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Strategic Analysis ›

Volume 40, 2016 - Issue 2

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Landlocked and Transit Developing Countries: Nepal's Transit Route Negotiations with India

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Pages 101-121 | Published online: 17 Feb 2016

Cite this article https://doi.org/10.1080/09700161.2015.1136025

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Abstract

There are multiple levels of relationship between India and Nepal. This article deals exclusively with their bilateral transit relations, focusing on their negotiations in the context of Nepal as a landlocked developing country (LLDC). While LLDCs consider their free access to the nearest seaport through a transit country as a natural right, the transit countries often bargain with them from a position of strength. The study reveals that while India used the transit issue as a political leverage, Nepal claimed it as its right to access the sea, undermining or without showing adequate sensitivity towards India's security concerns. It is observed that Nepal did not benefit much from exporting to third countries due to both poor transit facilities in India and the absence of internationally acceptable bulk exported items.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Notes

1. Nepal requested India for additional port facilities in Visakhapatnam in 2009. The proposal is currently in process.

2. ‘Treaty of Transit: Nepal, India locked in major dispute’, 14 December 2012, at http://www.ekantipur.com/2012/12/14/top-story/treaty-of-transit-nepal-india-locked-in-major-dispute/364081.html (Accessed 17 June 2015).

3. Geoffrey Kemp, ‘Maritime Access and Maritime Power: The Past, the Persian Gulf, and the Future’, in Alvin J. Cottrell et al. (eds.), Sea Power and Strategy in the Indian Ocean, London: Sage, 1981, p. 45. Also see Toshi Yoshihara, ‘Chinese Views of India in the Indian Ocean: A Geographical Perspective’, Strategic Analysis, 36(3), May-June 2013, pp. 489–500.

4. Bidisha Lahiri and Feroz K. Masjidi, ‘Landlocked Countries: A Way to Integrate with Coastal Economies’, Journal of Economic Integration, 27(4), December 2012, pp. 505–519. Rodrigo Cárcamo-Díaz, Towards Development in Landlocked Economies, CEPAL, Santiago, February 2004, published by the UN. Prabir De, Abdur Rob Khan and Sachin Chaturvedi, Transit and Trade Barriers in Eastern South Asia: A Review of the Transit Regime and Performance of Strategic Border-Crossings, Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 56, June 2008.

5. Cárcamo-Díaz,no. 4, p. 9.

6. A.J. Venables and N. Limão, ‘Infrastructure, Geographical Disadvantage, Transport Costs and Trade’, The World Bank Economic Review, 15(3), 2001, pp. 451–479.

7. Cárcamo-Díaz, no. 4, p. 12.

8. Lahiri and Masjidi, no. 4, p. 518.

9. Freedom of Transit, UNCTAD Trust Fund for Trade Facilitation Negotiations, Technical Note 08, Rev 2, February 2009.

10. 'Land-locked countries and the expansion of international trade', General Assembly, 11th Session, United Nations, 20 February 1957.

11. For details, see 'United Nations Conference on the Law of the Sea, Geneva, 24 February-27 April 1958', Document no. A/CONF.13/C.5/L.1

12. Venables and Limão, no. 6, p. 451.

13. Since many LLDCs' transit neighbours are developing countries, the Almaty Programme of Action emphasised establishing efficient transit transport systems through partnership between LLDCs, transit developing countries and their development partners. It also identified five priority sectors for expediting the trade and economic growth of LLDCS by improving connectivity. For details, see Annex I, Almaty Programme of Action: Addressing the special needs of landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries, International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, Almaty, Kazakhstan, 28–29 August 2003, A/CONF.202/3.

14. Several technical phrases are used in relation to LLCs vis-à-vis transit countries, such as: transit country, transit developing country, coastal economy, sea-access country, coastal neighbour, etc. UN documents bunch developing countries which provide transit to LLCs under the umbrella term 'transit developing countries'.

15. According to Nepal's Trade and Export Promotion Centre (TEPC), Nepal's exports to China, Bangladesh, Turkey and Thailand surged by 219.8 per cent, 62.6 per cent, 315.8 per cent, and 95.1 per cent respectively, in the first seven months of 2012–2013, while those to the US and Germany were down by 12.8 per cent and 17.6 per cent respectively. 'Exports to China jump 220pc', The Kantipur, Kathmandu, 13 March 2013.

16. Ramjee P. Parajulee, The Democratic Transition in Nepal, Boston: Rowman and Littlefield, p. 184–185.

17. Ibid.

18. Ibid.

19. ‘Land-locked countries and the expansion of international trade’, The UN General Assembly, 1028 (XI), 20 February 1957.

20. Sita Shrestha, ‘Nepal in the United Nations’, in S.D. Muni, (ed.), Nepal: Assertive Monarchy, New Delhi: Chetna Publications, pp. 172–173.

21. Until the break-up of Pakistan in 1971, Nepal tried to use East Pakistan as a transit route as an alternative to India.

22. Shrestha, no. 20, p. 174.

23. S.D. Muni, India’s Foreign Policy: The Democracy Dimension, Delhi: Foundation Books, 2009.

24. Parajulee, no. 16, p.183.

25. S.K. Jha, ‘Policy towards India: Quest for Independence’, in S.D. Muni, (ed.), Nepal: Assertive Monarchy, New Delhi: Chetna Publications, p. 216.

26. Parajulee, no. 16, p. 187.

27. V.N. Nepal, Policy Reorientation Study on Transit Trade of Nepal, Policy Paper 20, Prepared for Economic Policy Network, Ministry of Finance, Government of Nepal, Kathmandu, October 2006.

28. Parajulee, no. 16, p. 188.

29. Ibid., p. 186.

30. Ibid., pp. 182–183.

31. Nepalese diplomats, political leaders and academia, sharing their views with this author, assert that they do not want to displease India during bilateral negotiations. One retired bureaucrat said that while they wanted to implement the protocol system in MoFA (Ministry of Foreign Affairs, Nepal) for meetings with top executives of Nepal, Indian bureaucrats managed to directly contact the Nepalese prime minister(s) for meetings.

32. Mallika Shakya, ‘Trilateral Agreement for Nepali Trade’, Himal, Kathmandu, February 2011. Shakaya is Associate Professor with the South Asian University, Delhi.

33. Paras Kharel, ‘Transit travails revisited’, New Spotlight, Kathmandu, 6(13), 28 December 2012.

34. ‘Shipments Delayed due to Double-lock System’, Kantipur, Kathmandu, 9 August 2011.

35. Ibid.

36. ‘India Holding Back Newsprint’, The Hindu, 25 June 2010.

37. Keshab Poudel, ‘Nepal–India Transit Treaty: Ministries Differ’, New Spotlight, Kathmandu, 6(13), 28 December 2012.

38. For details, see Minutes of the IGC meeting, Kathmandu, 21–22 December 2013, Ministry of Commerce & Industry, Government of India.

39. ‘India, Nepal amend bilateral transit treaty’, Business Standard, 31 January 2014.

40. ‘Operationization of Rail Transit through Singhabad to Rohanpur’, ‘Simplification in Modality for Traffic Movement between Nepal and Bangladesh through Kakarvitta to Banglabandha’, ‘Amendment to Treaty of Transit for the Movement of Traffic from/to Visakhapatnam Port to Nepal (by Road/by Rail)’, ‘Traffic in Transit via Nepal to India and Bulk Cargo through Biratnagar and Bhairahawa’.

41. ‘5 Transit-related LoEs Forwarded to India’, Republica, 27 August 2014.

42. ‘Bangladesh, Bhutan, India, Nepal to Sign Vehicle Pact’, ekantipur, 12 June 2015.

43. Minutes of meeting of India–Nepal IGC held in New Delhi on 5–6 December 2011, pp. 7–8.

44. ‘SSB to Keep Vigil on 1,761-km International Border’, The Times of India, 25 February 2015.

45. ‘Bhutan’s Economic Growth Rate at 8.1%’, Bhutan Broadcasting Service, Bhutan, 10 July 2012.

46. ‘Bhutan Growth Rate to Decline, but Still Ahead in SA,’ Afpa News, 9 September 2008, at http://www.apfanews.com/stories/bhutan-growth-rate-to-decline-but-still-ahead-in-sa-economy/

47. The distance is taken from Google map. The actual distance by existing railway and road connection would be more due to the absence of direct communication links between the two sites.

48. For details, see Pratim R Bose, ‘At a Crossroads on the Border with Nepal’, Business Line, November 27, 2015.

Additional information

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