign aid, although demanding and receiving such aid has hitherto remained the country's success in conventional diplomacy. One

of the imperatives for Nepal is to focus on the export-led economy, and as such demonstrate her skill in the following components, e.g. trade, tourism, FDI, foreign employment for Nepali migrant workers, and the development of water resources to boost the national economy.

### **Trade**

In the post-cold war scenario, trade, not aid, is the prevailing motto for many developing countries. Nepal believes in and pursues trade diversification by reducing its dependence on a single country. But the country's export items are limited. The export sector for many years relied on the sustainability of such industries as carpets and garments. The quota fixed for the LDCs will be withdrawn as Nepal prepares itself for graduation by 2026. It needs, however, no over-emphasis to state that LDCs like Nepal, owing to their competitive weakness and other constraints of a structural nature, cannot do without special concessions and preferential treatment till such time as their capacity to enter into global competition improves considerably in both qualitative and quantitative terms.

### **Tourism**

The tourism potential in the Nepali economy is widely recognized. It is not long since tourism has been recognized as an industry in Nepal. This led to the preparation of a tourism master plan followed by several short-term studies. As usual, the availability of funds has remained a major constraint. According to an estimate by the Tourism Department, 5,233 rooms will be added to 35 five-star hotels within a year and a half. What is, however, important is the creation of a mechanism to collect the necessary data related to the tourism sector. Equally important is to increase the attractiveness and quality of service in tourist destinations, provide a good experience for tourists and give them a lifetime memory of Nepal (Aiyer, 2023). Tourism suffered a setback when the Covid-19 pandemic badly affected all parts of the world, including Nepal during the last 3 years. Although the pandemic is not fully under control, tourist inflow is likely to increase now that two international airports, in addition to Tribhuvan International Airport (TIA), have become recently operational at Bhairahawa and Pokhara in the western region.

With coordination and cooperation between the government and the private sector, the tourism industry in Nepal can face real competition from countries that are in a position to promote and develop their products. Professional experts in the tourism sector at times wonder whether we have a well-thought-out plan of action. There is no doubt that the Asia and Pacific region, which has already proved to be a dominant market for both trade and tourism in the global context, can be tapped if we plan well.

## **Foreign Direct Investment (FDI)**

Due to the reduced volume and uncertainty in the availability of foreign aid, many developing countries including China and India are scrambling to attract FDI. China, as we all know, has witnessed rapid growth in foreign investment inflows. Attracting FDI in the country presupposes the existence of improved infrastructures such as energy, transport, and communications as well as liberal investment laws. Besides, foreign investors look for a convenient and peaceful investment climate, political stability, and a coherent long-term government policy. More than two decades ago, an eminent Nepali economist suggested that Nepal must prepare a favorable climate for investment not only by building infrastructures for energy, transport, and telecommunications but also enhancing the quality of services to attract both indigenous private capital as well as foreign investment. He added that Nepal must simplify and approve the investment procedures as well as facilitate its operation and implementation (Pant, 1997). The economist's suggestion is relevant and valid even today. It is equally important for our diplomatic missions stationed abroad to not only explain our new investment laws and regulations to the aspiring investors but also to feedback to the headquarters of the host country's areas of interest where investments are both productive and profitable.

## **Foreign Employment**

It is assumed that the exercise of development diplomacy can generate foreign employment for Nepali migrant workers. Malaysia, South Korea, and a number of Gulf countries have absorbed, over the years, in large numbers, Nepali migrant workers in their job markets. But their living conditions in the host country are far from satisfactory. According to a former Nepali ambassador to Malaysia, 'there have been many cases of abuse faced by migrant workers, committed by recruitment agencies and employers, ranging from excessive recruitment fees to serious violations of the terms and conditions of employment, among others. He further adds: 'the sorrowful plight of foreign employees is not due to lack of laws. It is due to a lack of the proper attitude and perception toward these people (Adhikari, 2018). It is true that clandestine manpower companies have, in defiance of restrictions and conditions imposed by the Labor Ministry, duped the country's gullible manpower easily lured away by the green pastures of the distant land into selling their meager land and ancestral property. While the country finds the remittance economy quite attractive, we cannot overlook the fact that the international labor market is facing stiff competition from skilled and professionally more competent job seekers from different parts of the world. This necessitates revamping of our education system which should train more skilled

manpower in specified areas. Of course, this should not dissuade our diplomats abroad from exploring job opportunities in foreign countries for our unemployed nationals.

### **Development of Water Resources**

Water is Nepal's main asset or a lucrative commodity as some have described it. The country's water resource potential is one of the highest in the world. The potential does not remain fully exploited, while the country struggles to extricate itself from poverty. Pashupati SJB Rana, then minister for water resources, while addressing the Nepal Council of World Affairs, made the following pertinent observation: 'Unless the rivers of Nepal are harnessed, controlled and utilized in a sustainable manner, to augment food supply through extensive irrigation, to generate abundant cheap and clean energy for domestic, industrial, transport and export purposes, to navigate navigational transport and to effect flood control, the existing poverty and destitution, with irreversible environmental damages, is likely to accelerate with catastrophic consequences' (Rana, 1996).

Rana's argument that the water resources of Nepal cannot be developed unless there is an export market available, primarily the market for the enormous power that would be generated if the major rivers of the country were harnessed cannot be disputed. While India has already started buying some surplus energy from Nepal, Bangladesh has also entered into a power trade agreement with Nepal as its target is to import over 12,000 MW of hydroelectricity from this country by 2040. Foreign investors are sure to be attracted if they find attractive the rate of return on their investment. While Indian investors like GMR are already associated with some major power projects, Bangladesh has also shown a willingness to invest in Nepal's power sector. Official circles are confident that the supply of private capital is far larger and more elastic than capital available from multilateral lending or funding institutions. India has yet to finalize the DPR of Pancheshwor, but in view of India's insatiable hunger for power and the availability of private funds, there is no doubt that both Pancheshwor and Karnali projects are viable and can be implemented with Indian cooperation and investment.

Former Minister for Foreign Affairs Pradeep Kumar Gyawali, in his keynote address at a seminar on 'Development Strategy for the Water Resources Management in Nepal', emphasized the need for a focused strategy and a comprehensive national water policy. He observed: 'We have vast hydropower potential with about 43,000 MW considered to be economically viable to harness. This definitely provides us an opportunity to fulfill our needs as well as that of our neighbors. Major investments

from the public, private, and cooperative sectors will be utilized in the generation of hydropower. Foreign investment and resources from the development partners will also be mobilized in this sector (Gyawali, 2018).

### **Promoting Development Diplomacy at the Operational Level**

The Institute of Foreign Affairs set up in 2008 a 5-member task force of which this writer too was a member, with the late Prof. Madan Kumar Dahal as convener, to prepare a ‘Generic Guideline for Development through Economic Diplomacy’. The report contains a number of practical guidelines and emphasizes the need for MoFA to play a key role in such areas as ‘selling’. Nepal, identifying long-term business opportunities through its missions and creating of a new image for Nepal as a peaceful, hospitable, safe, and stable society. Sahana Pradhan, the then Minister for Foreign Affairs, appreciated the practical guidelines contained in the Handbook and emphasized the need for adequate resources to make economic (development) diplomacy ‘viable, effective, productive and sustainable’ (Pradhan, 2008).

As development diplomacy aims at enhancing Nepal’s comparative and competitive advantages in the global economy and maximizing the benefits from globalization, liberalization, and privatization so as to ensure and expedite the country’s all-round development, our diplomatic missions abroad, while focusing on and giving priority to economic (development) diplomacy by consolidating foreign economic relations with all friendly countries, including major powers and neighboring countries, are expected to play a proactive role in exploring the economic opportunities for Nepal’s all-round national development. Task force recommendations place a high premium on coordination with all line ministries, two-way communication and feedback between the Center and Missions abroad, and, last but not the least, adequate budgetary support and allocation for the effective and efficient conduct of economic (development) diplomacy.

### **Conclusion**

After the promulgation of a more inclusive, progressive, and democratic constitution in September 2015, it is believed that Nepal has better prospects for pursuing the policy of development diplomacy to promote the country’s development-related national interests in bilateral, regional, and global markets. Nepal’s diplomatic missions abroad have greater responsibility, in the changing context, to mobilize international cooperation, promote trade and investment through FDI in joint ventures, facilitate the private sector’s export promotion with comparative and competitive advantages, promote foreign employment and hard-won remittances ensuring safety and welfare of Nepal’s migrant workers, exploit the tourism potential at regional and global level and propagate the message of Nepal focused on its

willingness and commitment to collectively work for attaining and contributing to international peace and security as well as international cooperation for development, the twin goals of the United Nations.

Finally, needless to say, diplomacy is the art or skill with which a country seeks to promote national interests through the development of bilateral and multilateral relationships between states or governments. The success of development diplomacy depends, to a large extent, on our ability to win the trust and confidence of our friends and neighbors. There is little doubt that only as a reliable friend of our development partners Nepal can assert its national interests on the basis of sovereign equality and mutual benefit without challenging the vital and legitimate interests of our neighbors and other partners in our development efforts.

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