

Trend of Bangladesh-Nepal Trade Relations ***Underlining People-to-People Contact***

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Abstract: Bangladesh-Nepalese bilateral relations, featuring equal and sincere treatment, mutual support and friendship for generations, can be the instance for relations between two countries. Nepal's relationship with Bangladesh is unique. The relations have improved and the major stake in the relation lies in strengthening the border areas and in improving people-to-people contact and furthering economic relations and trade. Bilateral Free Trade Agreements have been the order of the day, and is being implemented by many countries around the world. Economic and commercial relations between Nepal and Bangladesh have been growing steadily over the years. However, the volume of bilateral trade has not seen much improvement despite tremendous potentials for expanding and diversifying trade between the two countries. Essential thrust of our economic diplomacy should be increased in an effort to enhance the image of the country. Bangladesh Government has to focus on convincing people, even some of her neighbors, as well as SAFTA framework of SAARC that Bangladesh offer excellent investment opportunities and that the overall investment climate is conducive to foreign investment. Economic diplomacy of Bangladesh should go beyond political relations and help pave a way for globalization. Nepal and Bangladesh have to keep friendly relations with India due to our similar cultural religious traditions and geographical attachment. A trilateral relation has the essence to expedite the process of negotiations to promote the trade relations keeping India in confidence of both countries.

Keywords: Bilateral Relations, Trade Exchange, SAARC, Economic Diplomacy, People-to-People Contact, Bangladesh and Nepal

Introduction

Bangladesh and Nepal, countries of South Asia having different ecological conditions, social systems and historical and cultural backgrounds, are perceived sound and smooth progress of their bilateral relations. It is apparent that, for maximizing their mutual interest, it needs more creative and courageous steps to protect and promote the interest of smaller economies in the context of fast changing global structure. What we have observed, despite excellent bilateral relations between Bangladesh and Nepal, one is struck by the fact that over the years our economic relations remained at a less than desirable level (Bangladesh's Embassy to Nepal, 2010). Consistent with the priority set for economic diplomacy by the Government of Bangladesh, our goal should be modifying the direction and introducing new dynamism in our economic relations. Bangladesh-Nepalese bilateral relations, featuring equal and sincere treatment, mutual support and friendship for generations moving ahead with progressive trend.

Nepal's relationship with Bangladesh is unique. It is noticeable that since the very beginning of the establishment of diplomatic relations, Bangladesh-Nepal relations were

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characterized by ties at the people's level. The relations have improved and the major stake in the relation lies in strengthening the border areas and in improving people-to-people contact and furthering economic relations and trade. For example in the recent past India and Bangladesh have opened immigration offices on their respective sides of the Fulbari-Banglabandha border point enabling Nepal and Bangladesh to expedite their trade exchange. The setting up of the offices has enabled passenger movement through the route -- so far being used only for cargo movement. The paper presents the prevailing trade relations between two countries with particular focus on challenges and opportunities based on content analysis. The paper is concluded with number of recommendations to heighten bilateral trade relations between two countries addressing the prevailing barriers.

Portrait of Historical Relations between Bangladesh and Nepal

Nepal established diplomatic relations with Bangladesh on 08 April, 1972. With full of pride, it should be pointed out that Nepal was the 7th country to extend recognition of Bangladesh's sovereign rights and independence soon after its independence. Since the establishment of diplomatic ties, the bilateral relations between Nepal and Bangladesh are characterized by cordiality, goodwill, mutual understanding and shared values and aspirations of the people. Nepal and Bangladesh share similar views on various issues of common interests and work closely in various regional and international forums, including the UN, NAM, SAARC and BIMSTEC. Nepal and People's Republic of Bangladesh enjoy excellent bilateral relations since the establishment of diplomatic relations on 08 April, 1972. A bilateral relation between the two countries is on a regular and wide-ranging base (Abdul Matin, 2005). On the contrary, the Federal Democratic Republic of Nepal traditionally maintains a non-aligned policy and enjoys friendly relations with neighboring countries.

As a small, landlocked country wedged between two larger and far stronger powers, Nepal maintains good relations with both the People's Republic of China and India. Constitutionally, foreign policy of Nepal is guided by "the principles of the United Nations Charter, nonalignment, international law and the value of world peace. Without doubt, Nepal's most substantive international relations are perhaps with international economic institutions, such as the Asian Development Bank, the International Monetary Fund, the World Bank, and the South Asian Association for Regional Cooperation, a multilateral economic development association as well as United Nations on the top (Embassy of the People's Republic of Bangladesh, 2006). Economic relationships have a strong impact on political diplomacy.

The end of the Cold War, emerging democracy and development are the products of economic diplomacy. For instance, many Eastern European states joined the European Union in the 1990s to fulfill a larger economic interest among European nations. Economic diplomacy is functional at three levels: Bilateral, regional and multilateral. Bilateral economic diplomacy plays a major role in economic relations. It includes bilateral trade and treaty; agreements on investment; employment or avoidance of double

taxation; and range of formal and informal economic issues between two countries. Bilateral Free Trade Agreements have been the order of the day, and is being implemented by many countries around the world.

Bilateral Relations: Conceptual Discussion

This undertaking takes into account the bilateral relations between two independent countries in the area of trade. For understanding the dynamics of the trade relations, historical relations between two parties is also singled out for particular consideration. Basically, it is an issue which manifests itself in various forms on national, regional and international level. It is apparent that, realism surfaced as a stronger, valid and logical theory in explaining the world politics as well as domestic politics during 15th and 16th century. This theory of international politics remained successful in satisfying the answers to question about causes and effects of war. Realism is sometimes described as dominant theory in the field of International Relations. Realism has been implicated in almost every major debate over the last half century. The roots of realism can be traced back to antiquity in the famous works from Greece, Rome, India and China. Realist's arguments can be found in Kautiliya's Arthshastra. Kautilya focuses on the position of potential conqueror who always tries to maximize his power even at the expense of others (Grieco, 1988).

Political realism in the twenty first century can be dated from 1939 when Edwar Hellet Carr's book *Twenty Years Crisis* dominated the other schools of thought in the field of international relations. Political realism in the twenty first century can be dated from 1939 when Edwar Hellet Carr's book *Twenty Years Crisis* dominated the other schools of thought in the field of international relations. They explained the weird nature of world politics and put forward the idea that there is no harmony of interest among states, each state has different national objectives and adopts heterogeneous policies for the accomplishment of their national goals. For them it is a silly hope to believe that the struggle for power can be overcome by international morality, international institutions and democratization.

They are aware of the reality that national interest cannot be compromised at any cost. The scholars dismissed the idealist approach as an adequate one to bring peace and order. These realists justify their argument by pointing at the failure of League of Nations in failing to stop the outbreak of World War II (Weber, 2005). This resulted in the shattering of hopes for those who were thinking that idealism can prevail to curtail war or the circumstances that lead to war. The current study has been designed in the light of realism theory so as to analyze the prevailing bilateral relations between Bangladesh and Nepal for the benefit of their national interest. Trade agreements between two or more countries can be known as either a Free Trade Agreement (FTA), Closer Economic Partnership (CEP), or Strategic Economic Partnership (SEP). The names reflect the preferred terminology of different countries. Trade agreements make international trade easier and more efficient by improving access for exporters and investors to other countries' markets, reducing any barriers to trade, and ensuring existing access is

maintained. Trade agreements establish a set of rules. They make participating countries' regulators and officials work more closely together to create a secure trading relationship. The negotiating process itself brings trading relationships into sharper focus, boosting the visibility and desirability of a market to partner countries' businesses and investors.

Nepal-Bangladesh Trade Relations: Current Trend Analysis

In an effort to present the scenario of trade relations between two neighboring countries, reader should learn about the turning point in Nepal-Bangladesh relations, however, occurred in April 1976 when the two countries signed four agreements relating to trade, transit, civil aviation, and technical cooperation. Nepal-Bangladesh commercial and economic relations are increasingly growing to our mutual benefits and exchanges at the people to people level have been expanded. Bangladesh Government has permitted Nepal to use the port facilities at Mongla Port since September 1997, following the opening of Kakarbhitta-Phulbari-Banglabandha transit route. Both the countries are keen on working together for strengthening economic ties. Nepal-Bangladesh Joint Economic Commission (JEC) was set up in 1978 at the level of Finance Ministers. Since activation of JEC, both countries are keen on working together to further strengthening economic ties (The Daily Star, 2012). The areas of such cooperation have been joint ventures sector like banking, finance and insurance.

It is now evident that, Nepal's exports stood at Rs2.14 billion last years, down from Rs2.73 billion in the previous year. (The Kathmandu Post; 20-04-2015). Examples of joint venture initiatives are in the areas of banking (Nepal-Bangladesh Bank), finance and insurance. New initiatives are being undertaken in the field of readymade garments, leather goods, pharmaceuticals, and PVC pipes. Commerce Secretary of both countries held discussion at Kathmandu on 29-30 July 2012 as a regular meeting .It was agreed to bind a timeframe for the conclusion of operation modalities for the carriage of transport between two countries. Economic and commercial relations between Nepal and Bangladesh have been growing steadily over the years (Lakshmanan, 2001). However, the volume of bilateral trade has not seen much improvement despites tremendous potentials for expanding and diversifying trade between the two countries. Nepal mainly exports lentils, oil cakes, cardamom, wheat, vegetable seeds, noodles etc to Bangladesh. Imports from Bangladesh include industrial raw materials, chemicals, fabrics and textile materials, jute products, electric and electronic items.

Birth of the South Asian Association for Regional Cooperation (SAARC) in December 1985 unearthed an immense opportunity to embark upon bilateral and multi-lateral relations among the south Asian countries. Bangladesh has served in the chairmanship of SAARC and has participated in a wide range of ongoing SAARC regional activities. Evidence from the recent past agreement in principle by Bangladesh and Nepal to facilitate land transit between the two countries speaks about Bangladesh's endeavor to expand relationship with SAARC countries (BISS, 1998). SAARC provisioned for bi-lateral trade relationship among its member state which are pointed out below (SAARC Secretariat, 2004). In order to expand cooperation in trade and further deepen the

integration of the regional economies, the SAARC Agreement on Trade in Services was signed at the Sixteenth SAARC Summit held in Thimphu in April 2010. The Agreement entered into force on 29 November 2012 after ratification by all SAARC Member States with the issuance of a Notification by the Secretary General of SAARC. Since the signing of the Agreement, the Expert Group on the SAARC Agreement on Trade in Services has been engaged in negotiating Schedules of Specific Commitments. Besides, Cooperation in Avoidance of Double Taxation, SAARC Trade Fairs and SAFTA Protocol trigger expansion of trade relations between Bangladesh and Nepal.

Nepal-Bangladesh share commonalities in many aspects to foster bilateral relations as it is evident from the previous discussion. The prevailing relations between two neighboring countries are also guided by the SAARC mandate and diplomatic affiliation with the regional force, India. Significant challenges enumerated from discussion are as: India has agreed to allow Nepal to trade with Bangladesh through its territory, but bureaucratic hurdles and lack of infrastructure have not allowed the arrangement to work. On the top, political unwillingness of Delhi Government also set barrier in this regard. Perhaps the India-Bangladesh memorandum of January 2010 indicates New Delhi's commitment to force compliance by its bureaucracy, and kick-start a process on infrastructure building.

The need for regional integration is especially urgent when we compare South Asia with Southeast Asia. Whereas 25 per cent of trade of ASEAN countries is with each other, in South Asia this figure stands at a dismal four per cent; this represents a colossal inefficiency, and an on-going failure on the part of policymakers and entrepreneurs. Bangladesh needs to ensure that its imports are not held hostage to the monopoly of a select few producers, but are instead received through rigorous international competition. Even though the economic logic in strengthening trade and transit relations between Nepal and Bangladesh is clear enough, little has happened so far other than policy concessions that seem out of touch with the ground reality. For example, the two countries has exchanged a list of 146 products for tariff negotiation without a clear understanding as to which of those had real trade potentials, nor did they consider non-tariff barriers preventing trade.

Nepal is separated from Bangladesh by only 22 kilometers of Indian Territory between them. The interactions between the people of Bangladesh and Nepal go back to thousands of years. Discussion and concurrence of both countries in principle for use of Mongla port in Bangladesh for transporting goods to and from Nepal at a concession rate would help promote tourism, travel agents and tour operators of both countries would jointly coordinate necessary steps. Positive attitude of both countries to give the final shape to a deal on operational modalities for goods-carrying vehicles in order to ease transit facility to Chittagong and Mongla port remains assenting sign in strengthening trade relations. People-to-people contact has increased. Cultural and technological co-operation have developed between the two countries. A few bilateral co-operation agreements have been concluded. Both countries have proposed bus service between Dhaka and Kathmandu to facilitate trade, tourism and contacts among people. The official and institutional ties are

endless and grow as time passes. The relation between Bangladesh and Nepal is based on mutual trust and respect.

What we have observed in the recent past, Nepal and Bangladesh have been able to finalize the list of products that would be provided preferential market access in their respective countries. For example, Nepal has agreed to provide preferential market access for 50 Bangladeshi goods while Bangladesh has given consent to provide similar treatment for 108 Nepali goods. They are bound to grow as both countries have similar goals, which could be achieved by cooperative efforts. They appear to be a solid basis on which to build on a wide range of relationship for benefit to both countries (Rashid, 2004). Both countries need to reflect on the direction which their great potentials will take in the 21st century. Proximity between two countries remains an opportunity to exchange more trade in future. In 2010, a joint communiqué issued by India and Bangladesh the assured giving Nepal and Bhutan access to the Bangladeshi ports. Efforts on Regional Connectivity has been apparent as in June 2015, Bangladesh, India, Bhutan and Nepal are set to sign an agreement which will ensure seamless travel of transports between the borders of these countries.

The emergence of democracy and globalization has transformed the role of political diplomacy toward economic diplomacy. There is a growing realization that economic relationships have a strong impact on political diplomacy. The end of the Cold War, emerging democracy and development are the products of economic diplomacy. Economic Diplomacy includes bilateral trade and treaty; agreements on investment; employment or avoidance of double taxation; and range of formal and informal economic issues between two countries. Bilateral Free Trade Agreements have been the order of the day, and is being implemented by many countries around the world (Prasai, 2011). For Nepal, economic diplomacy is not a new phenomenon. In 18th and 19th century, Nepal had established business ties and an effective trade system with Tibet and British India. It was created as a result of strategic alliance and was based on economic interest rather than political gain.

The focus of Nepali diplomacy has to shift from mere political relations and foreign aid to trade, tourism, investment, joint ventures and employment generation. Foreign policy needs a strong and broader national consensus as it is linked with national interest and sovereignty. Nepal's foreign policy is guided by the Charter of the United Nations, the principles of Panchsheel, co-existence, non-interference and respect for sovereignty of its neighbors and solidarity with other small, least developed and landlocked developing nation (Trade and Export Promotion Center, 2003). Being a sandwiched and landlocked country, Nepal's bilateral trade agreements with India and China are of paramount importance. Nepal should always be aware of its geographic reality, national interest, socio-cultural settings and economic dimension. Regional cooperation is of growing importance in economic diplomacy. National interest and economic liberalization is easily accepted when it is confounding to a particular region. Opening of borders and markets become easier within a regional framework. Multilateral economic diplomacy takes place within the framework of World Trade Organization (WTO), World Bank, International Monetary Fund (IMF), UN agencies et al.

With the establishment of WTO, there has been a policy shift in global trading system to promote economic activities (Sarup, 2005). Foreign policy needs a strong and broader national consensus as it is linked with national interest and sovereignty. Bangladesh's foreign policy is guided by the Charter of the United Nations, the principles of co-existence, non-interference, and friendship towards all malice towards none and respect for sovereignty of its neighbors and solidarity with other small, least developed and developing nations. The success of political diplomacy is a reflection of economic dimension. Bangladesh, at the beginning of 21st century is striving hard to attain her maximum economic benefit through instigation of economic diplomacy which is evident from closer relations of the government of Bangladesh with different global and regional economic forums (The Financial Express, 2009).

Nepal and Bangladesh also need to review the administrative structures and procedures in place for customs clearance at checkpoints. It can be argued that it is unfair to compare landlocked Nepal with India and Bangladesh, who have their own ports, but this added challenge further necessitates rigorous administrative reform. Nepal and Bangladesh now need to work to bring India fully on board in helping to develop new trade and transit routes. They also need to follow up any trilateral agreement with a comprehensive package that combines infrastructure-building with customs and administrative reforms. In this, sector-specific trade policies are a necessary component if Nepal is to truly pursue export competitiveness. Despite challenges ahead, there is some hope in that the obvious merits of the argument to open new and more trade and transit routes is slowly gaining ground.

Concluding Annotation

Today Bangladesh has emerged as a regional hub for RMG¹, pharmaceutical, ceramic tiles, chinaware, cement and light engineering products. Bangladesh's export has been growing at a consistent rate of 12 per cent over the last fifteen years, thanks to growing appreciation of our products in global market. There are other relevant factors why Nepal should benefit from doing business with Bangladesh. First, proximity is an important factor to promote bilateral trade and other economic interactions between Bangladesh and Nepal. The Nepalese business community should not miss out on excellent investment opportunities there, which could multiply benefits. Bangladesh is a good investment venue, with variety of sectors to invest, such as cement, ceramics, electronics, electrical items, pharmaceuticals, fertilizer, food processing and garments, among others. Export Processing Zones in Bangladesh are success stories. Nepal and Bangladesh have to keep friendly relations with India due to our similar cultural religious traditions and geographical attachment. The foreign policy analysts view that both countries should maintain friendly relations with India for promotion of bilateral trade relations positioning economic diplomacy in place. People to people contact gained

¹ The Ready-Made Garments (RMG) sector has emerged as the biggest earner of foreign currency in Bangladesh. The RMG sector has experienced an exponential growth since the 1980s. The sector contributes significantly to the GDP. It also provides employment to around 5 million Bangladeshis.

momentum between two countries are to be consolidated in coming years ahead.

Foreign investors, particularly from Nepal, from the moment they arrive in Dhaka, must be encouraged to feel that in Bangladesh they can look forward to receiving the full support of the government, and that the Board of Investment can take care of all their problems promptly and efficiently. Thus attracting foreign investment, promoting exports and, in the case of Bangladesh, helping to find employment opportunities for our nationals, would be considered as priority tasks. This is where there is a compelling need for efficient coordination between our missions abroad and the private sector. The decision-makers must be pro-active rather than re-active in their action. Despite having otherwise promising potential to grow, Bangladesh continues to lag behind its competitors for missing out the opportunities and because of indecision of the policy makers. Private sector should have a lead role in economic activities. Economic diplomacy is best carried out through public-private partnership forum.

The role of the FBCCI², DCCI³, MCCI⁴, BKMEA⁵, and BGMEA⁶ is integral in promoting trade, tourism, cultural exchange and attracting FDI in the country. Economic issues should come in the forefront of people's daily affairs rather than politics. Business leaders must advocate for Bangladesh's long-term economic interest before satisfying short-term vested interest of political parties and its leaders.

The Government of Bangladesh does not have enough resources to depute economic counselors in Bangladeshi missions abroad. This is where NRBs (non-resident Bangladeshi) can support Bangladeshi missions by offering their local contacts, knowledge, expertise and language skills. Bangladeshi students abroad are interested to voluntarily work for six to 12 months in Bangladeshi missions as interns. The government should make a provision to accept internship in Bangladeshi missions and provide trainings as per their requirement. We believe that, there are many items, which can be traded between the two countries and to the mutual benefits of the two countries. Now we have got SAFTA framework and we have also bilateral framework. Economic

2 The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) is the apex trade organization of Bangladesh playing a pivotal role in consultative and advisory capacity, safeguarding the interest of the private sector

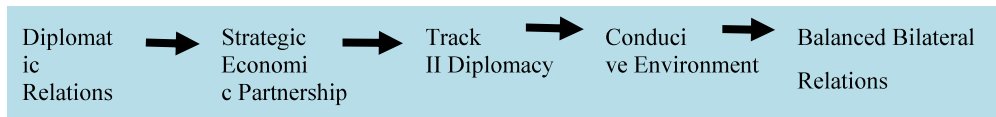
3 Dhaka Chamber of Commerce & Industry (DCCI) is a dynamic chamber having more than 4000 members contributing to different business sectors of the country. DCCI incorporated under the Companies Act 1913 (amended in 1994), in the year 1958, is the largest and most vibrant Chamber of the country

4 Metropolitan Chamber of Commerce and Industry established in 1904 is the oldest and most representative trade organization of Bangladesh having in its membership roll most leading commercial and industrial organisations including almost all the public sector corporations and all multinational companies

5 Bangladesh Knitwear Manufacturers & Exporters Association (BKMEA) was formed in 1996 by the all-out efforts of few knitwear manufacturers. Soon after the formation it undertook activities to look after the interest of the knitwear sector of the country

6 Bangladesh Garment Manufactures & Exporters Association (BGMEA) is the largest export-oriented trade association in Bangladesh. And it is the community for the nationally acclaimed and largest export earning industry, i.e. the Garments and Apparel Industry of Bangladesh. The community has various corporate entities, like - manufacturers, processors, buying houses, textile consultants, investors, indenters, importers, and exporters

diplomacy of Bangladesh should go beyond political relations and help pave a way for globalization. It is noteworthy that, the essential thrust of our economic diplomacy must be to enhance the image of the country. Bangladesh Government has to focus on convincing people, even some of our neighbors, that Bangladesh offer excellent investment opportunities and that the overall investment climate is conducive to foreign investment. The liner flow chart shows apparatuses leading towards balanced bilateral relations.



Last but not least, in the context of trade and transit between Nepal and Bangladesh, the intention of Indian Govt. should be affirmative and supportive. Nepal and Bangladesh have to keep friendly relations with India due to our similar cultural religious traditions and geographical attachment. A trilateral relation has the essence to expedite the process of negotiations to promote the trade relations keeping India in confidence of both countries.

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