

# **Opportunities and Challenges in Bangladesh, Bhutan, India, and Nepal (BBIN) Initiative for Nepal**

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## **Abstract**

In simple term, sub-regionalism refers to cooperation and integration among a group of countries within a larger region. Over the past few years, there has been a shift towards sub-regional groupings within the larger multilateral, regional grouping. One such sub-regional grouping in South Asia is Bangladesh, Bhutan, India, and Nepal (BBIN). BBIN, formed in 2014, aims to foster greater cooperation among the member countries on various issues, including trade, transportation, energy, and the environment. The paper attempts to study how Nepal's participation in the BBIN can result in a much-needed resolution to Nepal's connectivity-related issues. The sub-regional cooperation promises to ease Nepal's connectivity issues and aid in the country's economic integration with the rest of the world. To reap these benefits, Nepal needs to be free from political issues and work on implementing high-priority infrastructure and connectivity projects. Nevertheless, Nepal should not be overly optimistic given its own capacity constraints on implementing big connectivity projects and the fact that such regional arrangements haven't offered Nepal with many benefits in the past.

*Keywords: Sub-regionalism, BBIN, physical connectivity, cooperation*

## **1. Background**

Sub-regionalism is a form of regional economic integration characterized by a sense of unanimity, less formal arrangements, geographical proximity, a controlled regional development strategy, and a willingness and urgency to promote development with a focus on smaller growth-oriented zones within a broader region to enhance their competitiveness and promote their exports in the global market (Murthy, 2008). Sub-regionalism is a case of the market in juxtaposition to institutional integration, where legal agreements encourage preferential trade among member countries. Member countries rely on non-official institutions to provide public and semi-public goods, lowering transaction costs related to the international movement of goods, services, and other production costs. Member nations give specific projects or initiatives in crucial economic sectors utmost importance as they will support and complement their national plans and strategies and effectively use local synergies and affinities. Ultimately, such groupings are deemed to boost trade relations by contributing tangible progress in the respective nations.

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The concept of sub-regionalism was not contemplated during SAARC's formation. It only gained notoriety in 1996 when the idea of forming a growth triangle was proposed during the meeting of the SAARC Councils of Ministers in 1996 in New Delhi (Shukla, 2019), marking the beginning point for sub-regionalism in South Asia, which can be roughly divided into three sub regions: the western sub region, made up of Afghanistan, India, and Pakistan (AIP); the southern sub region, which includes India, the Maldives, and Sri Lanka (IMS); and the eastern sub region, which comprises Bangladesh, Bhutan, India, and Nepal (BBIN) (Karim, 2017). The rationale was that if one sub-region could demonstrate that cooperative upward growth was achievable in any delineated sector, it would inspire other sub-regions to do the same. Although the idea was initially rejected, the SAARC agreed to it in 1997 at its ninth summit in the Maldives.

Consequently, the South Asia Growth Quadrangle (SAGQ) was formed, consisting of Bangladesh, Bhutan, India, and Nepal. The SAGQ states perceived it as a platform for new opportunities for cooperation and decided to adopt a project-led strategy to work together on commerce, communication, investment, energy, tourism, and the development of natural resources (Hassan, 2016). The Asian Development Bank (ADB) launched the South Asian Sub-Regional Economic Cooperation (SASEC) program, which supports SAGQ with regional technical assistance (RETA) projects (Hassan, 2016). However, this advancement swiftly stalled and remained quiescent owing to tense relations between Bangladesh and India prior to 2011 (Karim, 2017), as well as because it became a bone of contention in the internal politics of Bangladesh and Nepal, where the major opposition parties (the Bangladesh Nationalist Party and the United Marxist and Leninist Party, respectively) accused the respective governing parties of failing to consider the people's interests (Shukla, 2019).

Furthermore, recognizing the significance of physical connectivity, SAARC was attempting to enact a Motor Vehicle Agreement for the Regulation of Passenger and Cargo Vehicular Traffic (MVA), initially proposed by India that would permit the free cross-border movement of goods and transportation among its members. A 2009 conference of SAARC transport ministers in Colombo, Sri Lanka, adopted the Intergovernmental Group on Transport (IGGT) proposals to establish an expert group to discuss and finalize the text of the proposed Regional Agreement on Motor Vehicles for SAARC Member States. Later, the expert group finalized the draft agreement, which was subsequently approved at the fifth meeting of the SAARC IGGT in 2014, which was attended by all member nations aside from Maldives. The proposal to finalize the SAARC MVA was presented during the 18th SAARC Summit held on November 26-27, 2014 in Kathmandu, Nepal. The top agenda was three ideas regarding road, rail, and energy connectivity. However, only energy connectivity reached a consensus. The remaining two were denied as Pakistan had yet to finish its internal procedures to grant them. Unfortunately, the framework agreement was not signed during the 18th SAARC Summit due to Pakistan's surprising resistance at the last minute (Haran, 2018). The effort failed to obtain the backing of all member nations, and lengthy deliberations were held captive by political considerations that seemed to take precedence over productive, forward-looking exchanges (Chaudhary et al, 2015).

However, the Summit Declaration revitalized sub-regional initiatives as part of efforts to enhance regional connectivity. The persistent failure of living regional instruments to bring about significant change in trade, power, and infrastructural relations provided a greater impetus for the gradual development of a new consensus regarding sub-regional ties among four eastern neighbours of South Asia that extend beyond bilateral agreements. The 2014 visit of Indian Prime Minister Narendra

Modi to Bangladesh, Bhutan, and Nepal was also significant in bringing these nations to the negotiation table to advance sub-regional cooperation to new heights (Hassan, 2016). In his remarks at the 18th SAARC summit in Kathmandu, Modi discussed the increase in engagement between four nations: "South Asia is slowly coming together. India and Bangladesh have strengthened their rail, road, electricity, and transit linkages. India and Nepal have begun a new era of energy cooperation, while India and Bhutan strengthen these connections daily (Chaudhary et al, 2015). He also stated that regional integration in South Asia would go ahead "through SAARC or outside it, among all of us or some of us."

An idea for cooperation between four eastern region countries was subsequently realized, with the first quattro Joint Working Groups discussion between Bangladesh, Bhutan, India and Nepal in January 2015 (Hassan, 2016). Having already tested the 'top-down' approach (multilateral or regional framework), four countries of South Asia opted for a 'bottom-up' approach (sub-regional framework) by signing the BBIN MVA agreement making full use of the Article VII of the SAARC charter, which allows member states to engage with each other in sub-regional cooperation (Shukla, 2019).

The Transport Ministers of four countries, Minister for Physical Infrastructure and Transport of Nepal Bimalendra Nidhi, Minister of Road Transport and Bridges of Bangladesh Obaidul Quader, Bhutanese Minister for Information and Communications D.N. Dhungel, and Nitin Jairam Gadkari, Indian Minister for Road Transport and Highways, and Shipping, signed the landmark BBIN-MVA agreement on 15 June 2015 in Thimpu with an intent to provide seamless people-to-people contact and enhance economic interaction by facilitating cross border movement of people and goods between the BBIN countries (Ministry of External Affairs, 2015). Bangladesh, Bhutan, India, and Nepal (BBIN) countries attended a high-level delegation meeting in New Delhi on 8 February, 2020. Bhutan, the fourth signatory to the pact, participated at this conference merely as an observer since the Bhutanese parliament had previously rejected to ratify the accord, citing the agreement's danger to the country's tranquil environment and culture. The three countries (Bangladesh, India, and Nepal) have signed a trilateral MOU for the seamless cargo movement. The onus is now on three countries to expedite and finalize the Passengers and Cargo Protocols to implement BBIN MVA.

The BBIN vision for the sub-region rests on four mighty pillars: (i) Trade connectivity and transit, (ii) Investment in power generation and water management sectors. (iii) Cooperation in the energy sector, including power trade and converting national grids into a sub-regional grid, and (iv) people-to-people connectivity. The primary objective of the MVA, as noted in the Joint Declaration issued by the transport ministers of the BBIN countries, are as follows;

- To facilitate cargo movement across sub-regions borders and significantly reduce trade transaction costs.
- To provide seamless people-to-people contact.
- To enhance economic integration by facilitating cross-border movement of people and goods.
- To facilitate cargo vehicle movement, as no change would be required at the borders.
- To establish a platform for these member nations to act decisively and implement collectively.
- To promote safe, cost-effective, and environmentally sound road transport in the sub-region and to further assist other member countries in creating an institutional mechanism for sub-regional integration.

- To encourage sustainable development through employment generation and assist in power purchase.

The BBIN MVA, drafted on the lines of the SAARC MVA, is expected to allow speedy implementation of land transport facilitation arrangements (Karim & Balaji, 2016). In a joint statement after the signing of the BBIN MVA, the BBIN nations designated 30 priority transport connectivity projects with a combined estimated cost of approximately US \$8 billion that would be used to repair and enhance remaining stretches of trade and transportation corridors (Nepal Foreign Affairs, 2015). It also stressed that the transit corridors could boost commerce between South Asia and the rest of the globe by 30% and 60%, respectively, if they were converted into economic corridors (Nepal Foreign Affairs, 2015). The BBIN corridor might be the first step in realizing sub-regional cooperation, opening up investment opportunities, and improving trade routes. Also possible via these channels is interactivity between individuals.

The BBIN MVA is a tangible way toward establishing a solid sub-region and is anticipated to allow seamless connection of people and vehicles on the roads of the signatory nations. It is currently getting immense attention from geopolitics, geo-economy, and geographical contiguity (Kumar, 2017). Thus, the BBIN initiative has given new hope for regional cooperation in Eastern South Asia and South Asia.

## **2. Objectives of the Study**

The objective of this paper, in general, is to study the emergence of the BBIN (Bangladesh, Bhutan, India, and Nepal) as a subregional group in South Asia, with a particular focus on Nepal. The specific objectives are;

- Identify and evaluate the opportunities and obstacles Nepal faces as a member of the BBIN initiative
- Determine the extent to which the BBIN initiative can effectively address Nepal's connectivity challenges.

## **Review of Related Literature**

Atiur Rahman (2004), in "SAARC: Not Yet a Community," mentions the South Asian Growth Quadrangle (SAGQ) and elucidates that "sub-regional initiatives in South Asia have raised large questions, concerns, and political passion rather than providing any answer or creating growth mechanisms and cooperative understanding" (Rahman, 2004, p. 138). Nevertheless, it can also be interpreted as one of the last options to bail out SAARC from being a 'toothless tiger'. It would evoke enthusiasm about cooperation, which could be an impetus for more extensive regional cooperation. Amitendu Palit (2010), in Chapter 5, Sub-regional Cooperation under SAARC: An Economic Analysis, of the book "The Emerging Dimensions of SAARC," focuses on the economic dimensions of the sub-regional forum by studying SAGQ and BIMSTEC.

Tariq Karim and Madhumita Srivastava Balaji (2016), in "BBIN: Paradigm Change in South Asia," explain how the sub-regional initiative, BBIN, changed the paradigm of regionalism in South Asia from regional cooperation to sub-regional cooperation and discuss the potential of BBIN to bring cooperation in Eastern South Asia and South Asia at large by connecting South Asia with ASEAN and other nearby regions. Cooperation among the BBIN nations can pave the path for the evolution of a powerful sub-regional block. If lessons are learned from the past, this quadrangle can act as the

new growth engine in the larger region straddling South and Southeast Asia and emerge as a potentially formidable bargaining block. Vikash Kumar (2016), in his paper, analyzes why nations are increasingly going beyond SAARC and then explains why they are choosing sub-regional arrangements (especially BBIN) by showing sub-regional trade potential and intra-sub regional trade and transport prospects in his article "Sub-Regionalism in South Asia: A Case Study of Bangladesh–Bhutan–Nepal–India Motor Vehicles Agreement."

In the article "Prospect and So Far, Development of BBIN Connectivity", Mahamudul Hassan (2016) expounds on the history, purposes, opportunities, and developments of BBIN and explains how BBIN emerged as a sub-regional forum and how it creates new economic opportunities, mainly in border areas of the member countries. The BBIN-MVA agreement will likely yield benefits for the two Himalayan landlocked countries of Nepal and Bhutan by addressing their longstanding complaints about trade and transit issues. At the same time, among the four members, India will enjoy the maximum payments.

CUTS International (2018), in "Connecting Corridors beyond Borders Enabling Seamless Connectivity in the BBIN sub-region", explains existing and proposed trade connectivity initiatives of BBIN, BBIN's salient features, significances, BBIN corridors, and factors affecting the implementation of BBIN-MVA to give a clear picture of what BBIN intends to achieve. It also discusses BBIN countries' challenges and suggests ways to implement all the proposed initiatives fully. Qurat Ul Ain and Zahoor Ahman Shah (2019), in "Neo-Regionalism in South Asia: Concerning the Emergence of BIMSTEC and BBIN", first inspect SAARC's non-functionality and challenges and show why countries in South Asia are seeking alternatives beyond SAARC. Then the thesis studies BIMSTEC and BBIN and their role in the region as an attractive alternative to SAARC. BBIN, a sub-regional organization outside SAARC, is expected to pave the way for increased trade and cross-investments among the member countries. If the member countries are ready to remove political barriers between them, the BBIN will work for broader integration, which SAARC failed to deliver. There can be a revival of SAARC through sub-regionalism.

Parthapratim Pal (2016), in the research paper titled "Intra-BBIN Trade: Opportunities and Challenges," elaborates on the significant opportunities and challenges of BBIN. The BBIN initiative can facilitate intra-regional and inter-regional trade in goods and services and develop massive transnational road and rail connectivity networks. India's dominance in BBIN, India's demand for transit through Bangladesh, heterogeneity among member countries in economy, Bhutan's reservations about the free movement of cargo and people within the sub-region, different development priorities, and other bilateral and political issues are the challenges that BBIN needs to deal with in order to achieve its objectives. This article, however, gives more emphasis on India.

Nuzhat Sharmeen (2017), in her report "Regional Cooperation in South Asia and the Sustainability of Bangladesh, Bhutan, India, and Nepal (BBIN) Transit," discusses the sustainability of the entire BBIN project briefly by explaining the scope of the agreement along with the overall implications of the agreement. The thesis mainly revolves around Bangladesh and how the BBIN project supports Bangladesh's capacity development. It has discussed in detail the financing scheme, the sustainability of the pricing, and the costs incurred by Bangladesh for the project. Similarly, Ashish Shukla (2019) discusses sub-regionalism in his article "Sub-regional Cooperation under the BBIN Framework: An Analysis" and places more of an emphasis on India by describing how BBIN links India's north-eastern area to more significant markets both within and outside of the country. It claims the success of the BBIN initiative rests on how India shows commitment to the initiative and

how sincerely it fulfils its responsibilities. It discusses how India can use BBIN as a geostrategic and diplomatic strategy to further its regional objectives of becoming the lone regional power and to counteract China's ascent in the area.

Reviewing the existing literature reveals that the study on the prospects of sub-regional cooperation in South Asia is India-centric. Only a handful of literature talks about the prospect of BBIN for Bangladesh and very few for Nepal, but that too in brief.

### **3. Methodology**

This study employs qualitative research methodology. In understanding the BBIN as a sub-regional forum and evaluating the benefit for Nepal, secondary data have been collected from books, academic journals, scholarly articles, research papers, theses, and grey pieces of literature such as official documents from states, annual and other official reports of an organization, policy statements, press releases, and other relevant publications. The gathered data were evaluated rigorously, and arguments were developed based on the content analysis of each source collected. The study has tried to evaluate whether or not the BBIN framework connects Nepal with the global economy by solving its connectivity barriers. Nepal's other socio-cultural, political, ethnographic, and environmental problems are not discussed.

### **4. Analysis and Discussion**

The lack of regional cooperation and discouraging trade relations in South Asia may not affect other South Asian countries to the extent it affects Nepal, as Nepal is the least connected compared to other small South Asian countries. Sri Lanka is an island country, Bangladesh has access to the sea, and Afghanistan is bordered by six Asian countries. Moreover, comparatively, these three countries have larger economies than Nepal. Bhutan, though landlocked, is more concerned about its environment than its economy and is happy to go slow, while the Maldives is showing significant growth compared to other small countries in South Asia.

As a landlocked mountainous country with poor transportation, Nepal confronts several connectivity obstacles that impede its economic growth and integration into the regional and global economies. The direct connectivity issues include limited access to ports, difficulty moving goods and people due to inadequate transport infrastructure, and high transportation costs that make Nepali goods and services less competitive on the global market. As a result of such connectivity barriers resulting from poor infrastructure, Nepal's trade is asymmetrically dependent on India and China, and the trade deficit is increasing. Low exports and high imports, trade barriers, high transaction costs, improper trade policy, higher costs of production, slow industrial development, a lack of trade diversification, and limited export capacity are responsible for increasing the trade deficit. The lack of economic and physical connection leaves Nepal with little opportunity to create productive ties with the rest of the world and to depend asymmetrically on its two giant neighbours, India and China. The sub-regional cooperation through the BBIN initiative is expected to help Nepal integrate with the global economy by opening doors for Nepal to regional and international markets and soothing its connectivity woes since SAARC, the only regional integration hope for Nepal, has failed to address its problems.

#### 4.1 Significance of BBIN for Nepal

For Nepal, the BBIN Initiative offers significant prospects for economic development and integration into regional and global economies. The BBIN Initiative aims to improve connectivity among the member countries by developing road, rail, and waterway networks. This can facilitate the movement of goods and people and contribute to Nepal's economic growth. BBIN MVA aligns very well with some of the major initiatives taken by the Asian Development Bank (ADB) under the South Asia Subregional Economic Cooperation (SASEC). ADB has proposed ten regional road networks as South Asian Corridors, of which seven have been identified in the BBIN region (Ghosh, 2016). Among them, three trade corridors will link Nepal to Bangladesh and India:

1. Kathmandu-Kakarvita- Panitanki-Fulbari- Dhaka- Chittagong. The length of this corridor is 1,394 km. This corridor will connect Kathmandu and other regions of Nepal to ports in Bangladesh.
2. Kolkata- Raxual-Birgunj-Kathmandu. This corridor, with a total length of 1,323 km, will give Kathmandu access to ports in Haldia and Kolkata.
3. Lucknow- Gorakhpur-Sunauli-Bhairawa-Kathmandu. This 663 km stretch will connect Kathmandu through Bhairahawa to India, from where it can access other roads, rail and sea ports.

Also, the renewal of the Trilateral Transit Agreement (TTA) between Nepal, Bangladesh, and India could expand cross-border connectivity as well as facilitate Nepal's full utilization of riverine and seaports in India (Haldia, Visakhapatnam, and Kolkata) and Bangladesh (Chittagong and Mongla). These trade corridors, along with the TTA, can be a catalytic force for integration because they will also have spillover effects on other sectors of the economy, such as agriculture, education, and tourism in all three countries (Bangladesh, India, and Nepal). These corridors will connect Nepal with major ports in India and Bangladesh. Nepal can use these corridors to import goods faster at cheaper prices.

**Table : Connectivity Initiatives under BBIN for Trade and Transport**

From/To - India	Bangladesh	Bhutan	Nepal
	<ul style="list-style-type: none"> <li>• Inland Container Port at Ashuganj, Bangladesh</li> <li>• Widening of Ashuganj-Akhaura Road in Bangladesh (will provide connectivity to Tripura)</li> <li>• Akhaura-Agartala Rail Link</li> <li>• Inclusion of additional routes in IWTT Protocol</li> <li>• Bridge over river Feni (at Sabroom, Tripura)</li> <li>• Upgradation of infrastructure at Sutarkandi LCS to Integrated Check Post (Assam)</li> <li>• Border Haats at Balat &amp; Kalaichar on the Meghalaya border</li> <li>• Integrated Check Post at Dawki</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading of the East-West Highway</li> </ul>	<ul style="list-style-type: none"> <li>• Jayanagar-Bijalpur-Bardibas Rail Link Project</li> <li>• Jogbani-Biratnagar Rail Link</li> <li>• Nepalgunj-Nepalgunj Road Rail Link</li> <li>• Kakarbitta-New Jalpaiguri Rail Link</li> <li>• Bhairawaha-Nautanwa Rail Link</li> </ul>

From/To - India	Bangladesh	Bhutan	Nepal
	<p>(Dawki- Tamabil)</p> <ul style="list-style-type: none"> <li>• Land Custom Stations at Dalu, Borsora, Ghasuapara</li> <li>• ICP at Kawarpuchchiah/Demagiri-Thegamukh LCS</li> <li>• Use of Chittagong and Mongla ports in Bangladesh for Indian cargo</li> <li>• Development of Integrated Check Post at Akhaura (near Agartala), Tripura</li> </ul>		<ul style="list-style-type: none"> <li>• Establishment of Integrated Check Posts at Raxaul-Birgunj, Sonauli-Bhairhawa, Jogbani-Biratnagar, and Nepalgunj Road-Nepalgunj</li> </ul>

Source: CUTS International 2018

Access to ports in India and Bangladesh will break Nepal's longstanding export and import bottleneck. As it enables the flow of products and services among its member states, BBIN may increase trade and investment opportunities for Nepal. The agreement will also aid in decreasing Non-Tariff Barriers (NTB), reducing the volume of informal commerce via standardization, formalization, and containerization of cargo movement.

The Nepal-India Regional Trade and Transport Project of the World Bank is also aligned with the BBIN MVA modality, which is projected to modernize transport and transit measures between Nepal and India. In 1960, Nepal and India signed the Treaty of Trade and Transit to expand the exchange of commodities between the two nations, enhance economic development cooperation, and enable trade with other parties (Lama, 2018). The present India-Nepal transit pact has several faults, including documentation requirements, transshipment processes, sensitive goods, arbitrary bank guarantees, and inadequate infrastructure. These shortcomings have resulted in exorbitantly high transaction costs (at least 2.7 times that of transport by road) for transit goods when measured in terms of the time required to conduct transit processes (Mehndiratta & Nora, 2022). Greater cooperation between India and Nepal is the only way to solve this. Nepal and India must be willing to undertake the activities listed in the Trade Facilitation Agreement and the Vienna Program of Action to adhere to internationally recognized best practices. Both programs push member states to ratify international trade and transit treaties and international trade and transit procedures rules, which the two nations must explore over time. Such activities would facilitate the movement of commodities and aid in accelerating trade between two nations and a third country.

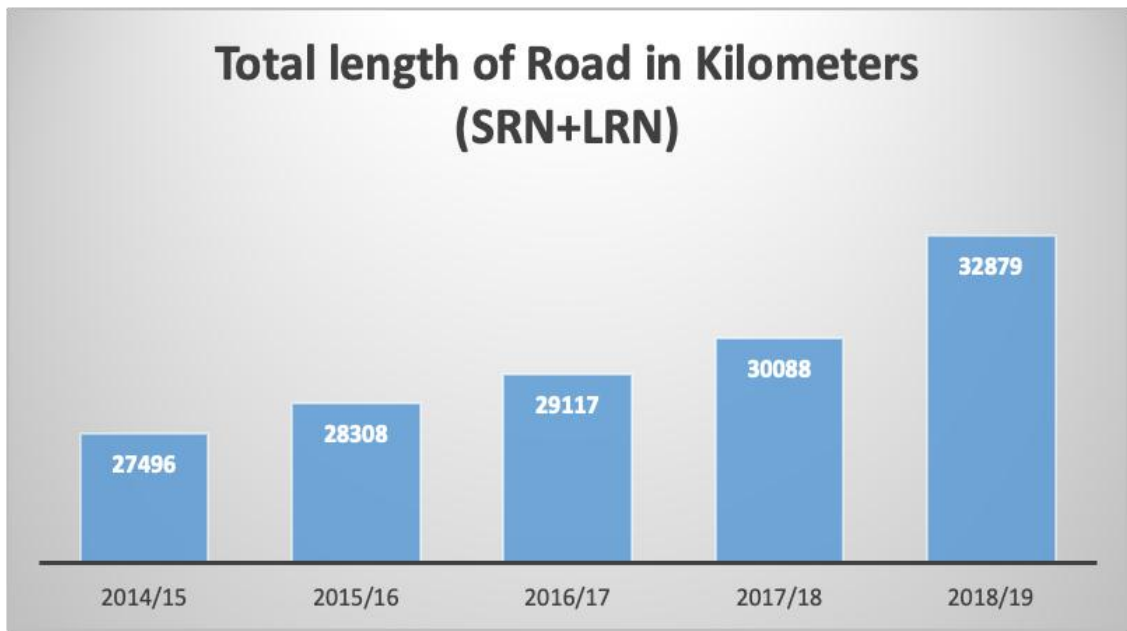
With access to ports in India and Bangladesh, the BBIN Initiative can provide Nepal access to larger regional markets, which can help increase demand for Nepal's goods and services. India and Bangladesh are both large markets for Nepal for several reasons. India and Bangladesh have large and rapidly growing populations, creating a significant demand for various goods and services. Nepal has many export products in high demand in India and Bangladesh, including textiles, garments, carpets, and handicrafts. These products are popular in both countries due to their high quality and relatively low prices. In addition to exports, Nepal also relies on both India and Bangladesh as significant sources of tourism. The BBIN Initiative has focused on improving connectivity among the member countries by developing road, rail, and waterway networks. This can make it easier for tourists to travel to and within Nepal, increasing the demand for Nepal's tourism-related services.



The BBIN Initiative aims to promote regional energy cooperation. BBIN member countries agree to make joint efforts to explore the harnessing of water resources, including hydropower and power from other sources available in the sub-region. The energy cooperation in the region can help Nepal secure a reliable and affordable energy supply. The BBIN Initiative has supported the development of cross-border transmission lines, which can help increase electricity transmission between the member countries and improve Nepal's access to electricity. Nepal can benefit from its enormous hydropower output capacity by selling cleaner electricity to India and Bangladesh. There have been some constructive breakthroughs recently. Nepal and Bangladesh are discussing the bilateral power trade and Bangladeshi investment in Nepal's hydropower industry. The positive side of the bilateral power trade is that Nepal can buy power from Bangladesh during the winter and sell its power dominance during the rainy season. This increases the prospect of improving energy trade not only with India but also with Bangladesh.

#### 4.2 Challenges for Nepal

One of the main obstacles preventing Nepal from taking full advantage of the BBIN Initiative is a need for adequate transportation infrastructure. Around 90% of freight and passenger travel in Nepal occurs on roads, compared to 8% on the air network and 2% on rail, rope, and other modes of transportation. Nepal's two most important road networks are the Strategic Road Network (SRN) and the Local Road Network (LRN). National roads are part of the SRN and are the backbone of the country's economic integration with its neighbours. The federal government's road expansion progressed in 2018–19, reaching 32,879 km (Nepal in Data, 2019).



Source: Nepal Economic Survey 2019/20

**Figure (i). The total length of Raod in Kilometers (SRN + LRN)**

However, Nepal has the lowest road density in South Asia, with only 47 km of roads per 100 square kilometers and 2.5 km of roads per 1,000 inhabitants, compared to 12.2 km, 4.1 km, and 5.5 km of roads per 1,000 inhabitants in Bhutan, India, and Sri Lanka. Similar findings were made by the

World Bank study, which indicated that between 2014 and 2018, the capital investment in SRN climbed at a Compound Annual Growth Rate (CAGR) of 40%. In contrast, the maintenance expenditure only increased at a CAGR of 13%. (Herrera et al,2022). Additionally, maintenance costs decreased from 16% in 2014 to 7% in 2018 as a percentage of all SRN expenses. According to one estimate, the average yearly financial allotment for SRN maintenance over five years falls short of the needs by 60%. The trend has generally been that capital expenditures could be more consistently efficient and productive. As a result, the money set aside for SRN is often only partially used. The current SRN needs to be in better shape.

Nepal's poor road infrastructure poses a big challenge, given that a significant portion of its intra-regional and international trade is carried out by land. For international trade, Nepal depends on the Indian ports of Kolkata and Haldia, located on the east coast of India. Poor road conditions have significantly hampered international trade. For instance, Rauxal-current Birgunj's situation could be better. The road from Mothihari to Rauxal is in the same condition, making it difficult for vehicles to go through it effectively (CUTS, 2018). Similar issues with road infrastructure exist on the Bangabandhu-Fulbari-Kakarvitta route used for trade between Nepal and Bangladesh through India (CUTS, 2018)

In addition to these issues with physical infrastructure (poor road networks), Nepal confronts problems with soft infrastructure (supporting infrastructure), such as management, government coordination, digitalization, transparency, and accountability. These hurdles impede the effective implementation of the favourable provisions of the BBIN MVA in Nepal. Transporting goods by road necessitates transshipments at many locations, creating unnecessary delays in the transit of commodities and vehicles. For example, the current India-Nepal transit treaty prohibits the unfettered movement of automobiles from the ports of Kolkata and Haldia to Nepal, thereby increasing transportation expenses. The various rules and regulations governing customs processes between countries also need to be revised. For instance, the documents required for customs clearance in India and Nepal differ. The BBIN MVA requires typical freight vehicles to be protected with comprehensive insurance. India, Nepal, and Bhutan do not acknowledge the policies of Bangladesh (Sharmeen, 2017). Nepal must build suitable infrastructure (both hard and soft) to restore the quality of its infrastructure projects and reap the full advantages of BBIN.

Besides, there are some political and social challenges. The transport associations in Nepal hold strong reservations against the two-way movement of cargo. The transport syndicate has been involved in anti-competitive activities like halting shipments, hiking freight charges, and imposing rotations. These associations are against BBIN MVA because foreign trucks plying in Nepal would erode their local business due to the direct cargo transportation by trucks from one country to another. It has come to light that the Narayani Truck Owners Association, one of the most politically powerful associations of the transporters and truck drivers headquartered in Hetauda (an essential node for trucks travelling along three corridors: a) Kathmandu-Kakarvitta-Panitanki- Fulbari-Banglabandha, b) Kathmandu-Kakarvitta- Panitanki-Kolkata and c) Kathmandu-Birgunj- Rauxal-Kolkata), strongly opposes the two-way movement of cargo for foreign trucks because doing so would undermine local businesses and increase unemployment (CUTS, 2018).

The rail, road, and port projects that have been proposed or are currently being worked on in BBIN to improve cross-border connectivity are shown in Table (i). However, owing to delicate political and economic realities in the participating nations, the timely execution of these initiatives has remained challenging. For instance, because of political interference, the upgrading of the LCS to an

ICP in the Raxaul-Birgunj corridor of the Indo-Nepal border, which is also a part of Asian Highway 42, has repeatedly missed completion dates (CUTS, 2018). There is little question that the BBIN MVA plan will promote trade in the area, but it may fail to resolve the concerns of those who reside near cross-border sites about their ways of subsistence. Vendors, laborers, and transportation lobby groups oppose the BBIN because they fear losing their livelihood possibilities if integrated infrastructure and transparent systems shape up. These obstacles must be adequately addressed via awareness campaigns and by including the frontier inhabitants, vendors, and transportation as key players in crucial BBIN projects and efforts.

An additional problem is the open border between India and Nepal, which allows for easy human movement and generates business possibilities on both sides. For employment, millions of Nepalis migrate to India. However, the open border is increasingly under threat from criminal organizations that exploit it for human trafficking, particularly of women and children, the trade of illegal drugs, the transportation of counterfeit money, and as a sanctuary for terrorist organizations. Being a landlocked country, Nepal depends on India for connectivity to the rest of the world. Any disruption at the border creates significant socioeconomic impacts for Nepal. Ensuring the smooth movement of goods and vehicles at the border is both necessary and challenging. Better coordination of border monitoring agencies in Nepal and India is a must, and increased use of technology in monitoring border movement can also help secure the open border.

## **5. Conclusion**

In conclusion, the BBIN MVA signifies the start of a much bigger purpose for sub-regional collaboration since seamless connectivity is strongly related to regional economic success and human interactions. For Nepal, BBIN is an apt platform with the potential to solve Nepal's longstanding problem of locational disadvantage and poor connectivity with the outside world. BBIN fits well with the new wave of Nepal's development goal—vast transnational road and rail connectivity networks—as it seeks to promote connectivity between member nations by constructing road, rail, and waterway networks.

Three of the seven trade corridors designated by ADB as South Asian Corridors in the BBIN region will connect Nepal to Bangladesh and India, giving Nepal access to ports in India and Bangladesh. This is anticipated to break Nepal's longstanding export and import bottleneck, as the trade corridors are expected to facilitate the movement of goods and services, thereby expanding Nepal's trade and investment opportunities. With access to ports in India and Bangladesh, the BBIN Initiative can grant Nepal access to larger regional markets, thereby boosting demand for Nepal's products and services. Nepal exports a variety of goods that are in high demand in India and Bangladesh, including textiles, apparel, carpets, and handicrafts. Due to their high quality and relatively low prices, these items are popular in both nations. In addition to exports, India and Bangladesh are also important tourism sources for Nepal. Moreover, the energy cooperation between BBIN nations can assist Nepal in securing a reliable and cost-effective energy supply. The BBIN Initiative has supported the development of cross-border transmission lines, which can increase electricity transmission among member nations and increase Nepal's access to electricity. Nepal can benefit from its tremendous hydropower output capacity by selling India and Bangladesh greener electricity. Additionally, the agreement will contribute to the reduction of Non-Tariff Barriers (NTB), thereby reducing the volume of informal trade through standardization, formalization, and containerization of cargo movement.

In spite of this, Nepal faces substantial hurdles in implementing BBIN owing to capacity constraints. Due to inadequate maintenance and weak allocation of funds, Nepal has the lowest road density in South Asia, and the extant road network is in poor condition. Given that a substantial portion of Nepal's intraregional and international trade is conducted by land, the country's deficient road infrastructure poses a significant obstacle. In addition, Nepal faces difficulties with its supporting infrastructure, including management, digitalization, transparency, and accountability. Local business concerns are additional obstacles. The transport associations in Nepal have strong objections to the two-way movement of cargo and have engaged in anti-competitive practices such as halting shipments, increasing freight rates, and mandating rotations.

## **6. Recommendations**

Nepal must first comprehend its connectivity strengths and shortcomings and the underlying factors preventing it from establishing a connection with other South Asian countries. Nepal must employ all available channels to promote a favorable narrative for the BBIN MVA. Nepal must immediately update and synchronize its national policies with BBIN and other regional and international norms for effective implementation. Since Nepal's trade policy does not adequately address transit issues, Nepal must adopt a transit policy. Nepal should reduce non-tariff barriers by reducing the number of items on the sensitive list.

Social safeguard policies are also required for transporters, truckers, vendors, and workers who operate at border crossings. The bureaucratic hassles that come with multiple documentation and paper requirements should be reduced to the greatest extent possible. Inland Container Depots (ICDs) must be established near border crossings or strategic areas. They must serve as customs clearing sites to minimize loading and unloading at the roadside near border checkpoints. For smooth functioning, ICDs should be supplemented with appropriate infrastructure, such as uninterrupted internet access, wide roads, parking facilities with bathrooms, warehouses, and cold storage. In addition, it is also equally important to understand the culture and political dynamics at the local level and address the livelihood concerns of local communities to benefit from the BBIN MVA.

In addition, the inter-ministerial collaboration between the Ministry of Foreign Affairs, the Ministry of Industry, Commerce, and Supplies, the Ministry of Physical Infrastructure and Transport, and the Ministry of Finance of Nepal is required to promptly complete the planned BBIN projects. Recent government churn has resulted in several independent internal and foreign policy decisions, creating the impression of Nepal as a docile nation globally. BBIN gives Nepal a chance to enhance its image. Nepal must also take the lead rather than waiting for India and Bangladesh to make crucial choices and initiate initiatives in the BBIN region. Most importantly, political parties should avoid using infrastructure projects for their political gain and guarantee that major infrastructure projects funded by BBIN and other projects are implemented on schedule.

In addition, Nepal, as a member of such a grouping, would need to manage such developing geopolitics with extreme caution to look less exuberant and more realistic in its performance. Nepal must also be diplomatically pragmatic to resolve the bilateral problems. More diplomatic channels must be established in order to enhance ties with Bangladesh. Nepal and Bangladesh must negotiate with India for an unencumbered business environment. Nepal and Bhutan should urge India to provide Nepal and Bhutan greater access to its ports for purely business reasons. This would facilitate the development of these two landlocked nations by giving them access to regional markets and open seas.

In a nutshell, for Nepal to catch up with the rapid developments in other member nations (India and Bangladesh) and grasp the benefits that BBIN offers, it must revise its policies and speed up its development projects (both hard and soft infrastructures). Otherwise, the least developed of the three will not be able to reap the benefits of sub regional cooperation.

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