# GEOPOLITICS OF TRANSIT ROUTES FOR LANDLOCKED COUNTRIES: A COMPARATIVE STUDY OF ETHIOPIA AND NEPAL

***Thesis submitted to Jawaharlal Nehru University***
***for award of the degree of***

**DOCTOR OF PHILOSOPHY**

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New Delhi – 110067
2012

**Date: 18 July 2012**

## DECLARATION

I declare that the thesis entitled **"Geopolitics of Transit Routes for Landlocked Countries: A Comparative Study of Ethiopia and Nepal"** submitted by me for the award of the degree of Doctor of Philosophy of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

(Deep Narayan Pandey)

## CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

Prof. Swaran Singh
(Chairperson)

Prof. Swaran Singh
(Supervisor)

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*For any drawback in this thesis, if any, I alone am responsible.*

***Date: 18th July, 2012*** ***Deep Narayan Pandey***

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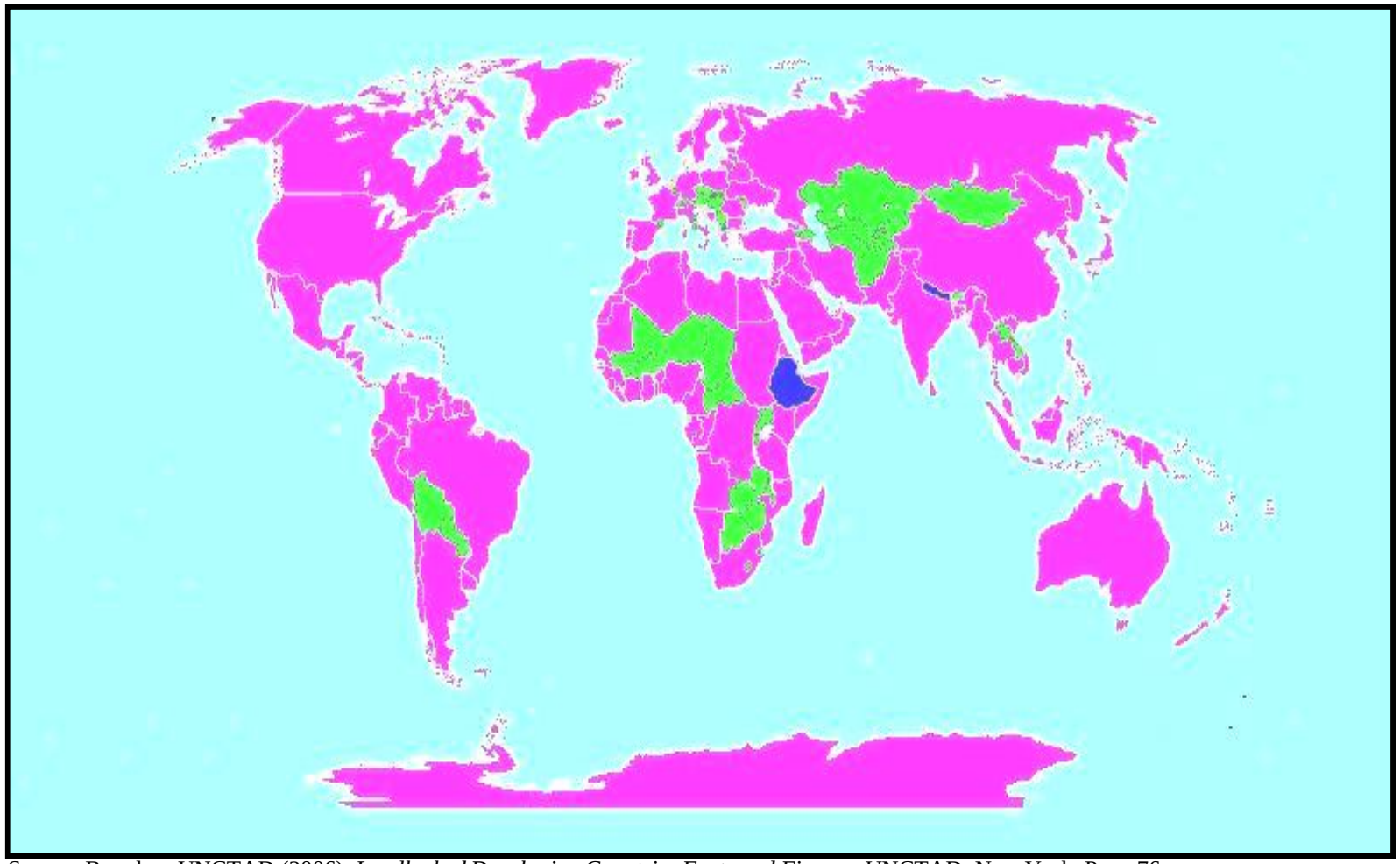
# ABBREVIATIONS

| | | |
|---|---|---|
| ADB | : | Asian Development Bank |
| ADB | : | African Development Bank, |
| AU | : | African Union |
| ALF | : | Afar Liberation Front |
| AoC | : | An Agreement of Cooperation |
| ASEAN | : | Association of Southeast Asian Nations |
| AH | : | Asian Highway |
| BBC | : | British Broadcasting Corporation |
| BIMSTEC | : | Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation |
| BOT | : | Build-Operate-Transfer |
| CDR | : | The Central Development Region |
| COMESA | : | Common Market for Eastern and Southern Africa |
| EAC | : | East African Community |
| EDR | : | Eastern Development Region |
| EEBC | : | Eritrea-Ethiopia Boundary Commission |
| EEZ | : | Exclusive Economic Zone |
| EFTA | : | European Free Trade Agreement |
| ELF | : | Eritrean Liberation Front |
| EMRDC | : | The Ethiopian mineral resources development corporation |
| EPLF | : | Eritrean People's Liberation Front |
| EPRDF | : | Ethiopian People's Revolutionary Democratic Front |
| ESCAP | : | United Nations Economic and Social Commission for Asia and the Pacific |
| EU | : | European Union |
| FDRE | : | Federal Democratic Republic of Ethiopia |
| FWDR | : | Far Western Development Region |
| GDP | : | Gross Domestic Product |
| GMS | : | The Greater Mekong Subregion |
| ICD | : | Inland Container Depot |
| IGAD | : | Intergovernmental Authority on Development |
| LLDCs | : | Landlocked developing countries |
| MWDR | : | Midwestern Development Region |
| MWDR | : | Midwestern Development Region |

| | | |
|---|---|---|
| NPC | : | Nepal Planning Commission |
| NRB | : | *Nepal Rastra Bank* |
| NRC | : | Nepal Railways Company |
| OECD | : | Organisation for Economic Co-operation and Development |
| OLF | : | Oromo Liberation Front |
| RSDP | : | Road Sector Development Programme |
| SAARC | : | South Asian Association for Regional Cooperation |
| SADC | : | Southern Africa Development Community |
| SAFTA | : | South Asia Free Trade Arrangement |
| SAPTA | : | SAARC Preferential Trading Arrangement |
| SASEC | : | South Asia Subregional Economic Cooperation |
| SDIs | : | Spatial Development Initiatives |
| SNNPR | : | Southern Nations, Nationalities, and People's Region |
| SRN | : | Strategic Road Network |
| TAR | : | Tibet Autonomous Regions |
| CDE | : | Chemin de Fer Djibouti-Ethiopian or The Djibouti-Ethiopia Railway |
| TPLF | : | Tigray Peoples Liberation Army |
| TAH | : | Trans-African Highway |
| UML | : | Unified Marxist–Leninist (Communist Party of Nepal) |
| UNCLOS | : | United Nations Convention on the Law of the Sea |
| UNCTAD | : | United Nations Conference on Trade and Development |
| UNDP | : | United Nations Development Progrrame |
| UNFPA | : | United Nations Population Fund |
| UN | : | United Nations |
| UNMEE | : | The United Nations Mission in Ethiopia and Eritrea |
| UN-OHRLLS | : | Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States |
| UNPO | : | Unrepresented Nations and Peoples Organization |
| USAID | : | United States Agency for International Development |
| USIP | : | United States Institute of Peace |
| VS | : | *Vikrami Samvat* |
| WDR | : | Western Development Region |
| WITS | : | World Integrated Trade Solution |
| WB | : | World Bank |
| WTO | : | World Trade Organization |

Map 2.1:
**Landlocked Countries of the World**



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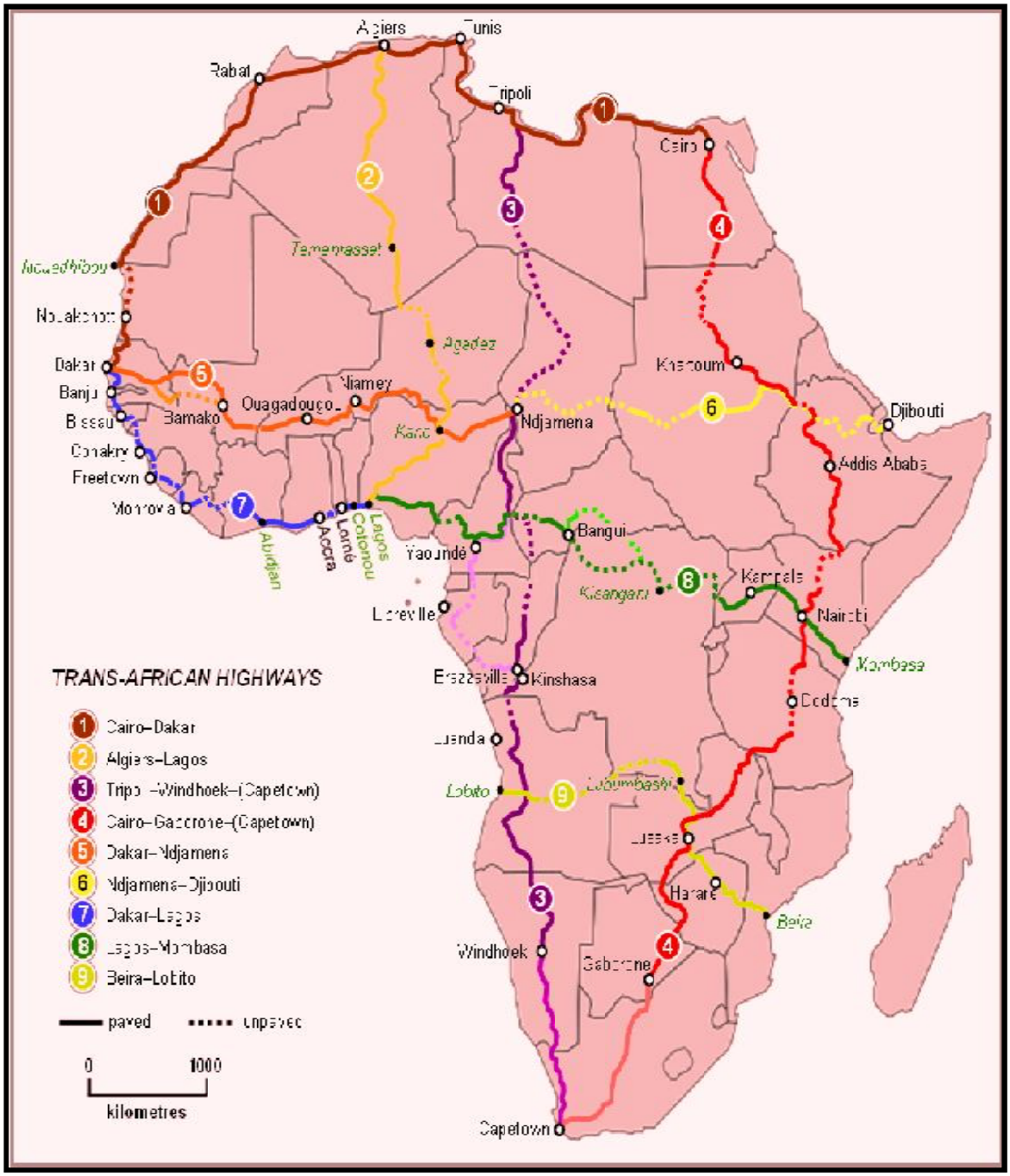


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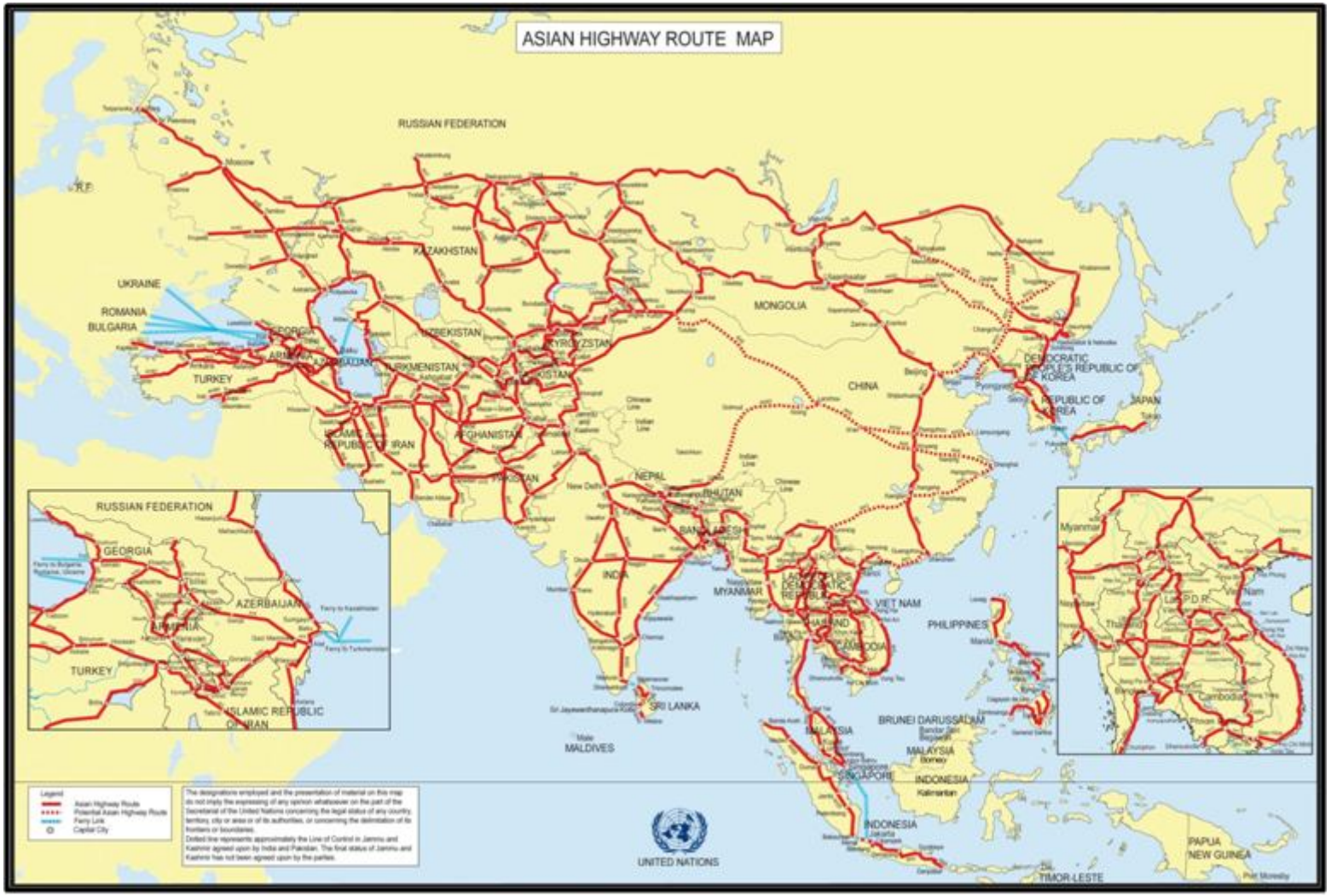


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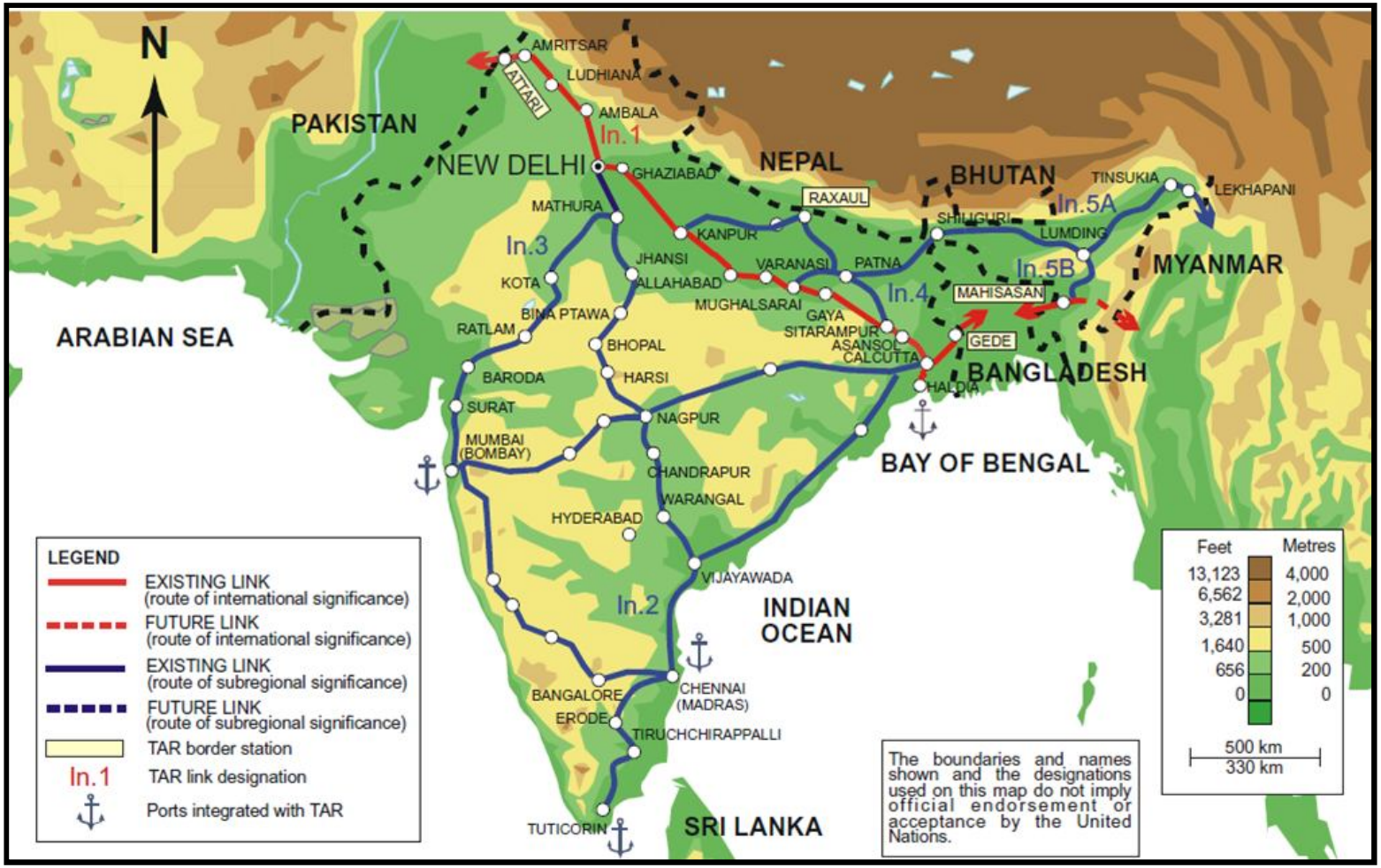


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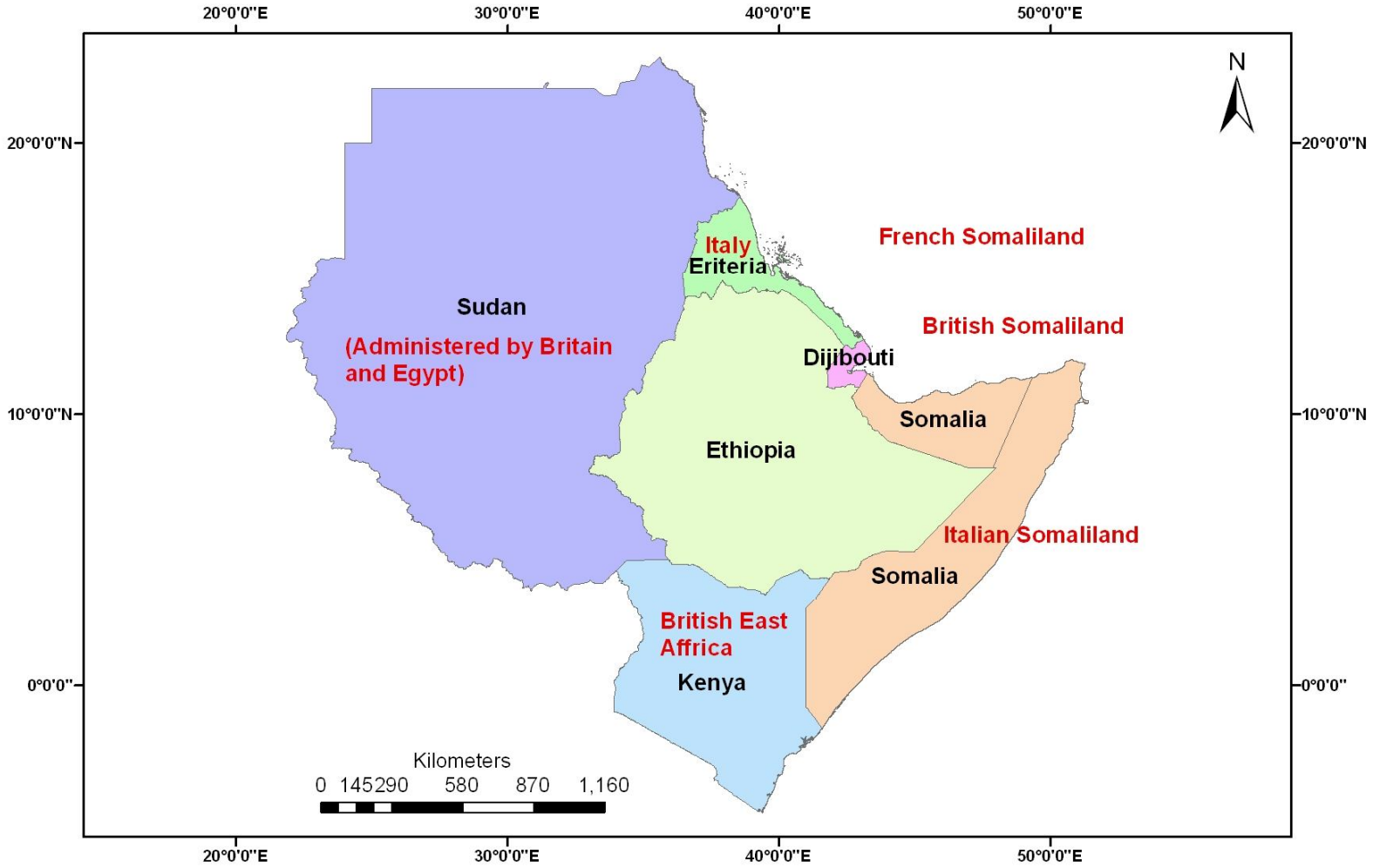


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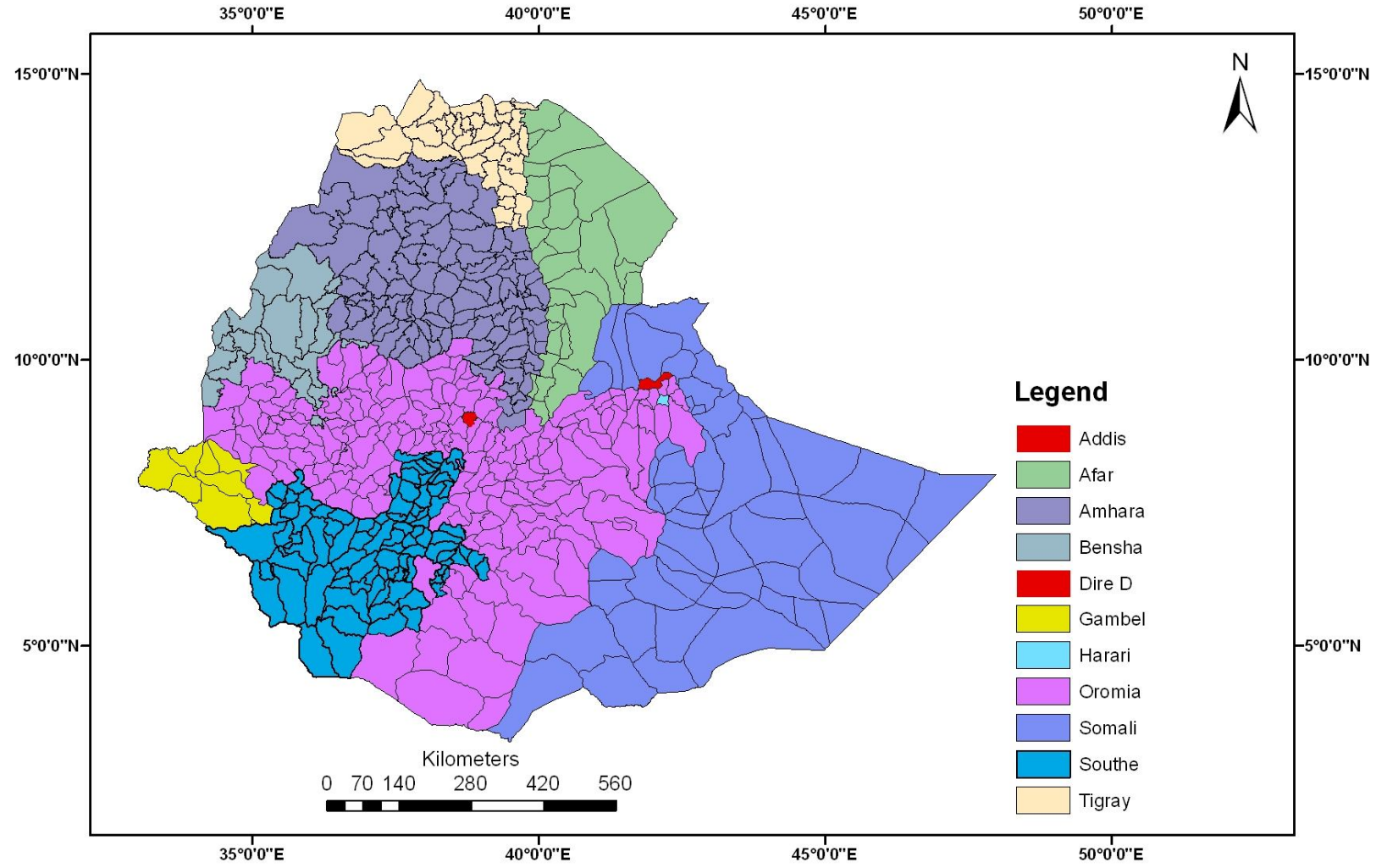


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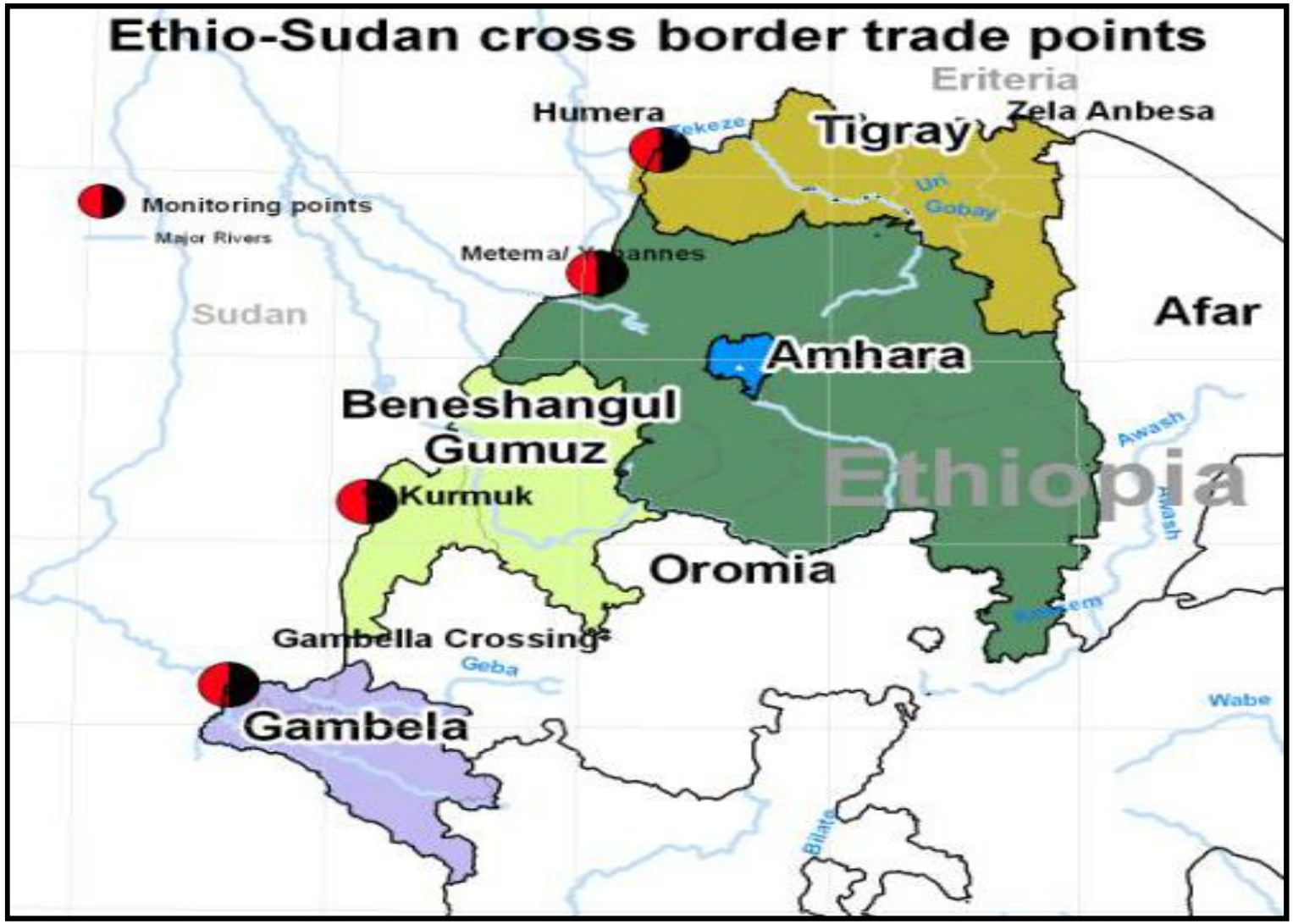


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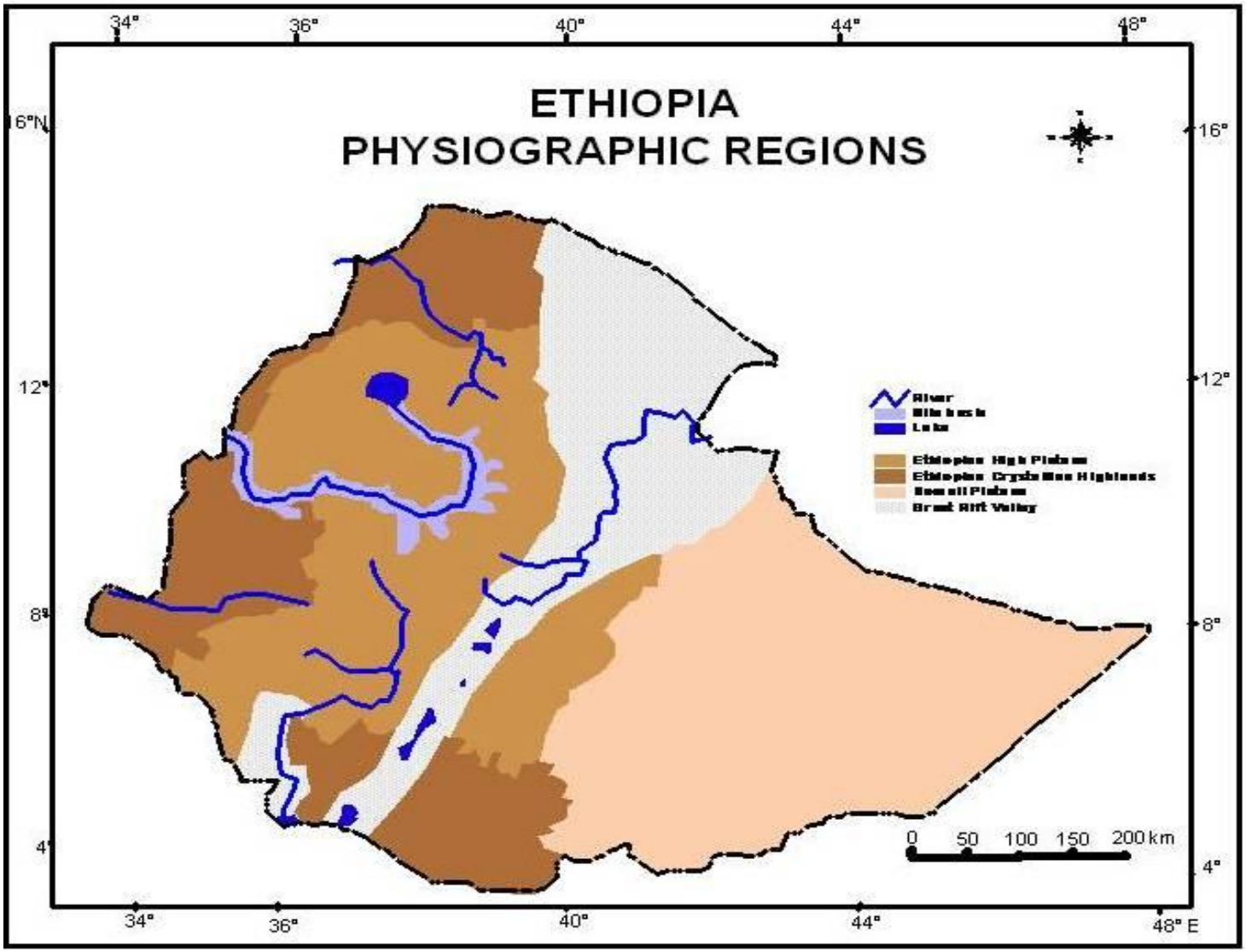


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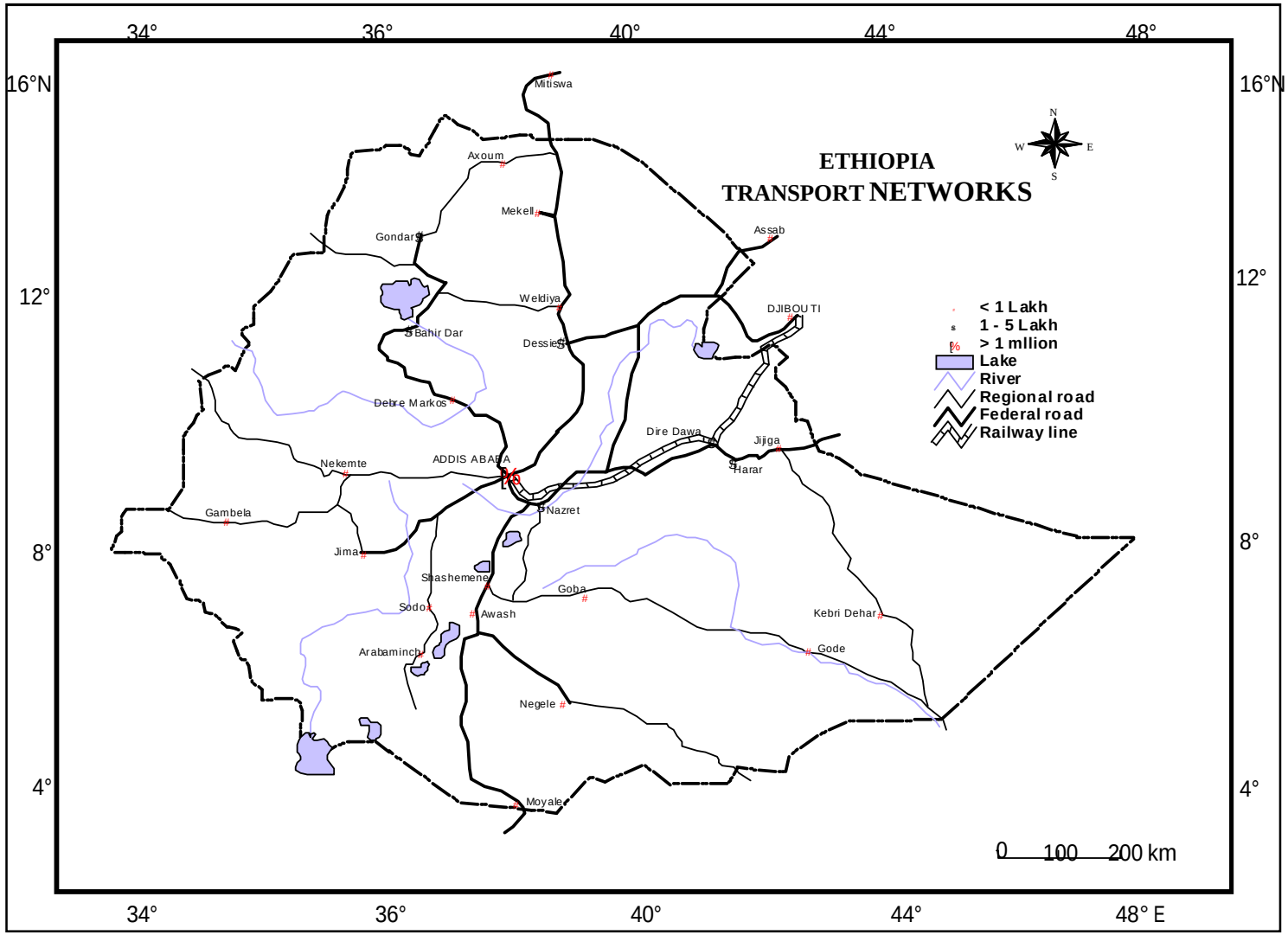


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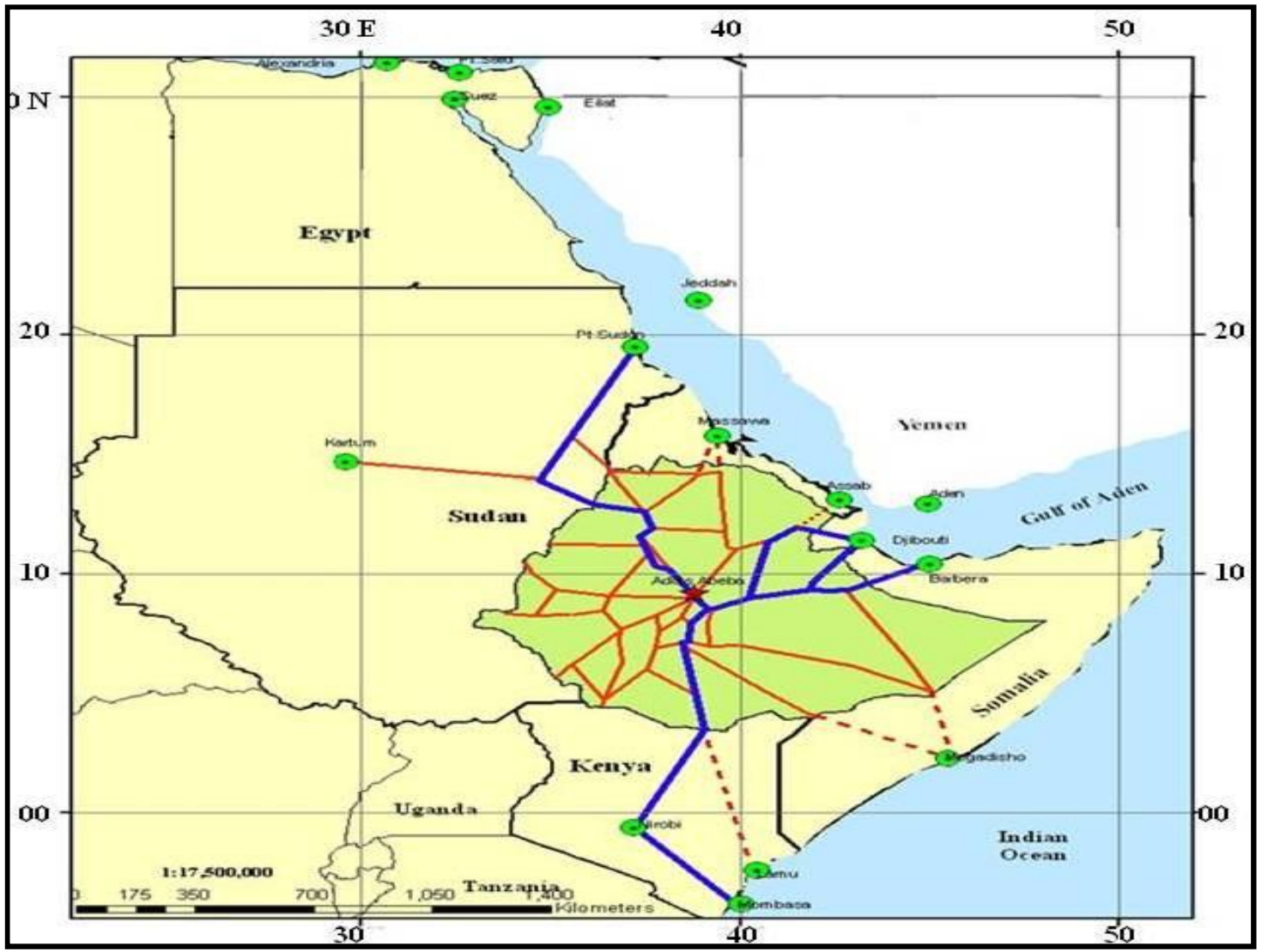


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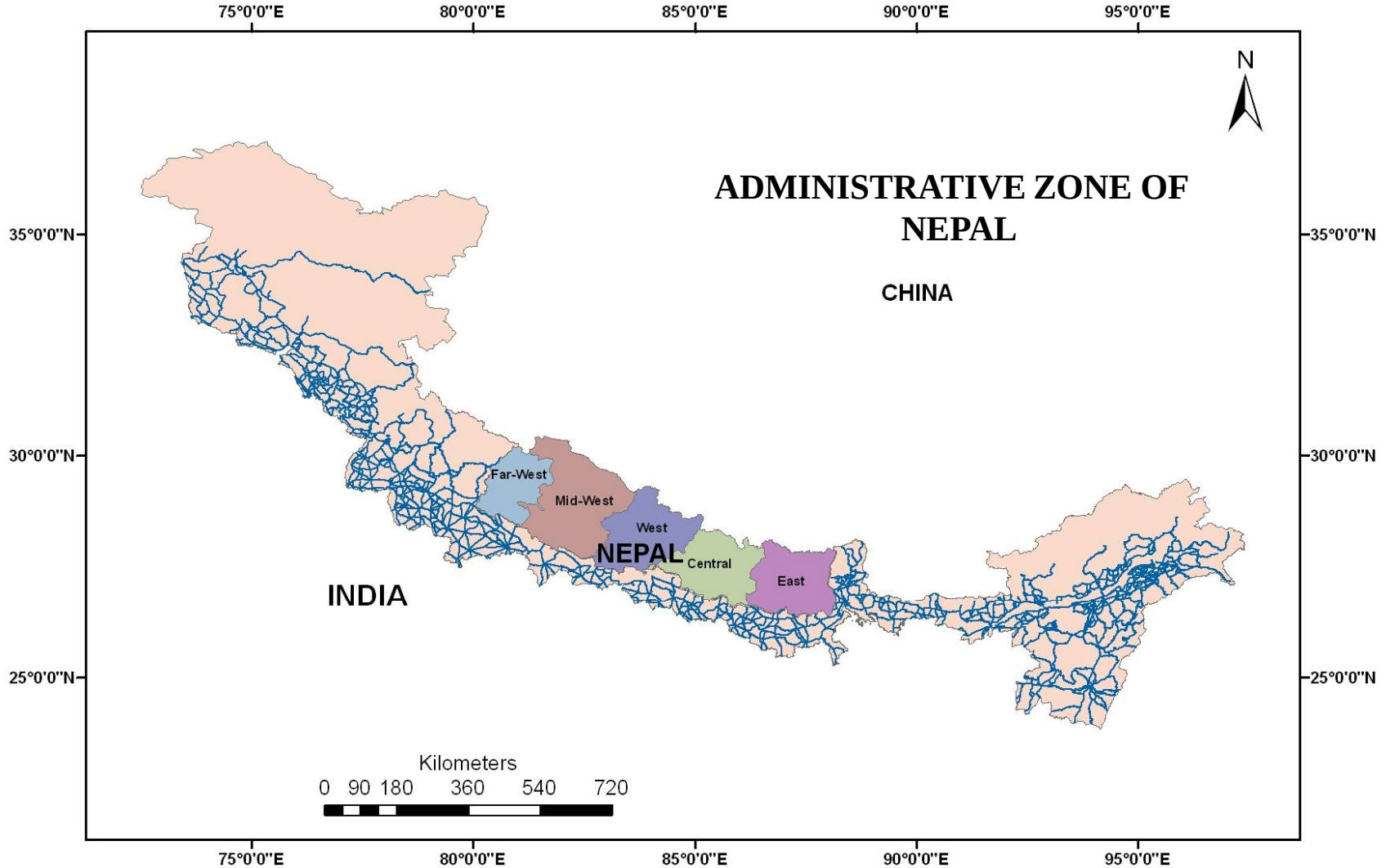


Source: Bhattarai, Rajan (2005), *Geopolitics of Nepal and International Responses to Conflict Transformation*, Kathmandu: Friend for Peace.

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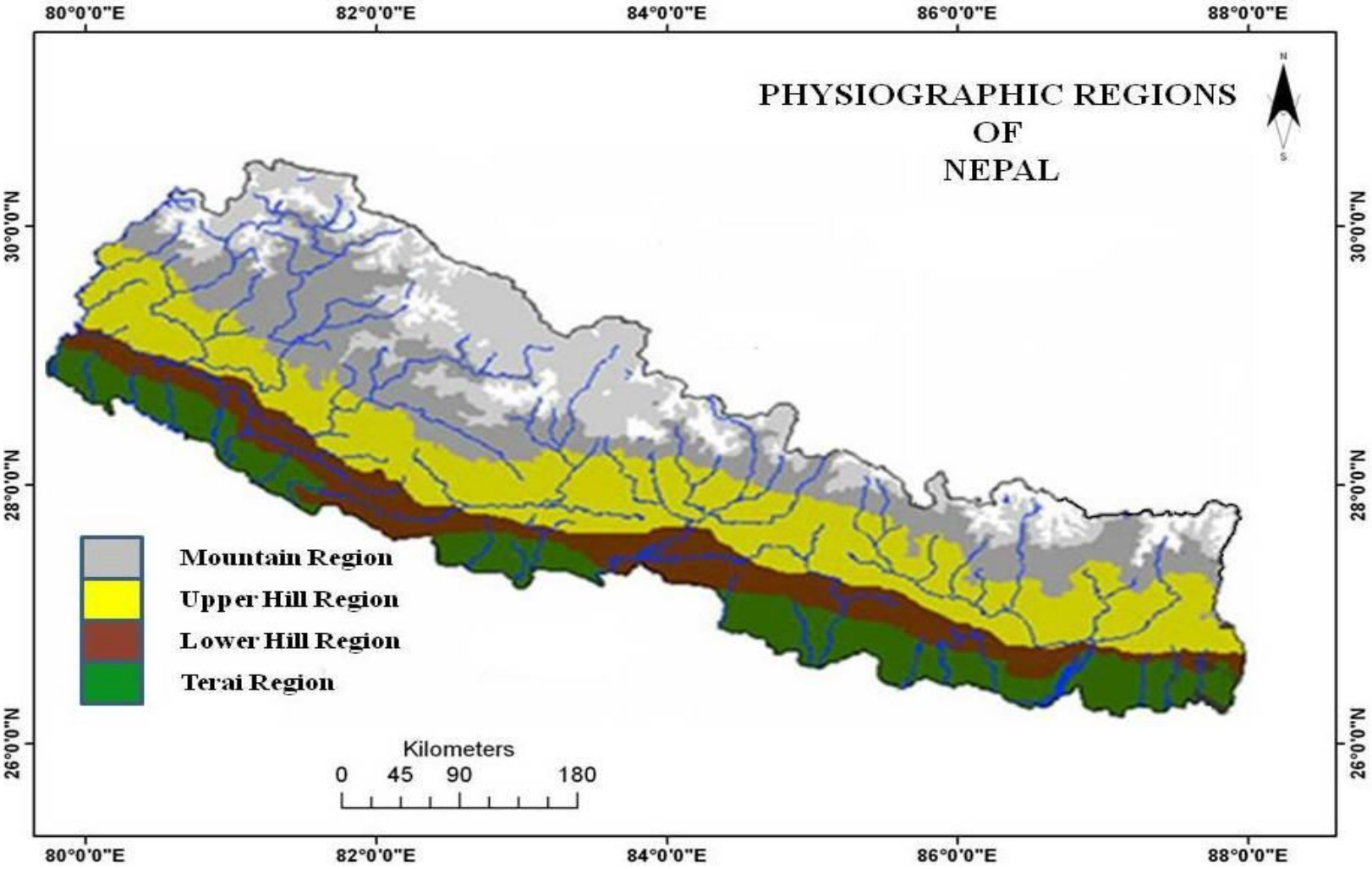


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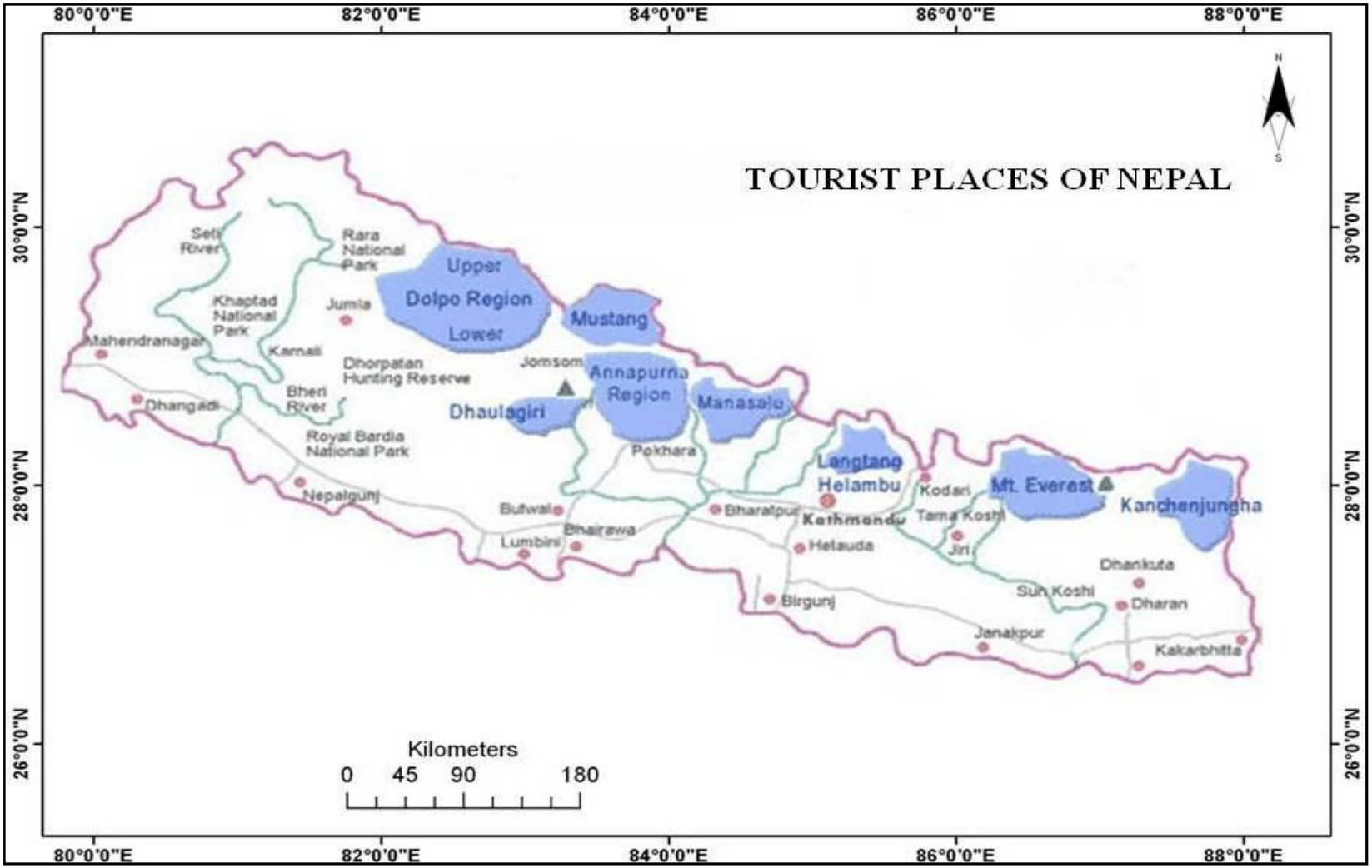


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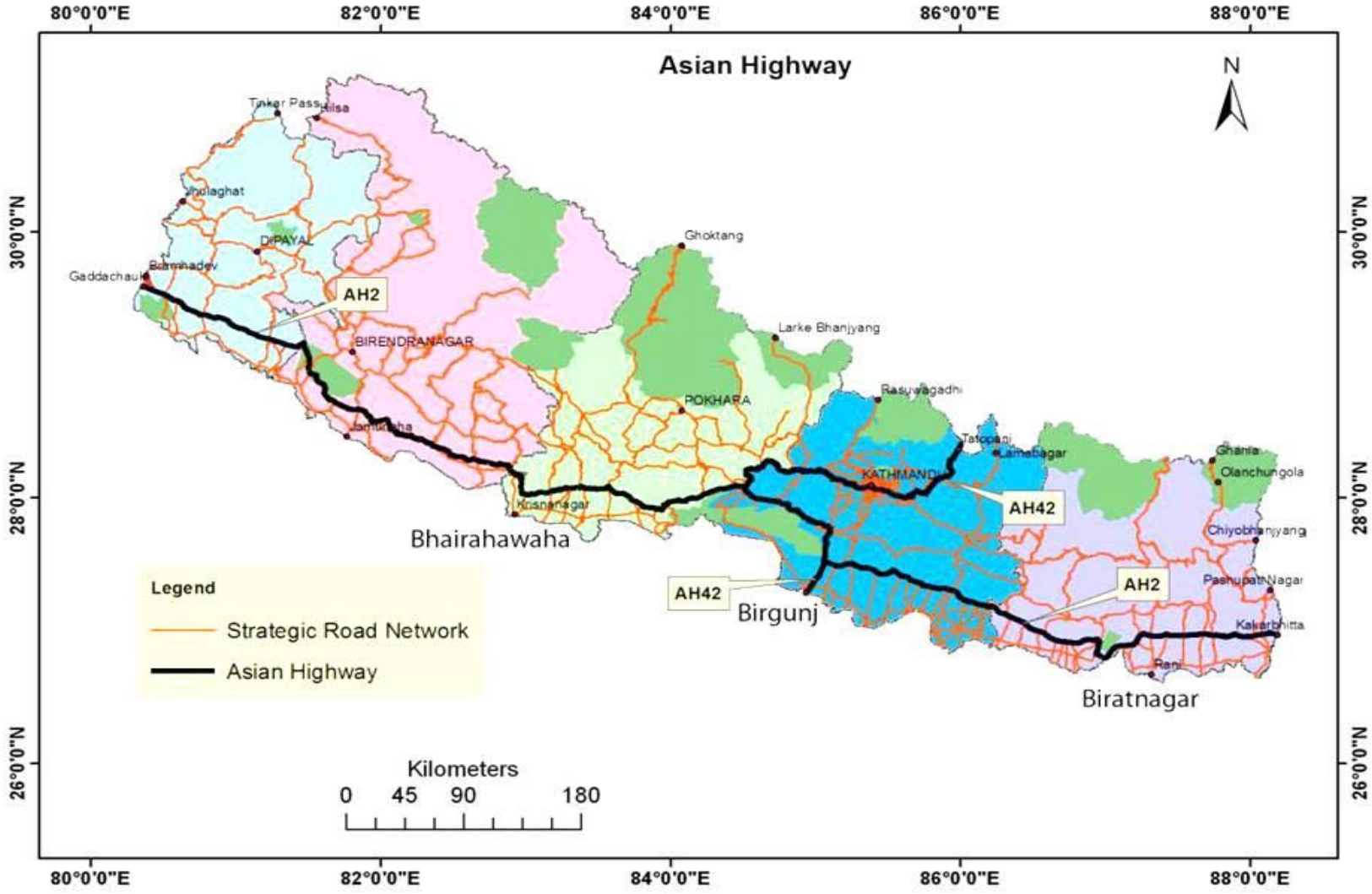


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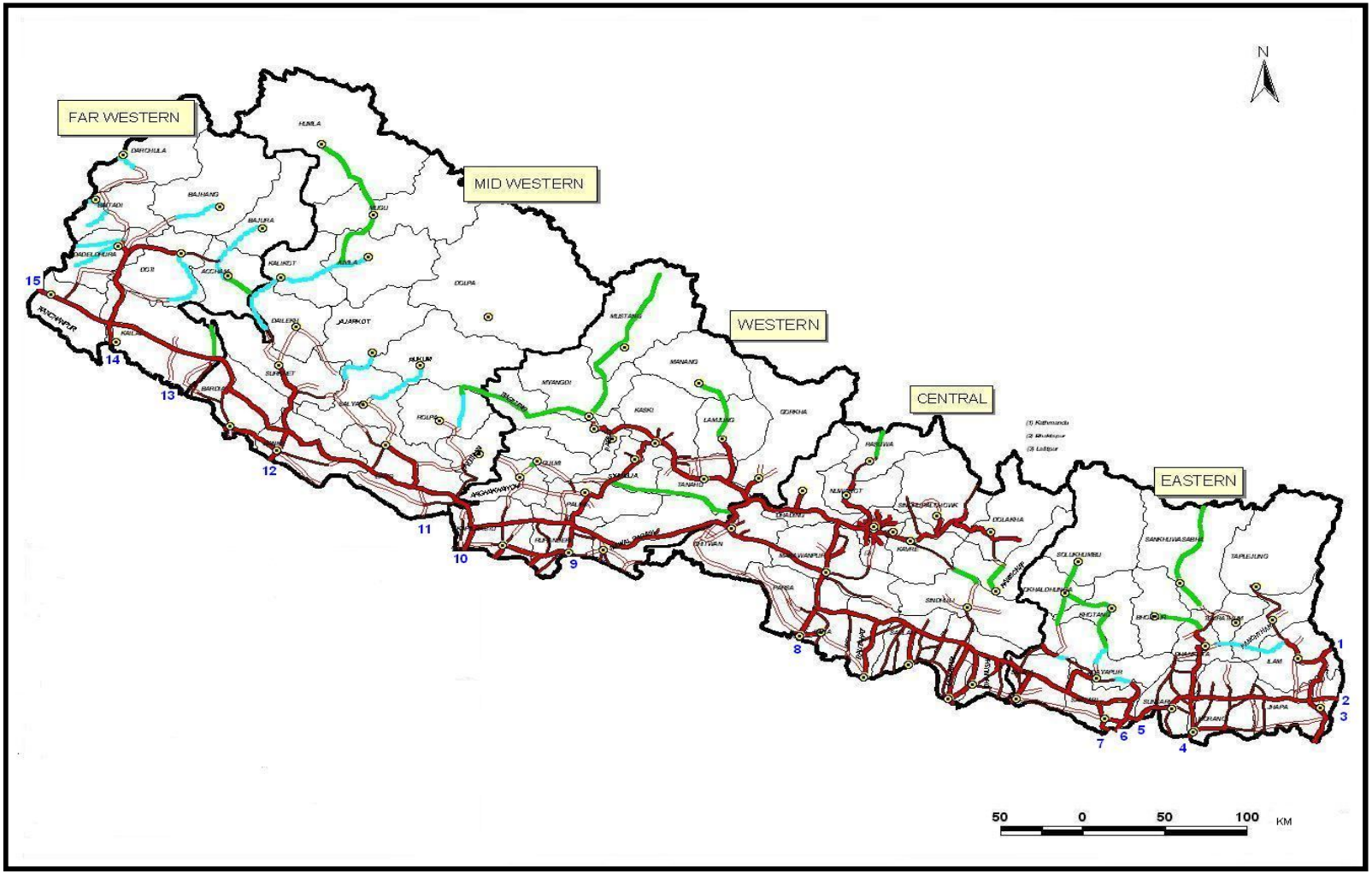


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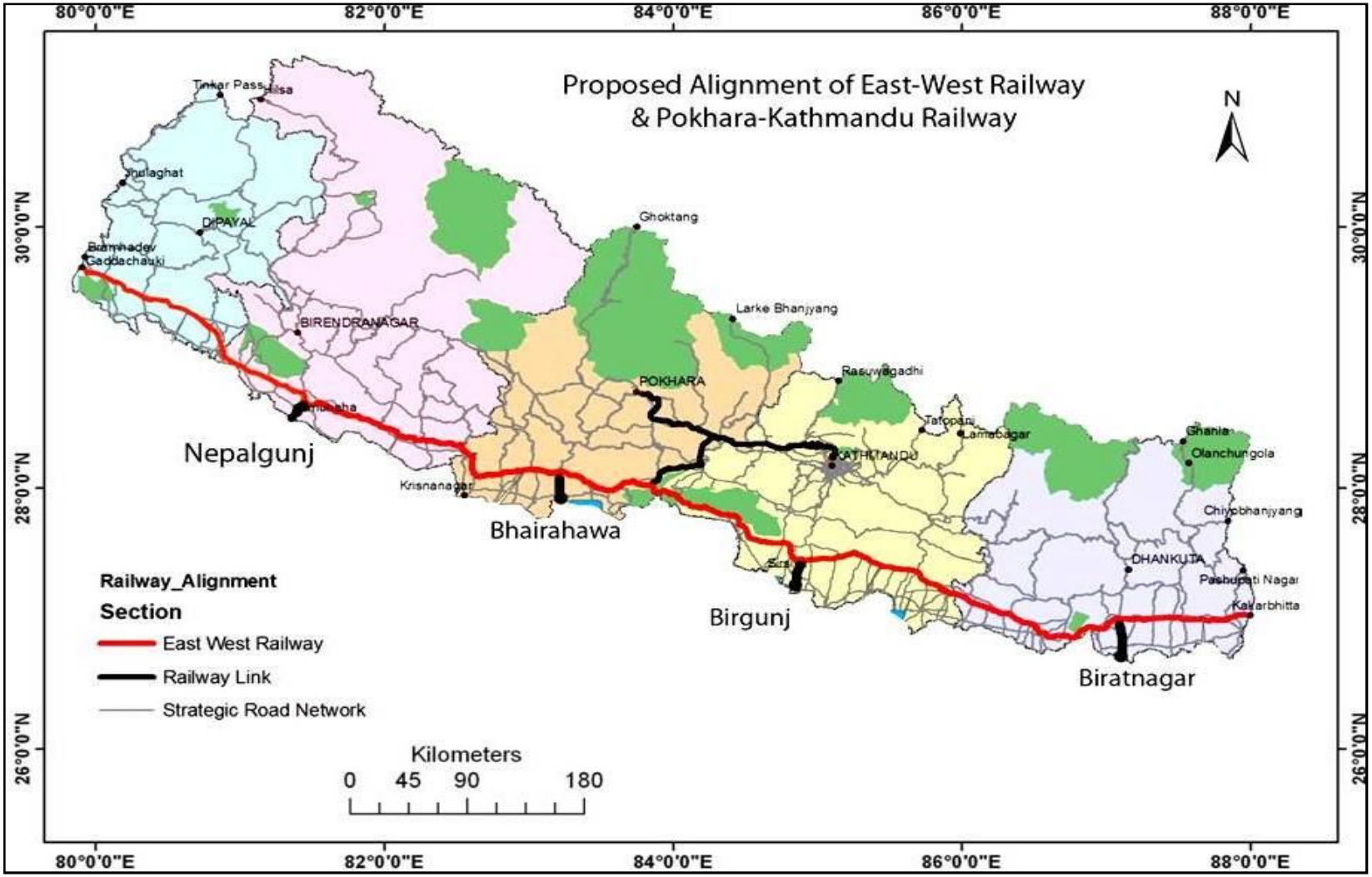


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Source: Based on Field Survey

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Source: Based on Field Survey

# Chapter: I

## Introduction

The state of being a landlocked country is always regarded as a geographically disadvantageous position. The sea resources are very important for the overall growth of any country. It provides forward and backward linkages to the economy of the region. The landlocked countries are cut off from the sea resources. Their growths are very limited as the seaborne trade constitutes a significant proportion of international trade of any country. Coastal countries, by virtue of their location, have greater access to sea resources and hence they are economically well off. Coastal countries are often densely populated as have a greater carrying capacity. Being landlocked is seen as a major reason of poverty in landlocked countries.

This work aims at explaining the geopolitical influence or impact on states, particularly the landlocked countries, in the spatial context of economic development. It primarily focuses on economic development explained in terms of geographical features, transport infrastructure, trade patterns and transit treaties. The study is based on the hypothesis that in developing countries, the landlocked location and their geopolitical implications have often been a significant factor in their economic performance, which requires special institutional arrangement at national and international levels to ensure their regional development. Moreover, this chapter intends to examine the concept of landlocked countries, their geographical significances, and their impact on economic development. It also deals with the emergence of problems associated with landlocked countries in their historical context. The rationale behind choosing a case study of Ethiopia and Nepal is that both countries have signed transit routes with only one country - Ethiopia with Djibouti and Nepal with India. In case of Nepal's transit arrangement, the geographical factors influence in a larger way, whereas the Ethiopian transit arrangement is shaped primarily by political factors.

The objective of the study is to explore into the theoretical frameworks of geopolitics of transit routes; to analyse the problems faced by landlocked countries; to discuss the geopolitical implications of landlocked location of a country; to describe the pattern of dependence on development of Transit Routes, and to propose a strong institutional arrangement to ensure regional cooperation. It is an effort to study the impact of geographical factors on transit routes which are the entry points in landlocked countries. By comparing the cases of Ethiopia and Nepal transit routes, one could prescribe a policy framework for better cooperation and access to trade and natural resources for both countries. A comparative study of transit routes of both the countries explores the differences and similarities as well explore the reasons why special institutional arrangements are required for economic facilitation.

In a globalised economy, only those states are able to take the benefits of free trade, which are technologically-advanced, and whose transport facilities are better developed. Transport facility is considered to be well-developed and well-established if it includes accessibility to sea route (UNCTAD 2004:7). If we divide the nations based on sea route accessibility, there are two types of countries. The first group is one that has access to the sea route. They are called coastal countries. The second types of countries, which do not have such a facility, are called landlocked countries. The coastal countries are better interlinked with international trade routes. The landlocked countries are denied such a facility due to their physical constraints (De. 2008:4). These physical constraints hamstring the trading system of countries and adversely impact trade behaviour – for example export-import and direction of trade. It delimits a different kind of geopolitics. Again, the physical constraints develop different psyche and personality of states. The transit route is an instrument in the hands of coastal countries. Moreover, security concerns and Balance of Power can be better managed via sea route – for instance naval station and independent trade practices.

The primary purpose of the state is to protect territory, citizens and creation of wealth for the nation (Kittrich 2008: 36-40). Trade is a major economic activity, which adds to the wealth of nations. A trade activity of the state depends on availability of resources, capability to mobilize their resource and means of transportation that facilitate inter-state trade. The inter-state trade gets majorly hampered in landlocked countries. Free trade is a hallmark of globalization that is

driving the engine of economic growth. The recent developments in international politics have not only changed the nature of international politics but also the concept of power, the meaning of development and nature of security vulnerability. In the globalized world, power is mostly defined in terms of economic performances and the criteria of development become human-centric rather than state-centric.

It cannot be universally claimed that the landlocked countries are underdeveloped. If one takes the example of landlocked countries of the Europe, the story is something different from Asian and African countries. However, the credit of development of landlocked European countries goes to regional cooperation, signing of trade treaties and their transparent implementations, co-operative relations with neighbouring countries, and a stable political system, among others. This study is, at its core, the comparison between the developing landlocked counties of Asia and Africa. The development of nations depends upon many factors such as geographical situation, physical infrastructure, technology, capital, skilled labour, natural resources and an efficient governing system. The present research work focuses on the impacts of geopolitics on the development of the transit routes for any landlocked country and tries to find out the significance of transit routes in the development of landlocked countries.

Landlocked location is a geographical feature of a state which expresses the nature of its territory. They suffer from the lacuna of sea accessibility (Shamsi 2006:193). This lacuna can be overcome, to a certain extent, by developing cordial relations with neighbouring countries, upgrading transport infrastructure and technology as well as healthy economic and political traditions. Landlocked European countries, especially those in the Western Europe, mostly exemplify the above phenomenon. Generally, a landlocked country tries to access the sea by developing a transit route with a coastal country. Transit routes are a lifeline for the landlocked countries as far as trade is concerned. The success or failure in developing a transit route depends upon the political interaction between the two countries that have signed the treaty (Uprety 2006: 19). The political interaction becomes complex if the number of neighbouring countries is more than one. There is a direct, proportional relation between the distance and the cost of transportation. It is the subject of economics that if distance increases, the cost of transportation also rises. Increased cost of trading characterizes landlocked countries. Sea transport is cheaper than the

land transport; hence landlocked countries enter into treaties for accessing the sea route (Krech 2004:960). These transit treaties includes transport infrastructure, flow of goods, custom charges, nature and amount of goods, among others.

Asian and African landlocked countries are the most underdeveloped economies (UNCTAD 2006). Their economic activities are mostly confined to primary sectors. Two countries, one from Asia and the other from Africa, have been selected for studying the consequences of being a landlocked country. This research work has analyise Nepal from Asia and Ethiopia from Africa as a landlocked country for the study. The geographical, political and economic conditions influence the development of transit routes. The purpose of this study is find out how an efficient and vibrant transit route can be chalked out which can facilitate the economic development of both the host and the landlocked countries. Ethiopia became a landlocked country in 1993 after the breaking away of Eritrea, and emerged as an independent state (Gish 2007:31). After Eritrea's independence, the old enmity continued to fester, as a result of which Ethiopia was denied sea accessibility. In search of a transit route, it has signed transit treaty with Djibouti. Landlockedness has characterized Nepal since its origin. After the end of the British Rule, it has acted as a Buffer State between two giant states of China and India. Nepal has a transit treaty with India, which provides for the movement of citizens and goods without any legal restrictions. These transit routes facilitate Nepal's trading system, helping its economic development.

For the purpose of this case study, it has taken four factors that influence evolution of a transit route. These include geographical barriers, transport infrastructure, international trade and regional cooperation and political relations with neighbouring countries. This study proceeds with these four variables and explains the challenges faced by landlocked countries in their bilateral relations with coastal countries. This research work is an effort to analyse the problems faced by landlocked countries –with special reference to Nepal and Ethiopia - and suggest measures to overcome them.

*a) Geographical Barrier*

Transport network plays an important role in the evolution of transit routes. The geographical barrier shapes the distribution of transport networks. Geographical

barrier includes topography, climate and hydrography. The countries selected for the case study are characterized by mountain topography. The mountain topography hampers a seamless transport network in both countries. The physical features of neighbouring countries also play a major role in transit route.

*b) Transport Infrastructure*

In international transport system, transit route is an important organ of transport networks. The availability of transport infrastructure in both the landlocked country and the host coastal country influences the efficiency of transit route. The transport infrastructure involves road, railway, dry port, port, and pipeline, among others. A viable and dense transport system facilitates timely transaction of commodity at cheaper costs.

*c) International Trade and Regional Cooperation*

The utility of transit route depends upon the frequency of export and import activities. The mechanism of regional cooperation also decides the international trading system of landlocked countries. For example, Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA) and Intergovernmental Authority on Development (IGAD). Similarly, Nepal has joined the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC). Both countries are maximizing their efforts for better utilization of transit routes with the help of these regional organizations.

*d) Political Relations with neighbouring Countries*

Politics influences bilateral relations. Political interactions between two countries shape other aspects of bilateral relations. For a smooth functioning of transit routes, a cordial relation between the signatory countries is of paramount importance. Any adverse development like boundary dispute or military escalations hamper creation of transit routes and jeopardize functioning of existing transit routes. The coastal countries manipulate the landlocked countries for serving their own national interest in international politics.

## 1.1 The Concept of Landlocked Country

The landlocked country means a country which is surrounded by land boundaries. A country which has no maritime boundary is called a landlocked country. A landlocked state means "a state which has no sea coast" (UNCLOS 1982, Art. 124 a). In other words, it has no direct access to the sea. In the formations of landlocked countries, geographical as well as human factors play a vital role. Human factors, sometimes major political events, are responsible for creation of a landlocked country.

A landlocked country suffers from lack of accessibility to sea routes for international trade and is deprived from the explorations of ocean resources (Uprety 2006:13). This geographical factor limits political and economic advantage vis-a-vis a country with a substantial coastline. Sea Route is the easiest way to connect with other states and landlocked countries are without any sea boundary. According to Chowdhary and Erdenebileg, "In broader sense, landlockedness implies not only dependence on access to the sea but also an access to the various systems of communication with the outside world, of which the sea is one, albeit, the most important"( Chowdhary and Erdenebileg, 2006:75). The absence of free access to communications with the outside world significantly affects political, economic and social development. For example, the air traffic, telephone and postal services of Ethiopia and Nepal are controlled by the neighbouring countries, because they have no natural right for free access of sea. The landlocked countries are allowed to explore the ocean resources in accordance with international law. International law makes provisions related to common heritage of mankind which entitles every state to explore the oceanic resources (Lee 1983:247-264). But geographical constraints of landlocked countries deny it such an opportunity. Ethiopia and Nepal are unable to reach the ocean resources. Their technological backwardness also prevents them from accessing oceanic resources.

So far, it is the general notion to conceptualise the landlocked countries from the standpoint of geographical constraints. However, a clearer understanding of landlocked countries requires further study related with boundary demarcations. Landlocked countries, when categorised on the basis of boundaries of neighbouring countries, assume different names - double landlocked countries, landlocked enclave,

and buffer states. This study examines these classifications in the next few paragraphs. It is important to understand "double landlocked' and 'enclave' countries, since both of them suffer from the same kind of disadvantage, they differ conceptually.

*Double Landlocked Country*

In general terms, a double-landlocked country is surrounded by a landlocked country. Reuel R. Hanks explains that "double-landlocked means that not only is the country landlocked, but all the states bordering it are landlocked as well" (Reuel R. Hanks 2005: 53). In such a country, transit routes are required to cross at least two borders to reach a coastline. At present, there are two double-landlocked countries in the world - Liechtenstein, located in Europe, and Uzbekistan in Central Asia. Uzbekistan declared itself independent in 1991 from the former Soviet Union. Its immediate neighbours are Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan (Heath 2003: 113), which are landlocked themselves. The second double-landlocked country is Liechtenstein, which is located between Austria and Switzerland. It got independence in 1806 as a landlocked country, but in 1918, when Austria lost its Adriatic coastline in the First World War, Liechtenstein became a double-landlocked country. This historical fact proves that no physical map is complete and perpetual, and it can be redrawn at the time of great political events. Remapping of physical features of a country through political events also influences the sea accessibility of that particular country.

*Enclave Country*

Enclave country refers to those territories where a country is sovereign, but which cannot reach the seacoast without entering into another country. An exclave is a part of the territory of one country entirely surrounded by the territory of another country (Robinson, 1959: 283). Enclave is always a landlocked country with no access to the sea. Further, an enclave is always a landlocked country, but a landlocked country is not necessarily an enclave. Enclaves may be created for a variety of historical, political or geographical reasons. Some enclaves are countries in their own right, completely surrounded by another one, and therefore, not exclaves. There are only three countries that are landlocked by a single country, that is, they are surrounded on all sides by just one country. For example, Lesotho is an enclave

within South Africa and is an independent entity. San Marino and the Vatican City are enclaves within Italy (Pitzl, 2004:66). For enclaves, being encircled by a sigle country, the transit routes, foreign policy and international trade are totally dependent on that single country.

*Buffer State*

The concept of buffer state is related to geopolitics, which defines a particular position of state in international politics. Basically, a buffer state is neighboured by two major powers. These two major powers can be hostile or rival to each other in terms of influence and area. As is evident from history, rivalry of major powers makes it compulsory for a buffer state to remain neutral in foreign affairs (Pitzl, 2004:21). The neutral stand of a buffer state works as Balance of Power. Mongolia is located between Russia and China. Finland, Bhutan and Nepal are the main buffer states in international system in the present context. Finland has a geo-strategic position as a buffer zone between two strong neighbours, Sweden and Russia (Karsh 1988: 84). The Tibet, Nepal, and Bhutan were buffer-states between the British and Chinese Empires, and later between China and India. Buffer states typically pursue a neutralist foreign policy, which distinguishes them from satellite states.

So far, this study has dealt with various aspects as well as types of a landlocked country. The two countries that are the subject matter of this study - Ethiopia and Nepal - are neither enclave, nor double landlocked. However, Nepal is a buffer state between India and China.

## 1.2 Historical Evolution of Landlocked Country

The origin of landlocked countries can be traced to the history of emergence of sovereign state-system. However, there is no single pattern visible in the making of landlocked countries because in temporal dimension, they have emerged at different moments in the course of history and due to different reasons. The nature of landlocked countries differs from continent to continent. Only four continents (Asia, Africa, Europe and South America) have landlocked countries.

The African continent is home to a majority of landlocked states in the world, arising from a scramble for Africa in the late nineteenth century. Due to the colonial occupation of the continent, the interests of colonial powers prevailed and states'

boundaries were drawn and redrawn to serve the same (Hodder 1998: 1). This resulted in formation of several landlocked countries in Africa, and reflected in the Berlin Conference of 1884. Nevertheless, the fate of Ethiopia as a landlocked country was not the result of Berlin Conference but it was created as a landlocked state after the end of the Cold War, with the disintegration of the Soviet Union. Ethiopia is a late landlocked state which was a result of the independence of Eritrea in May 1993. The independence of Eritrea, brought about by successful separatist movements, has caused Ethiopia to become landlocked. The interest of this research work is confined only to Ethiopia from the African continent.

Another continent which holds landlocked countries is South America that has Bolivia and Paraguay in its folds. Both the countries were Spanish colonies. Paraguay was a buffer state between Argentina and Brazil during the colonial time. The War of Pacific and resultant loss of land played a major role in the creation of landlocked countries. Bolivia became landlocked because it lost its coastline to Chile in the War of the Pacific (Conserva 2001:193).

In the case of Europe, miscellaneous factors were responsible for the creation of landlocked countries. Some states emerged because of dominion, some due to hilly topography while others were a result of the First and Second World Wars and Cold War power politics. There are fifteen landlocked countries in this continent, five of which are very tiny and have no geopolitical significance. Specific cultural identities play a role in maintaining their status as landlocked countries. Austria lost its coastline in the First World War. The disintegration of Yugoslavia had created new landlocked countries on the map of Europe. Macedonia, Kosovo and Serbia emerged as landlocked countries during the Cold War. However, the drainage system of the Danube river provides sea link to these landlocked countries.

There are two factors that have generated landlocked countries in Asia. The first factor is geographical remoteness, and the second is politics of the Cold War. Geographical reasons have formed seven landlocked countries namely, Azerbaijan and Armenia in the Caucasian region; Bhutan and Nepal in the Himalayan region. Afghanistan, Laos and Mongolia are formed due to highland topography. The landlocked countries in Central Asia were formed after the disintegrations of the USSR in 1991. In ancient times, Asian trade used to be carried out on land

transportation through the Silk Route. Silk Route covered the area of Nepal, Bhutan, Afghanistan, Mongolia and Central Asian landlocked countries.

### 1.3 Geopolitics of Landlocked Country

Geopolitics is a discipline of knowledge which studies the importance of geographical locations of a particular state and its impact on geo-strategy. The term geopolitics refers to "the linkages of space, power and political practices; the links between particular aspects of physical or human geographical patterns and political advantages for a political entity have been important parts of several of geographical thoughts" (Warf, 2006:184). It deals with the positive and negative connotations of foreign policy. A landlocked country is a highly vulnerable state in terms of geopolitics.

Common heritage of mankind is a principle of international law which holds that defined 'territorial areas and elements of humanity's common heritage (cultural and natural) should be held in trust for future generations and be protected from exploitation by individual nation-states or corporations' ( Milun 2011:141). In 1982, the Common Heritage of Mankind concept was stated to relate to "the seabed and ocean floor and subsoil thereof, beyond the limits of national jurisdiction" (UNCLOS 1982. Art 136).

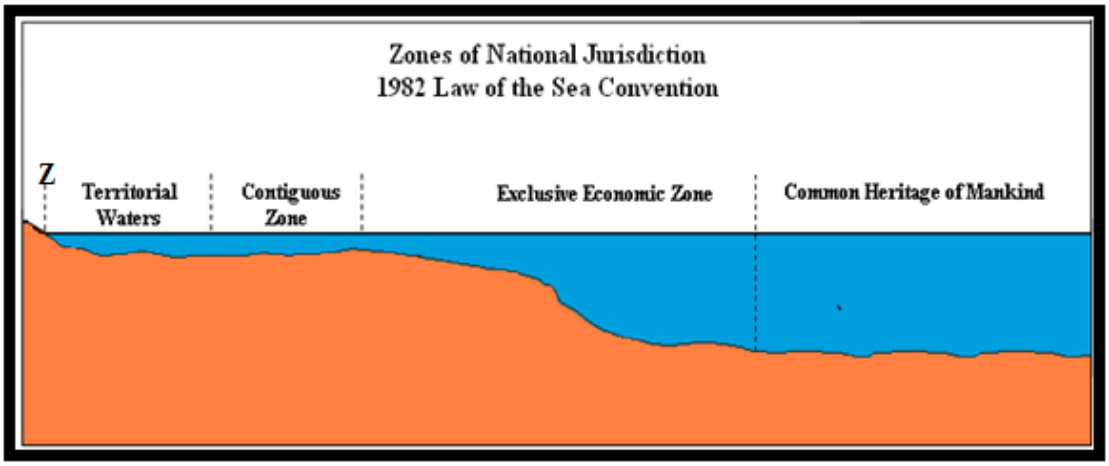
The control of the oceans is currently regulated by the 1982 Law of the Sea Convention that went into effect on November 16, 1994 (See Fig. 1.1). This law defines oceanic jurisdiction for all nations. It establishes the principle of Exclusive Economic Zone (EEZ) whereby a nation controls the undersea resources, primarily fishing and seabed mining for a distance of 200 nautical miles from its shore. United Nations Convention on Laws of the Seas III (UNCLOS) defines the limits of base line, internal water, territorial zone, contiguous zone and high seas apart from EEZs. The UNCLOS III also defines the transit passage and right to innocent passage for member countries. It also clearly mentions that landlocked, states would have the right of access to and from the sea and would enjoy freedom of transit through the territory of transit states.

The fig no.1.1 shows a very simplified, basic outline of the important distance markers for the international zones of jurisdiction over the adjacent sea. The letter Z is

the low-water line along the coast and it represents the baseline from which all seaward measurements are determined. According to Kemal (1998), Common Heritage of Mankind principle is a philosophical idea that questions the regimes of globally-important resources regardless of their situation and requires major changes in the world to apply its provisions. In other words, "the application and enforcement of the common heritage of mankind require a critical re-examination of many well-established principles and doctrines of classical international law, such as acquisition of territory, consent-based sources of international law, sovereignty, equality, resource allocation and international personality" (Kemal Baslar 1998:29 ).Being landlocked creates opportunities as well as problems. A good policy is needed to exploit the opportunities and minimize the problems.

Being landlocked does not undermine the case for a liberal economic policy with respect to the rest of the world. Accession to the WTO the rest of the world. Accession to the WTO reduces the risk otherwise associated with an export-oriented development strategy by assuring freedom of transit. The United Nations Convention on the Law of the Sea now gives a landlocked country a right of access to and from the sea without taxation of traffic through transit states.

Figure 1.1:
**Zones of National Jurisdiction (1982 Law of the Sea Convention)**




Source: Martin Ira Glassner and Chunck Faber (2004), *Political Geography*, New Jercy: John Willy & Sons Inc, Page: 440

### 1.4 The Case Studies

The comparative method has been chosen to contrast the cases of transit routes of Nepal and Ethiopia, located in different and separate geographical locations. Both

these countries belong to the least developed countries category. The proposed study has important implications for India. Nepal is strategically located between India and China, and therefore, Nepal's transit policy has an intrinsic relevance for India's strategic interests in the particular region. Moreover, a comparative study of Nepal and Ethiopia also underscores the fact that Ethiopia is the fastest-growing economy of Africa. Apart from this, Ethiopia is considered as an important country in the Horn of Africa from a geo-strategic point of view. Ethiopia is a member of COMESA and IGAD. Similarly, Nepal is one of the important member countries of the SAARC. The geographical, politico-economic and strategic situation of the two countries is as follows:

*Ethiopia*

Colonialism has hurt the world's important cultures, which include North American civilisations of Maya and Inca, and the Abyssinian civilisation of the Horn of Africa. At present, Abyssinia is known as Ethiopia, among the world's oldest nations, and the second-most populous nation in Africa (Khumalo 2007). Situated as it is in the Horn of Africa, it assumes criticality with respect to geo-politics. The Suez Canal, the Red Sea, and Babel Mandeb fall within the maritime boundaries of The Horn of Africa. The world greater part of trade and commerce takes place through this oceanic region. This region facilitates trade among Europe, Asia, Australia and East Africa.

In the colonial period, the Horn of Africa was under the occupation of Italy, Britain and France, which resulted in Ethiopia being influenced by the struggles between its three colonial masters. In 1869, after the Suez Canal was constructed, this region became extremely sensitive geo-politically. Italy, in its bid to further its colonial interests, attacked Ethiopia in 1898, but failed to conquer it (Cohen 2003: 323). This initial setback, however, failed to deter Italy from pursuing its geo-political interests in the region. In 1926, it succeeded in capturing Eritrea, an important coastal region of Ethiopia that touched the Red Sea. This forms the background to Ethiopia being transformed into a land-locked country, which manifests itself fully in the cessation of Eritrea from Ethiopia in 1993 after the end of the Cold War in 1991 (Iyob 1997:137). At present, Ethiopia is a federal democracy. Its democratic history can be traced from 1991, as prior to this, it was under the

military dictatorship of Mengistu Haile. Haile ruled the country from 1974-1991. Till 1974, the country had monarchy (HRW 2003:11). Ethiopia failed to develop a sustainable diplomatic relationship with its neghbouring countries due to political turmoil and violent chaos prevalent. A long-term and stable diplomatic relationship is important to develop transit routes critical to Ethiopia's economy and defence. Administratively, Ethiopia is divided into nine provinces and three charted cities on the basis of ethnic similarity.

Ethiopia's physical features are an impediment to its economic and political developments. It is due to its highland topography and lack of coastal line that hindered the development of transport infrastructure. As such, means of transport and communication could not be developed to the desired extent. Success in developing transit routes depends on cooperation from neighbouring countries, something that Ethiopia grossly lacks.

Geographically, Ethiopia has been divided into four regions - Ethiopian High Plateau, Ethiopian Crystalline Highlands, Somali Plateau, and Great Rift Valley (Miller 2010). Ethiopia-Djibouti railway has been developed largely along with the Great Rift Valley. This rail route links Ethiopian capital Addis Ababa with Port Djibouti (Hance 1975:359). Ethiopia's other three regions, because of their highland topography, have till date failed to develop any credible transit route. A neighbouring country, by providing a transit route to a landlocked country, also allows entry into its sovereignty. From its five neighbours, Ethiopia has a transit route only with Djibouti. It failed to cultivate relationships with its neighbours, which hindered trans-boundary movement of trade goods.

The Somalia region has been a bone of contention between Ethiopia and Somalia. In 2006, the two countries even fought a war over the issue (Ogaden War) (Notholt 2008: 2-23). Ethiopia has had troubled relations with Kenya since colonial times, but lately, the two countries have been able to overcome past acrimonies, with Kenya offering Ethiopia its Mombasa port. Ethiopia has had normal relations with Sudan, but it has failed to develop a transit route via Sudan due to decades-long civil war between the Black Christians in South Sudan and the North Muslims. As recently as in February 2011, Sudan split up, with South Sudan going to the Christians (BBC 2011). After the cessation of Eritrea in 1993, Ethiopia lost its port infrastructure.

However, under an agreement, Eritrea continued to provide access to its Assab and Asmara ports to Ethiopia. After the 1998 Eritrea-Ethiopia war, Eritrea withdrew port access extended to Ethiopia and the two countries end all diplomatic relations.

*Nepal*

Nepal is an ancient nation. It is seeking to establish a democratic form of government after the abolition of monarchy in 2006. Nepal was economically strong as long as land routes were more important than sea routes for world trade. During the colonial period, criticality of sea routes in global trade emerged as a result of which Nepal lost much of its economic stability. Nepal and Tibet, due to their highland topography, played the role of a "buffer state" between the British India and China (Ghosh 1989: 105). Nepal is divided into three main geographical regions - High Mountains, Mid-Hills, and Terai. The High Mountainous Region abuts the Chinese border.

Because of difficult highland topography, Nepal could not develop a road transport infrastructure for shipments of goods. Nepal's Mid-Hills Region touches India's *Uttarakhand* and *Sikkim* states. This, too, being a highland topography, the two countries could not develop a credible road transport infrastructure. Nepal's Terai region, or the plains, touches Indian border in *Bihar*, *Uttar Pradesh* and *West Bengal*. It being a plain region, the two countries have been able to develop a substantial transport network, with 15 transit points. A detailed study follows in Chapter 4 of this thesis. As much as 70 percent of Nepal's land area is mountainous, due to which only road transport network could be developed. Nepal's rail network is a paltry 57 km, grossly inadequate to meet its transportation needs (The World Bank 2011).

Nepal, with the assistance of India, has developed "dry ports" to lend momentum to its international trade. It has two developed, fully functional "dry ports" at Birgunj and Biratnagar, while it's developing another two at Janakpur and Bhairahawa. Of these four ports, the one at Birgunj is connected to Nepal's functional rail route (Chowdhury 2006:102). As much as 80 percent of Nepal's population is engaged in primary sector for subsistence (Onta 2005: 4). As such, economic activities of international standards hardly take place in Nepal. International economic activities and transit routes complement each other because such activities attract global markets and existence of a credible transit routes facilitate shipment of goods.

A landlocked country is dependent on neighbouring nations to be able to access global markets.

The neighbouring countries provide transit routes to facilitate access to international trade. Nepal's two neighbouring countries are India and China. Nepal shares a high mountainous border with China which is extremely inaccessible. As a result, no transport infrastructure could come up at the Nepal-China border. However, China is looking to aggressively expand its area of influence in South Asia. And towards this end, China is laying an extensive network of road and rail transport systems.

Nepal is surrounded by India from the East, West and South. Nepal has been able to construct a transit route only with the Southern border areas of India. It is through this transit route that India makes available to Nepal access to Haldia, Kolkata and Visakhapatnam ports (Kathmandu Post: 20 March 2011). The Treaty of Friendship, signed in 1950, forms the basis of relations between India and Nepal. At present, through the Transit Trade Agreement 2009, India provides transit route facility to Nepal. Politically, Nepal is a federal democratic country. After the end of Monarchy in 2006, the government is functioning in accordance with the mandate of the Constituent Assembly. Nepal is divided into 14 administrative zones, which are further sub-divided into 75 districts. The 14 administrative zones are grouped into 5 Development Regions –Eastern Region, Central Region, Western Region, Mid-Western Region and Far-Western Region (Negi 1998:516).

Both the countries (Ethiopia and Nepal) have been marked by political instability, besides being landlocked sovereign entities. Ethiopia is solely dependent on Djibouti for trade even though it has six neighbouring countries. Similarly, Nepal is surrounded by two countries but is dependent on India only and consequently on Calcutta and Haldia ports. Ethiopia is dependent on a single transit route whereas Nepal has many transit routes viz- Biratnagar, Malangwa, Birganj, Bhairahwa and Nepalganj, among others. Nepal has transit route agreements with India as well as with China. Kathmandu-Khasa and Trishuli-Rasuwa are two transit routes of Nepal with China. Nepal has been able to establish friendly relations with its neighbours, with the result that it has succeeded in developing transit routes through its neighbours, something that Ethiopia has failed to do.

## 1.5 Definition, Rationale and Scope of the Study

The rationale of the study is to understand how the geographical influences affect the economic development especially in the context of landlocked countries. Does landlockedness alone shapes the economic activities of such a country or does politics also play a part? One of the most striking features of landlocked countries is their dual vulnerability; i.e. they are vulnerable on their own account and on account of being dependent on one or more transit countries. Not only are they deprived of access to the sea, but their neighbouring countries also often have little interest in making the flow of goods across their borders easy for them. In fact, their neighbouring countries may additionally have economic or military incentives to block their access to the sea or transit through their territory.

A transit route plays a very significant role in the development of a landlocked country. Ethiopia is among the least developed countries where transport system is poorly lined with maritime port. Nepal is also a landlocked country but through better transport management, it has developed its transport routes with India. In the proposed study, both politics and geographical factors would be explored in their entirety. Evidently, transit routes encourage foreign trade and promote transport and communication. And indirectly, they promote transport network, regional development, employment and better political relations. Even developed transit routes may occasionally face problems such as when the transit route country is involved in a struggle with some neighbouring country. Instances of such developments can be seen both in case of Nepal and Ethiopia. Eritrea had prevented the transit access to Ethiopia in 1998. Similarly, during the Sino- Indian war of 1962, India had blocked the transit access to Nepal temporally.

Separation of Eritrea from Ethiopia and the violent engagement between the two countries until 1998 have adversely affected the development and foreign trade of Ethiopia. After 1998, Ethiopia has been solely dependent on Djibouti port, whereas Nepal has enjoyed improved political relations with its neighbouirng country India. The proposed comparative study is aimed at furthering the understanding of institutional, political, strategic and geographical factors influencing the development of transit routes of a landlocked country. The study would highlight the institutional arrangements required to develop the transit route of Ethiopia, which helped it

leapfrog from the least-developed-country status to a developed-country status. Both Ethiopia and Nepal have same geographical similarities and differences. Therefore, the study would also focus on the transportation of agricultural as well as industrial products. Different aspects of attempts of Ethiopia in solving its transit route handicap would also be critically analysed. This will be interesting when one recalls that the Horn of Africa is also among world's most disturbed regions.

By contrast, through regional cooperation, Nepal presents one of the best models of development of transit routes by a landlocked country. To comparatively study Nepal and Ethiopia would, therefore, be relevant for Ethiopia. Here, it is important to highlight that Ethiopia, with different geographical and political background from that of Nepal, requires particular attention to be able to find a relevant model for the development of its transit route.

### 1.6 Research Methods

The research work is related to the problems of transit routes of a landlocked country. It is primarily based on the combination of functional and systemic approaches in political geography and historical facts have been confined to just the narrative purpose in the analysis. It adopts the inductive method and undertakes a comparative analysis of the case studies, by taking up comparative study of Ethiopia and Nepal. An attempt has been made to develop a comprehensive understanding of different aspects of transit route policies of the landlocked countries, here Ethiopia and Nepal. To serve this purpose, quantitative and statistical tools and maps, charts and diagrams for graphical representation have been employed.

The database includes both primary and secondary sources. The primary data has been obtained by consulting official documents and records of the countries concerned, documents published by the international organizations viz. United Nations (UN), national and international non-governmental organizations and other institutions of relevance for the study. Secondary sources have included books, journals, monographs and newspapers. Further, appropriate cartographic techniques have been used.

## 1.7 Research Question

The major questions which constitute the core theme of the work have been addressed with supplementary questions.

1. What is the impact of geographical factors on transit routes?
2. What modes of transportation are important in the context of transit routes?
3. Do historical factors have a bearing on the relationships with neighbouring countries for the development of transit routes?
4. What types of special institutional arrangements are needed for tackling transit route problems of landlocked states?
5. How are the problems of transit routes of Ethiopia different from those of Nepal?
6. What is the role of neighbouring countries in the development of transit routes?

## 1.8 Hypotheses

Two hypotheses have been tested. The first one is in a conceptual framework and the second is based on the empirical case study where the research has been conducted.

1. Landlocked countries require special institutional arrangements at regional and international levels to ensure their development of transit route.

2. Regional cooperation and good neighbourly relations have positive impact on the development of transit route. (Compared to case of Ethiopia, case of Nepal presents an example of how good neighbourly relation between the two countries and regional cooperation has paved the way for development of transit routes for Nepal. Here, it is important to mention that India and Nepal have supported their stands on many international forums, similarly they both are members of multilateral organizations such as SAARC, BIMSTEC, et al.).

## 1.9 Structure of Work

The proposed research consists of six chapters dealing interrelated concepts and issues. The first chapter is introductory in nature, consisting of the background, scope and the statement of problem and concept of transit routes. It also describes the objectives of the study, research question which has been posed, data source in

support of arguments, and research methodology. Chapter two presents the impact of bilateral and multilateral treaties related to the facilitation of transit routes for the landlocked countries and analysis. Chapter three analyses the transport infrastructure, maritime transportation alternatives, volume and cost factors as well as transit cargo movement with road and rail network of Ethiopia. Chapter four explains the transport infrastructure, maritime transportation alternatives, volume and cost factors as well as transit cargo movement with road and rail network of Nepal. This chapter also includes policy-related matters of India in this regard, e.g. tariff subsidies etc.

Chapter five is comparative in nature and is based on the study of geographical similarities and dissimilarities of Ethiopia and Nepal as well as their respective transport, trade and transit agreements. The last chapter is conclusion, which is based upon the overview of the previous chapters. This chapter is an attempt to evolve a theoretical understanding for the development of transit routes for landlocked countries. This chapter also puts light on the obstacles to be eradicated for the development of the transit routes. This conclusion also talks about the lessons that both of these countries can learn from each other. Appropriate suggestions are also discussed in this chapter.

# Chapter: II

## Geopolitics of Transit Route

The advancement in transport and communication technologies has connected the world intensively and increased the mobility of people. The national economies are integrating with the world economy through the flows of ideas, trade, capital and services. In the process of global interaction, those countries are benefiting more which have geographical advantage in comparison with those that are suffering from geographical disadvantage. There is no precise and accurate definition of 'geographical disadvantage state' for the purpose of the law of the sea as a whole (Vasciannie S. C. 1990: 8). The combination of distance, poor infrastructure and perhaps also being landlocked by neigbours with poor infrastructure cause increase in the transport cost for some developing countries than for the most developed countries (Venables and Limao N. 1999: 2).

For the purpose of this study, this work has confined itself to geographical disadvantage in terms of landlockedness. The geographical disadvantages connote, here, the inaccessibility to the sea. The landlocked countries have no access to coastlines. This inaccessibility hamstrings landlocked countries in two ways. First, such a country is deprived of ocean resources, and second, it suffers in terms of trade transaction (Uprety Kishor 2006: 30).

Sea route accessibility is necessary to a country for international trade. Sea route links it with international markets. Also, the cost of transporting goods via sea routes is less than that by other modes of transportation such as railways, roadways or airways. Landlocked country gets sea accessibility through transit routes. Transit route is a mechanism developed by states by signing bilateral or multilateral treaties between or among the neighbouring countries to overcome their geographical constraints (UNESCAP 2003:6). The neighbouring countries play a crucial role in designing of sea routes for a landlocked country. In other words, the landlocked country depends on its neighbouring countries for its trade activities.

The carving of transit routes is a difficult process because when a landlocked country enters the territory of its neighbouring country, it also enters in the sovereignty of that country. Coastal countries may extend such a right and provide such a facility (transit route) if they have a cordial relation with the landlocked country that is seeking a transit route. There are 46 landlocked countries in the world (See Map 2.1 and Appendix 2.1). Landlocked Developing Countries (LLDCs) are widely dispersed around the globe: 17 are located in Africa, 12 in Asia, 2 in Latin America and 15 in Europe. Despite their location on four different continents, all 31 LLDCs[1] share common problems of geographical remoteness and dependence on trade and transport system in neighbouring and coastal countries (UNCTAD 2006: v).

Geographical factors are important in the development of transit route, but political interaction, border or territorial dispute, transport infrastructure, economic activities and regional cooperation are other elements that shape the nature of transit routes. International regimes like the United Nations, UNCTAD, UNCLOS, World Bank and regional regimes like African Union (AU), COMESA, SAARC and BIMSTEC, facilitate the development of transit route and minimize the hurdles in the functioning of it (UNESCAP 2003:6).

Landlocked Ethiopia and Nepal are mountainous countries which face double geographical disadvantage. Once a maritime country, Ethiopia now faces difficult political challenges in accessing the sea (Faye Michelle et al. 2004: 59). Nepal is one of the worst performing country in comparison to their neighbours in human development than the landlocked countries of any other region (Faye Michelle et al. 2004: 65). A developed and efficient transit route can overcome their geographical barriers.

This chapter tries to explain the geopolitics of transit route in a conceptual framework on which the rest of the work proceeds. This chapter considers four factors critical to the development of transit routes -- geographical features of the countries concerned, their transport infrastructure, trade pattern and transit treaties.

[1] The 31 landlocked developing countries are Afghanistan, Armenia, Azerbaijan, Bhutan, Bolivia, Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Ethiopia, Kazakhstan, Kyrgyzstan, Lao People's Democratic Republic, Lesotho, Malawi, Mali, Moldova, Republic of Mongolia, Nepal, Niger, Paraguay, Rwanda, Swaziland, Tajikistan, The Former Yugoslav Republic of Macedonia, Turkmenistan, Uganda, Uzbekistan, Zambia and Zimbabwe.

These four features have been taken as variables for exploring the linkages between transit routes and economic development of the countries that have been chosen as case studies for this research work. It explains all four variables and describes why they are so relevant and to what extent they frame the policy of the two countries in question

## 2.1 Geographical Features

New determinism believes that geography decides the utility and success of infrastructure. Whatever scientific and technological achievements have been made, man still cannot ignore nature. This is applicable to the development of transit routes. The utility and success of transit route not only depends on treaty and agreement, but also on geographical factors. It can be said that functional relations between human and nature shape the success and failure of transit routes. Surface transportations are based on the geographical factors. Geographical factors have two aspects - physical and human. Physical factors involve four elements namely topography, climate, hydrography and natural hazards (Rodrigue J.P. et al. 2009: 8). Human factors include demography and economic activities.

### *2.1.1 Physical Factor*

The physical features impose major constraints on transportation systems, in terms of what mode can be used, the extent of the service, its costs and capacity (Rodrigue et al. 2009:8). There are several natural factors that play a significant role in restricting the development of a smooth transportation system. Physical features impact the development and use of transit routes. Here, development means construction of transit routes and use means goods and traffic flow round the year. Topographical features affect the construction of transit routes, while climate has a bearing on goods and traffic flow (Rodrigue et al. 2009: 270). In winter, fog and snowfall block mountain routes. Physical barriers to development of transit routes can be identified as topography, climate, hydrography and natural hazards.

#### *2.1.1.1 Topography*

Topography means the surface features on the earth and influences land transportation developments. Topography affects the cost of transport infrastructure, besides, of course, the transportation cost and time taken to move goods. The cost of

transport infrastructure is the amount spent on creating the facility. Developing physical infrastructure on a mountainous topography requires much higher amount of investment as compared with the plain topography (Murphey Rhoads 1982: 171). A mountainous topography demands for the development of spiral roadways and developing other means of transportation on such a difficult rocky, terrain is a huge challenge. Topography determines the development and sustainability of transport networks and transit routes.

Ethiopia and Nepal have a mountainous topography, which affects their transportation network and cripples the potential to develop transit routes. Due to rocky, highland topography, Ethiopia could not develop any credible transport network within its borders, especially at its frontier areas. As a result, Ethiopia failed to develop transit routes through its neighbouring countries Kenya, Somalia, Eritrea and Sudan. Ethiopia has a transit route passing through only one country - Djibouti (USAID 2000: 8). Similarly, Nepal could develop a transit route only with India because its Terai Regions touch the Gangetic plains on the Indian side (Faye Michelle et al. 2004: 65).

*2.1.1.2 Climate*

Climate also affects and sometimes determines what kind of transport network can be developed in a country. The major components of climate include temperature, wind and precipitation. Impacts of climate on transportation modes and infrastructure range from negligible to severe. Freight and passenger movement can be seriously curtailed by hazardous conditions such as snow, heavy rainfall, ice or fog (Faye Michelle et al. 2004: 65). Seasonal changes have adverse impact over the functioning of transport network, especially monsoon and winter season. Climatic physical constraints generate two types of barriers: Short-term and long- term. Long-term climatic barrier occurs when transport network suffers from heavy rain, snowfall, cloud bursting among others. It increases the cost of infrastructure itself. Short-term climatic barrier occurs when transport system suffers from mist, fog, temperature, wind storm among others (Murphey Rhoads 1982: 171). This increases the time of journey and affects the quality of goods.

Climatic effect is highly visible in Ethiopia and Nepal because of their mountainous topography. Very low temperatures during winter affect transportation,

as formation of mist and fog greatly reduces visibility. Heavy rains cause landslides in these regions, blocking roads for days. These climatic barriers lead to a complete halt of transportation in night.

*2.1.1.3 Hydrography*

Surface water of the earth provides waterways for transportation system. Oceans, rivers and lakes are navigable surface water. The properties, distribution and circulation of water play an important role in the transport infrastructure. Maritime transport is greatly influenced by the availability of navigable channels through rivers, lakes and shallow seas. Landlocked countries do not have access to sea routes, but some of them gained access to seas through river and canal network such as Danube, Parana and Mekong rivers (Rodrigue J. P. et al. 2009: 271). The Danube drainages system connects Austria and Hungary to the Black Sea; the Parana links Paraguay to the Atlantic Ocean and the Mekong joins Laos with South China Sea (Uprety Kishore 2006: 41). Perennial (which flows in every season), deep drainage and broader banks makes river navigable. They do not have the rocks or bridges that obstruct navigations. The rivers in Ethiopia and Nepal flow through high mountains. They flow at random with steep slopes and freeze in winter.

*2.1.1.4 Natural Hazards*

A hazard may be defined as an event or process that threatens or actually causes damage and destruction to people and their settlements (Ross Simon 2002:4). Natural hazards affect transport infrastructure, flow of goods and increase the cost and time of shipments (Straube, Frank 2008: 31). Natural hazards are produced by environmental processes and involve events such as storms (atmospheric), flooding (hydrological), earthquakes, volcanoes and landslide (geological) (Ross Simon 2002:4). Natural hazards play a key role in deciding the transport accessibility and connectivity of any region.

*2.1.2 Human Factors*

The development of transit routes and development of human resources are directly interlinked. It has been seen that those landlocked countries have better record of human development, where transit routes are well developed in comparison to those countries which do not have such a well developed transit routes (Faye Michelle

et al. 2004: 65). For example, European landlocked countries like Austria, Hungary, and Switzerland have high rank in the Human Development Index (HDI) (UNDP 2003: 2). These countries have better facility of transit routes. In other aspects, due to lack of worse transit route facility, Ethiopia and Nepal could not developed their human resources.

Modern society functions effectively because of the transport links that have been gradually built up over centuries. It is efficient because developments in science and technology have been introduced to transport. Transit route facilities break down the barriers between nations and help all the component parts fit together.

**2.2 Transport and Transit Routes**

Trade is an ancient economic activity for which people travelled from one part of the world to another since the beginning of civilization. The movement of people and goods was free and unrestrained by the national boundaries till the rise of modern nation-states, which is only a 500-year-old phenomenon (Robinson 2001:3). Trading depends on the availability of transportation system. Scientific and technological development has helped improve the transportation system (Sharma M. R. 2009:23).

New modes of transportation system have overcome the physical constraints. But the physical constraints related with landlocked countries remain. In the early period, due to the absence of territorial division of land, transit route was scarcely needed. The emergence of nation-states created national boundaries, which gave way to many landlocked countries (Ieuan 1995:123). Landlocked countries require transit routes for trading. This physical barrier cannot be easily overcome unless the neighbouring countries extend cooperation towards creation of a transit route. The movement of people and goods is essential for trading activities.

In other words, the transit facility and transport networks are interlinked. An efficient and well-knit transport system helps the government agencies establish political and social order in the state. Internal stability promotes cordial relations with neighbouring countries which make available the facility of transit route. Transport system develops through three modes - land, water and air. Land transport consists of roadways, railways and pipeline; water transport is also of two types - inland and maritime. Development of Transit routes requires land transport. Apart from land

transport, there are some other mechanisms of transport that facilitate the functioning of transit route. These are terminals, container vehicles, dry ports, fuel stations, multi-modal transport system and administrative agencies related with transportation.

### *2.2.1 Land Transport*

Land transport refers to the activities of physical movements of goods and passengers on land. A landlocked country connects itself to the sea route through the land transport. The land transportation is possible through the transit routes (Jean-Franois 2011: 100). Technological advancement helped rich, western landlocked countries such Austria, Switzerland and Luxembourg develop credible transit route facilities, as opposed to poor, underdeveloped countries like Ethiopia and Nepal that remain technologically challenged. These countries are mountainous, so transportation by animals is still a viable option for covering short distances (Sherman 2011:85; Phillips 2001:345). However, with the expansion of trade and economic activities, both within the country and outside, a more modern means of transport are now increasingly being employed to ferry goods and people.

#### *2.2.1.1 Road Transport*

Roads are the means of connection between two places on surface. It is the most economical means for covering relatively short distances. Freight transport by road is becoming increasingly important in comparison to rail transport. The reason is that railways cannot be developed in every part of the country, but road networks can be laid up to even remote areas (Carr 2003:474). Human beings, animals or motor vehicles can be used as a means for transportation. A transit route is linked with these means of road transportation that require infrastructure of international level. To develop infrastructure of global standards, developing countries seek cooperation from international agencies (African Development Bank, ESCAP) and regional institutes such as Trans-African Highway in the Africa and Asian Highway in Asia.

Transcontinental road networks are being developed in Asia and Africa both. The Trans-African Highway is spread over the African continent and links nine main highways (See, Map 2.1). The two highways (highway no.4 and 6) of the trans African highway that has been developed by the help African Development bank will also go through the territories of Ethiopia.

The highway no. 4 will join Cairo, Addis Ababa, Gaborone and highway no. 6 will join Djibouti to Ndjamena. The development of these highways will ease the Ethiopia's access to the sea and strengthen its transit route facilities.

In the Asian region, there is a plan to develop a greater road link where 32 countries are involved (See, Map 2.2). The route number AH 42 and AH 2 of the Asian Highway will cross the Nepal in north-south and east - west direction respectively. The AH 42 will join the Birgunj on Indian border to Kodari on Chinese border. The AH 2 will join Kakarbhitta/Naxalbari (near West Bengal) to Gadda Chowki (near Uttrakhand). The border point of trans Asian railway on Indian side is Raxaul. It seems that both these countries Nepal and Ethiopia will be benefited by the aforesaid international efforts of the African Development Bank and the UNESCAP.

*2.2.1.2 Rail Transport*

Transport of goods and passengers via train is rail transport. It occupies an important place in land transport system and is the most dependable mode of transport to carry goods and passenger over long land distances. It is comparatively cheaper and carries more goods in bulk over a long distances taking less time. Its operation is less affected by adverse weather conditions like rain, floods and fog (Rai 2007: 256). It is a very favourable mode of transit route. The importance of trans-continental railway was accepted during the colonial period. The purpose of constructing such kind of transport system was to provide access to the sea route (Mukherjee 2008: 65).

It can be said that the development of transcontinental railways helps minimise the negative effects of being a landlocked country. Both Africa and Asia are trying to develop trans-continental railway networks. The African trans-continental railway has chalked out the East Africa Master plan, according to which the proposed rail network will pass through Ethiopia and its neighbouring countries Sudan and Kenya(CPCS 2009:31). There is a proposal to build a Trans-Asiatic Railway joining Constantinople in Turkey with Bangkok in Thailand via Saudi Arabia, Iran, Pakistan, India, Bangladesh, Myanmar and Nepal (See, Map 2.3). Raxual will be the border station of Trans-Asian railway for Nepal (UNESCAP1999:8). As far as Asia is concerned, India has a good, extensive railway network and so have Japan and China. India has over 63,000 km of rail network and has more than 7,000 railway stations

(India Year Book 2009). It has the densest network in Asia. Nepal is getting accessibility of India railway for its international trade.

*2.2.1.3 Pipelines*

In modern times, pipelines are used for various purposes. Water supply to residential and commercial areas is carried on with the help of pipelines. Petroleum and natural gas are also transported from one place to another through pipelines (Rai 2007: 256). This is the most convenient as well as economical mode of transport for petroleum as well as natural gas, compared with road and rail transport. But, the cost of installation and maintenance requires large capital investment.

They can only be economically justified if there is a constant supply of oil and a constant demand. Pipeline mode of transportation is not easily possible in Ethiopia and Nepal. Both the countries are least developed countries, suffer from physical constraints and are politically unstable. Scientifically speaking, the pipeline works through artificial pressure and pressure depends upon temperature. Being mountainous, both the countries suffer from similar physical constraints. Pipelines, in these countries, are difficult to lie extensively because the line has to pass through difficult valleys and hills (Denys 2000: 656). Security concerns are another reason for not developing the pipeline.

*2.2.2 Water ways*

The navigation is one of the oldest means of transport. All human civilizations were developed in the cradle of rivers. Water transport has been used for carrying both persons and goods. The two great advantages of water transport are that it is used in existing routes, that is, rivers, seas and needs no special tracks except in the case of canals, and that it is the cheapest form of transport for large bulky loads (Sharma 2008 : 135). The water transport is divided into two categories on the basis of nature of route. These two categories are inland waterways and maritime transport.

*2.2.2.1 Inland Waterways*

Rivers, canals, lakes and coastal areas have been important inland waterways from time immemorial. Boats and steamers are used as a means of transport. They carry cargo as well as passengers. Rivers are the only means of transport in dense

forests. Very heavy cargo like coal, cement, timber and metallic ores can be transported by waterways. The development of inland waterway is dependent on several factors such as width and depth of the channel, continuity in the flow of water and transport technology in use (Dzurik 2003: 320). Despite inherent limitations, inland water transport has developed in many parts of the world. In these regions, many rivers have been greatly modified to enhance their navigability. Building of dams and barrages for regulating the flow of water and dredging - removal of silt from channel beds for maintaining a constant depth of water - do help overcome many problems mentioned earlier. The river banks are stabilised in areas where shifting of channels is a problem. In many countries of the world, rivers play an important role in carrying people and goods. But Ethiopia and Nepal do not have navigable rivers since their topographies are not favorable for inland water transportation.

#### *2.2.2.2 Maritime Transport*

> "Road rail modes are mainly dealing with intra- regional flows, given that two of the three inter- regional flows (Asia-North America and Europe - North America) are not possible by land transport, so maritime transport dominates". OECD 2010: 125

The maritime transport offers a free highway traversable in all directions with no maintenance cost. Ocean-going ships are capable of carrying far larger loads than any other carrier. The introduction of refrigerated chambers for transporting perishable goods such as meat, fruits, vegetables and dairy products and the development of tankers and other specialised ships have greatly improved the efficiency of ocean transport (Sharma 2008 : 146). The use of containers has not only made cargo handling easier but has also eased the transfer of goods to land transport by rail or road at the world's major ports. Modern passenger liners and cargo-ships are equipped with radar, wireless and other navigation aids. As such, they are little hindered by storms and bad weather and can cross the ocean at moderate speed reaching their destinations on schedule. Nepal and Ethiopia are landlocked countries, so they have no accessibility to ocean route. Before separation of Eritrea, Ethiopia had sea accessibility. Massawa and Assab were the ports of Ethiopia.

### *2.2.3 Dry Port*

A dry port is an inland inter-modal terminal directly connected by road or rail to a sea port. It operates as a centre for the transhipment of sea cargo to inland

destinations. In addition to their role in cargo trans-shipment, dry ports may also include facilities for storage and consolidation of goods, maintenance for road or rail cargo carriers and customs clearance services (Bose 2011: 363). The location of these facilities at a dry port relieves competition for storage and customs space at the sea port itself. A dry port provides all the services of a port except for the loading of cargo to and from seagoing ships. It may be distinguished from an Inland Container Depot (ICD) in that it can accommodate all types of cargo, whereas an ICD specializes in the handling of containers and containerized cargo. A dry port facility typically provides container handling and storage, break bulk cargo handling and storage, and customs inspection and clearance (UNESCAP 2009:225).

An inland container depot is a container terminal located far from seaport(s), which offers services for the handling, temporary storage and customs clearance of container. In essence an ICD has the same functions as a port container terminal except ship to shore transfer. An ICD typically provides: container handling and storage, break-bulk cargo handling and storage and customs inspection and clearance (UNESCAP 2009:225) Ethiopia's dry port is called Inland Container Depot, while Nepal's dry port is called Inland Clearance Depot.

*2.2.4 Multimodal Transport System*

A multimodal transport system integrates different modes of transportation from the global to the local. It is an effort to overcome the infrastructural weakness and physical constraints experienced during transportation. Transit route requires international multimodal transport system. The most authoritative definition of the term "international multimodal transport" is provided in article 1 (1) of the United Nations Convention on International Multimodal Transport of Goods 1980 (here in after referred to as the MT Convention) which reads as follows:

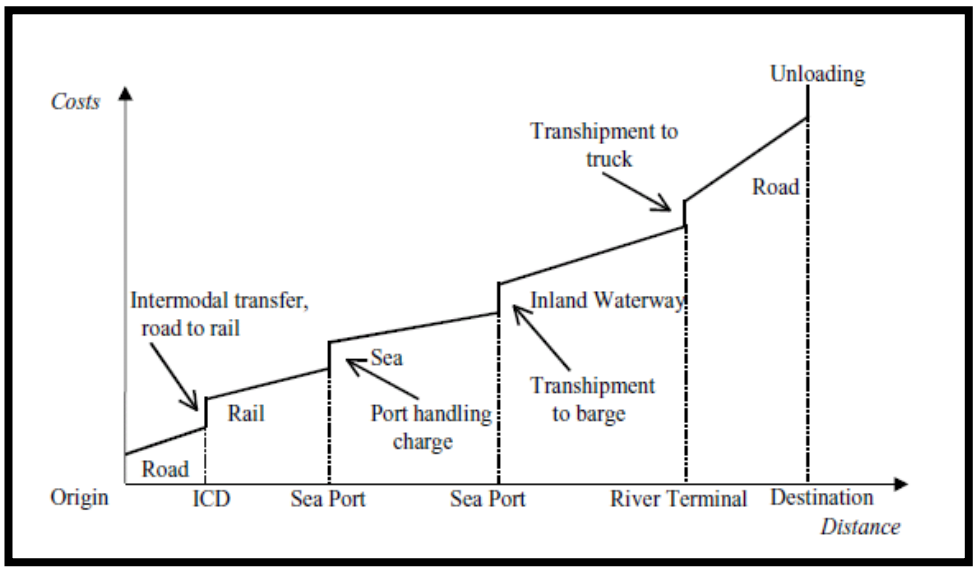
> "International multimodal transport" means the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country. The operations of pick-up and delivery of goods carried out in the performance of a unimodal transport contract, as defined in such contract, shall not be considered as international multimodal Transport"

Multimodal transportation illustrated in figure 2.1, shows that numerous modes of transport may be involved for goods to be moved door-to-door. At each intermodal transfer point there will be a cost (or time) increase represented by a

vertical step, which will be cumulated with the transport and other costs that have been incurred up to that point. Should a border crossing occur along the route, the border crossing charges (and time spent) can be represented by another vertical shift upwards in the cost curve at that point, which can then be cumulated with other costs (UNESCAP, 2003: 12).

Figure 2.1

**Multimodal Transport from Origin to Destination**




Source: UNESCAP (2003), Transit and Transport Issues, : 12

Multimodal transportation illustrated in figure 2.1, shows that numerous modes of transport may be involved for goods to be moved door-to-door. At each intermodal transfer point there will be a cost (or time) increase represented by a vertical step, which will be cumulated with the transport and other costs that have been incurred up to that point. Should a border crossing occur along the route, the border crossing charges (and time spent) can be represented by another vertical shift upwards in the cost curve at that point, which can then be cumulated with other costs (UNESCAP, 2003: 12).

From a legal standpoint, multimodal transport creates several problems. Unimodal transports are currently governed by different, often-mandatory international conventions. These conventions stipulate different bases for liability and different limitations of liability for the carrier. As of 2011, the solution to this problem has been the so-called network principle. According to the network principle, the different conventions coexist unchanged; the carrier's liability is defined according to

where the breach of contract has occurred (where the goods have been damaged during transport, for example). However, problems arise if the breach of contract is systemic (not localized).

### 2.3 Trade Patterns and Transit Route

Trade refers to the movement of goods and services from areas of surplus to areas of deficit. When exchange of goods and services takes place between two countries, it is called international trade. International trade for a landlocked country is very challenging as trade depends on their neighbours and their cooperation (Glassner 1998:157). In case of Ethiopia and Nepal, trade depends upon transit routes with their respective neighbouring countries. Transit routes are very important in modern times. In fact, they are now the base of all world economies and critical for all trade that a landlocked country would wish to undertake.

All countries need goods and services to satisfy wants of their people. Production of goods and services requires resources. Every country has only limited resources. No country can produce all the goods and services that it requires. The country fulfils its needs by trade. In the case of landlocked countries, "lack of territorial access to the sea, remoteness and isolation from world market have contributed to their relative poverty, substantially inflating transportation costs and lowering their effective participation in international trade" (UN-OHRLLS 2007:1).

International trade for landlocked countries is a challenge. As such, transit routes assume critical importance. "In general, then, the majority of landlocked countries are among the poorest countries of the world. The absence of sea coast and their distance and isolation from international markets aggravate their economic situation and constitute the main reason for their underdevelopment" (De. 2008:11). Through transit facility, one landlocked county gets a direct link to international market. However, this facility has some obstacles like customs duty, quantity of goods and limitation of goods flow etc. Four factors influence the desirability of transit routes. They are economic activity, volume of trade, direction of trade and transport infrastructure. Transport infrastructure has been discussed earlier.

### *2.3.1 Economic Activity*

Economic activity is the work that people do to enhance their quality of life. Economic activities include thing that people do to get, refine or use natural resources. Nature of economic activities makes an impact on transit routes. Primary and secondary sectors play a major role in development of transit route (Davis 2008: 81). Primary and secondary sectors are the dominant contributors to the economic wealth of underdeveloped countries. Economic activities create the environment for demand and supply. It includes the growth and shrinkage of the economy and all factors that affect this (for example Aggregate Expenditure). It is commonly measured by the GDP (Gross Domestic Product) which is probably one of the most reliable economic indicators.

### *2.3.2 Balance of trade*

The balance of trade is the difference between the monetary value of exports and imports of output in an economy over a certain period. It is the relationship between a nation's imports and exports. A positive balance is known as a trade surplus if it consists of exporting more than is imported; a negative balance is referred to as a trade deficit or, informally, a trade gap. The balance of trade is sometimes divided into a goods and a services balance. Factors that can affect the balance of trade include:

The cost of production (land, labour, capital, taxes, incentives, etc.) in the exporting economy vis-a-vis those in the importing economy;

- The cost and availability of raw materials, intermediate goods and other inputs;
- Exchange rate movements;
- Multilateral, bilateral and unilateral taxes or restrictions on trade;
- Non-tariff barriers such as environmental, health or safety standards;
- The availability of adequate foreign exchange with which to pay for imports; and
- Prices of goods manufactured at home (influenced by the responsiveness of supply)

Transit route has a major role for import and export behaviour of a country, because transit route is a medium for trade behaviour (Leinbach 2007:220). Every land locked country want to link itself with rest of the world for trade and transit route

facility provides the system for the same. Ethiopia and Nepal trade behaviour are determined by transit route.

*2.3.3 Direction of Trade*

Transport infrastructure and transit route play the major role to direction of trade. Direction of trade means import and export destination. When we see at micro level we find three type or trade direction first, trade flows with neighbour country, trade with regional country and rest of the world.

Trade flow with neighbouring countries determined by transit route, transport infrastructure, healthy relation with neighbouring countries (Grigoriou 2007: 10). Trade direction with regional country wants to regional cooperation and develop transport infrastructure. "European land locked countries are best example for regional cooperation. Landlocked developed countries of Europe are surrounded by major developed markets and their seaborne trade accounts for a relatively small part of their external trade. Their export is mainly high value added products and their distance from the seaport is relatively short". (UN-OHRLLS, 2007: 1). Ethiopia is situated on horn of Africa; it has joined three major regional organization African Union (AU), IGAD and COMESA. These organizations are taking initiative for trade development at regional level. AU is promoting helping element of international trade like transit route transport infrastructure. It depends on goods quality, utility and sea route accessibility.

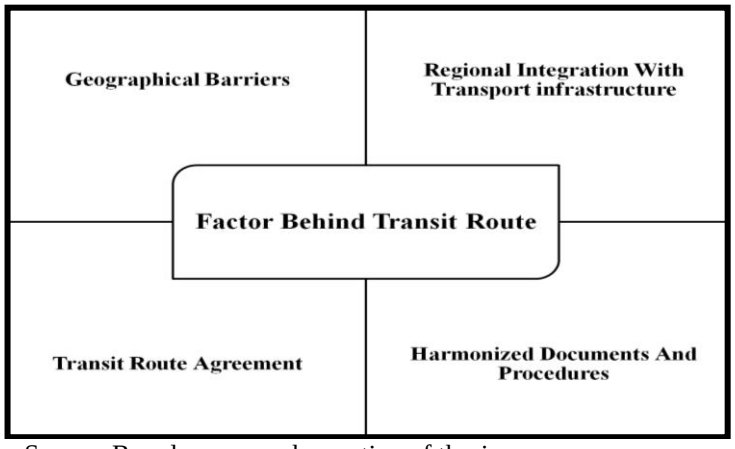
**2.4 Transit Route Issues and Landlocked Country**

Landlocked countries depend on the transit countries to provide access to sea ports and international markets. In most cases the transit neighbours of landlocked countries are developing countries, often of broadly similar economic structure and with problems of their own, including scarcity of resources (UNESC 2002: 8). Landlocked countries are their dual vulnerability; i.e. they are vulnerable on their own account and on account of being dependent on one or more transit countries. Not only are they deprived of access to the sea but their neighbouring countries often have little interest in making the flow of goods across their borders easy for them. Most landlocked countries depend on one or two overland routes through "transit neighbours," neigh boring countries that have agreed to provide access to carry their

international trade to and from the sea (Arvis 2011:4). Transit is a certain concession system aimed at facilitating trade within a given customs territory or between separate customs territories (UNESC 2002: 8). Transit developing countries bear additional burdens deriving from transit transport and its financial, infrastructural and social impacts (United Nations 2003: 11). Transit developing countries are themselves in need of improvement of technical and administrative arrangements in their transport, customs and administrative systems to which their landlocked neighbours are expected to link. Some of the major factors influencing the transit transport systems of landlocked and transit developing countries in are described below (See, Fig 2.2).

Efficient transit transport is crucial for landlocked nations. Due to their lack of territorial access to seaports and the prohibitive cost of airfreight, landlocked countries have to rely on the transport of goods by land through one or more neighbouring countries (UNESCAP 2003: 4).

Fig 2.2
**Factor Behind Transit Route**




Source: Based on research question of thesis

One of the most striking features of landlocked countries is their dual vulnerability i.e. they are vulnerable on their own account and on account of being dependent on one or more transit countries. Not only are they deprived of access to the sea but their neighbouring countries often have little interest in making the flow of goods across their borders easy for them. In fact, their neighbouring countries may additionally have economic or military incentives to block their access to the sea or transit through their territory (UNSCE 2002:3). Ethiopia and Nepal is not only landlocked country in the world. Even some developed countries such as Switzerland

and Austria are landlocked. These countries were able to overcome this difficult hurdle.

*2.4.1 Transit Route as Geographical Barriers*

Challenges of Land Locked Countries are characterised by lack of direct access to the sea, remoteness from major markets, small populations and equally small markets. In many cases, the transit developing countries neighbouring landlocked countries are also equally poor. Landlocked Developing Countries (LLDC) are generally among the poorest of the developing countries, with the weakest growth rates and records of social development. Of the 31 landlocked developing countries in the world, more than half are classified as Least Developed countries.

LLDCs represent 12.5 percent of the world's land area and 4 percent of the global population, yet their combined gross domestic product accounts for only 0.3 percent of the world total (GFP 2005:1). The absence of a direct connection to the global market puts a heavy economic burden and contributes to the economic and social woes of LLDCs. Existing connections are often costly and are not sufficiently reliable to sustain economic development. The external trade of the majority of LLDCs is marginal compared with other developing countries, with the exception of Azerbaijan, Botswana, Kazakhstan, Turkmenistan and Uzbekistan. Another feature of the trading patterns of LLDCs is the high proportion of primary commodities or low-processed raw materials and fuel exports. .

Typically, LLDCs have a narrow production and export base, heavily dependent upon a few primary commodities, which make them particularly vulnerable to external shocks. Only very few LLDCs export manufactured goods, mainly low tech goods such as textiles, leather products and handicrafts by countries such as Armenia and Macedonia ( Government of Mongolia 2006: 4 ). The export of services, including tourism, transport services and information technology-based services such as call centers, financial and other information-related services, has grown as it is not hampered by distance and other trade barriers.

### *2.4.2 Transit Route Treaty and Agreement*

All international trade of landlocked countries involves the negotiation of rights of transit as well as other legal instruments that govern transit operations. There are many international conventions that enable landlocked States to implement their right of access to and from the sea and freedom of transit (Chowdhury 2006:119). However, national and sub regional circumstances may still require bilateral and multilateral agreements as well as domestic legislation to deal with administrative and practical details within each country.

Various international and regional conventions are pursued to establish freedom of access to the sea and seamless movement of traffic in transit. Nature of Transit treaty can be categorized in three levels: international, regional, and bilateral.

#### *2.4.2.1 International Convention on Transit Route*

At the International level several conventions establish the right of access to the sea and facilitate transit transport for landlocked countries. In chronological order, these are the Convention and Statute of Freedom of Transit, Barcelona, 1921 (Barcelona Transit Agreement); the Convention on Transit Trade of Land-locked States, New York, 1965; the United Nations Convention on the Law of the Sea, 1982 and The Almaty declaration 2003.The United Nations Convention on the Law of the Sea (UNCLOS), also called the Law of the Sea Convention or the Law of the Sea treaty, is the international agreement that resulted from the third United Nations Conference on the Law of the Sea (UNCLOS III), which took place from 1973 through 1982 (United Nations 2011:1). The Law of the Sea Convention defines the rights and responsibilities of nations in their use of the world's oceans, establishing guidelines for businesses, the environment, and the management of marine natural resources. The Convention, concluded in 1982, replaced four 1958 treaties, it came into force in 1994 (United Nations 2011:1). The convention introduced a number of provisions in its article 87 . The most significant issues covered were setting limits, navigation, archipelagic status and transit regimes, Exclusive Economic Zones (EEZs), continental shelf jurisdiction, deep seabed mining, the exploitation regime, protection of the marine environment, scientific research, and settlement of disputes.

UNCLOS defines the rights and responsibilities of nations in their use of the world's oceans. It establishes guidelines for businesses, the environment and the management of marine natural resources countries (UNESCAP 2003:23). Article 125 of UNCLOS III describes the right of access to and from the sea and freedom of the sea .In 2003, the UN convened in Almaty (Kazakhstan) an international ministerial conference to enhance transit transport cooperation between land-locked and transit developing countries. The Almaty Programme of Action deals with infrastructure development and maintenance, transit policy issues, and trade facilitation measures. (UNCTAD 2008: 10). Within its mandate, UNCTAD participates in the implementation of the Almaty Programme of Action through analytical work on the transit transport and related development problems faced by LLDCs, and technical assistance to these countries in areas such as trade facilitation and electronic commerce.

In 2005, the first meeting of LLDC Ministers responsible for trade, in Asuncion (Paraguay), adopted the Asunción Platform for the Doha Development Round to harmonize the positions of LLDCs in the current round of multilateral trade negotiations (UNCTAD 2011). The 2005 World Summit recognized the special needs of, and challenges faced by LLDCs, and reaffirmed the commitment by the international community to urgently address these needs and challenges through the full, timely and effective implementation of relevant internationally agreed programmes and objectives, in particular the Almaty Declaration and the Almaty Programme of Action (UNCTAD 2011). It encouraged ongoing work to establish a time-cost methodology based on indicators to measure progress in the implementation of the Almaty Programme of Action. The World Summit 2005 also recognized the special concerns of LLDCs in their efforts to better integrate their economies in the multilateral trading system.

*2.4.2.2 Regional Agreement on Transit Route*

Regional agreement provides a framework for the development of transport corridors linking these regions. The scope of the agreement extends to road, rail, maritime, air and multimodal transport, as well as transportation by pipeline, and covers cross-border and transit transport (UNESCAP 2003:6). In some cases where transit transport involves more than two countries, separate bilateral agreements that

may contain mutually incompatible provisions are likely to impede rather than facilitate transit transport. Transit transport involves issues and problems that should ideally be dealt with through multilateral agreements. In Asia and Africa, a growing number of trilateral, quadrilateral and sub-regional agreements have emerged. Some examples of these are the ASEAN Framework Agreement on the Facilitation of Goods in Transit and Tripartite of SADC, COMESA and EAC with IGAD .

A number of initiatives have been developed by COMESA and SADC. In pursuit of the broader objectives of the African Union to accelerate economic integration of the continent, with the aim of achieving economic growth, reducing poverty and attaining sustainable economic development, the Heads of State and Government of the Member and Partner States of the Common Market for East and Southern Africa (COMESA), East African Community (EAC) and the Southern Africa Development Community (SADC). In particular, the SADC Protocol on Transport, Communications and Meteorology of 1996 contains provisions on freedom of transit for persons and goods; rights of unimpeded access to the sea for landlocked member States; obligations to cooperate in provision of transit infrastructure; and obligations to develop regulatory and institutional structures to support these provisions.

*Examples of Sub-Regional Agreements Relating to the Transit Transport*

*(a) ASEAN Framework Agreement on the Facilitation of Goods in Transit*

The ASEAN Framework Agreement on the Facilitation of Goods in Transit was signed in December 1998 by nine of the ten ASEAN countries, namely Brunei Darussalam, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (UNESCAP 2003:6). This agreement provides for the mutual granting of transit transport rights and the right to load and discharge goods of third countries destined for or coming from contracting parties. The Agreement came into force in October 2000 but countries have yet to ratify a number of protocols under this agreement.

*(b) GMS Agreement for Facilitation of Cross-border Transport of People and Goods*

The Greater Mekong Sub Region (GMS) Agreement for Facilitation of Cross-Border Transport of People and Goods and the annexes that are currently being

negotiated is an extension of the trilateral agreement signed between Lao People's Democratic Republic, Thailand and Vietnam in 1999 (UNESCAP 2003:6). Being an integral part of the Asian Development Bank's GMS Program, the Agreement has also been signed by Cambodia and China and Myanmar is expected to sign in the near future. The annexes and protocols are currently being negotiated with ADB assistance.

*(c) ECO Transit Transport Framework Agreement*

The Economic Cooperation Organization (ECO) adopted the Almaty Outline Plan in 1993 and the Programme of Action for the ECO Decade of Transport and Communication (1998-2007) in 1998. This plan and its programme of action aim at the development of the transport sector in the ECO sub region (UNESCAP 2003:6). The Transit Transport Framework Agreement provides for establishing a common regulatory framework for the development and facilitation of transit transport among member countries. This agreement provides for the freedom of transit routes through the territories of the contracting states for road and rail transport and inland water navigation and access to maritime ports.

*(d) SADC Protocol on Transport, Communications and Meteorology*

A number of initiatives have been developed by COMESA and SADC. In particular, the SADC Protocol on Transport, Communications and Meteorology of 1996 has provisions on freedom of transit for persons and goods that include rights of unimpeded access to the sea for landlocked member states. This also includes the obligations to cooperate in provision of transit infrastructure and to develop regulatory and institutional structures to support these provisions (Chowdhury 2006:136).

*2.4.2.3 Bilateral Agreement*

Landlocked countries select transport corridors and negotiate transit agreements with their transit neighbours on the basis of several factors: efficient trade facilitation and minimal bureaucratic interventions, availability of facilities, competent transport operations, traffic constraints, and restrictions on the free flow of trade and costs (Govt. of Mongolia 2006: 6). Many transit agreements are negotiated

on a bilateral basis (such as Nepal's agreements with China or India) and are in most cases for a limited period of time.

Such detailed descriptions can deal with points of entry, points of exit, land routes, service charges to the transit country, duty free space, warehouses or free zones (open or covered space) in ports at the transhipping point. These detailed description often even specify the lease agreements, rent charges and customs representation in the free zone to control and inspect the trade flow and deal with administrative tasks required by the transit country.

It is also common to include references to the transport of hazardous cargo and the rules to be observed in such cases, import/export procedures detailing required custom transit documents, required insurance policies or bank guarantees. Certain agreements might also set permit quotas, environmental restrictions and levies or road charges. Even in Europe, road transport services were traditionally subject to bilateral intergovernmental agreements on the basis of which the Governments annually agreed on road transit permit quotas for both freight and passenger road transport.

Landlocked countries may depend on one or several transit countries or may have several options to access ports via road, inland waterways or railway. Transit corridors are often described in great detail, especially in bilateral transit agreements. This offers little if no flexibility for landlocked countries (UNESCAP 2003:46). Progressive liberalisation started in the 1980s with the introduction of Community quotas and has resulted in a nearly full liberalization. In the case of bilateral contracts, the terms of the bilateral agreement are legally binding. This means that if either party fails to live up to the terms of the agreement, it could mean legal action on the part of the aggrieved (wronged) party (UNCTAD 2008:3). International bilateral agreements may cause friction if they set favorable terms for two countries while leaving out other adjacent countries or even more distant countries. Also, the terms of a bilateral agreement may be in conflict with the terms of a multilateral agreement involving one or both of the countries that have formed a bilateral agreement.

Bilateral agreements are more focused and narrow by nature but commonly make reference to existing international practice and rules. Bilateral agreements can contain detailed descriptions of e.g. point of entry and exit or land routes and can be limited in time to be re-negotiated in regular intervals (UNCTAD 2008: 3). They

often also impose quantitative restrictions on the number of transit transport operations that can be carried out through a country. In recent years, there is also an increasing focus on environmental issues related to transit. Examples are the agreements between India and Nepal; Bangladesh and India; or Djibouti and Ethiopia.

Nepal renewed its 1999 Transit Treaty with India in 2006, gaining a number of important concessions. The treaty accords freedom of transit through routes mutually agreed upon to "traffic in transit" between the two States. Under article IV, "traffic in transit shall be exempted from customs duties and from all transit duties or other charges except reasonable charges for transportation and such other charges as are commensurate with the costs of services rendered in respect of such transit". Storage facilities are provided for Nepal, in accordance with article V, at the ports of Kolkata and Haldia. Details concerning supervision and control of traffic in transit are laid down in a separate memorandum, which defines import and export procedures.

### *2.4.3 Regional Integration with Transport Infrastructure*

#### *2.4.3.1 Transit Focus on Corridors, Integration*

Transits are done the most easily and at the lowest costs for both landlocked and transit countries in an integrated environment. If goods can move freely and unhampered by administrative or customs delays, the well-being of landlocked and transit countries is increased and costs are lowered. Improvements in transport and transit facilities and an increased traffic volume will eventually benefit coastal as well as landlocked countries (UNESCAP 2003:78). Once this has been recognized, it may well encourage and foster collaboration between the two partners.

Many countries and regions are, today, in the process of building or planning transit or access corridors. Such initiatives have been taken more or less successfully by landlocked and transit countries on all continents ranging from pan-European to Bi-Oceanic Corridors in South America to the revival of the ancient Silk Route in Central Asia countries (UNESCAP 2003). Countries are planning their "feeder" corridors, as for example Bolivia, which is planning four major corridors to avoid becoming a stop-over country once the Bi-Oceanic corridors have been built (UNECE 2002: 13). Over the past years, more and more integrated projects have emerged in many countries and most of them are based on two distinct, but related approaches.

They are led by, or are created within the framework of a regional integration project (as happened in Europe with the EU and its Trans-European Transport Corridor). Or, they are rooted in the establishment of a development corridor which, apart from facilitating transport, encourages social and economic development and the alleviation of rural poverty in the area it crosses.

Both approaches have in common that they pool human, technical and capital resources to achieve economies of scale and to develop regional or sub-regional cooperation. This plays a substantial role in guaranteeing sustainability and growth.

*2.4.3.2 Development Corridors*

Establishing a corridor can be a great opportunity for both the landlocked and the transit country. It can be the expression of a commitment to improve trade within a region or sub-region and to improve access for the whole region's goods to world markets. A prosperous region or sub-region will guarantee higher growth potential to all its countries.

A rather good example of the development corridor strategy is the approach taken by the Spatial Development Initiatives (SDIs) programme launched during the 1990s by the Governments of Mozambique and South Africa, and, specifically, the case of the Maputo corridor. The Maputo corridor links the South African industrial heartland of Gauteng and the Mozambican Port of Maputo (UNECE 2002:14). It is a development initiative along the toll road and its feeder roads and there, it creates jobs and benefits communities on both sides of the border. The establishment of this development corridor is seen as a test case for regional integration and was met with scepticism, but also a lot of optimism. Having as a goal that all parties experience benefits from the corridor, it is a joint management of economic resources by African States. It confirms the trend towards regional integration with the real glue being cross-border physical integration.

*2.4.3.3 Harmonized Documents and Procedures*

Trade facilitation procedures have been developed on the national, regional and international level. They range from common customs declaration documents, to the electronic transmission of data ahead of the arrival of cargo at the transhipping point to sophisticated computer programmes. Information technology, intermodal

transport or other new trends can certainly contribute in an important way to the improvement of transit traffic and the reduction of transport costs for landlocked countries (UNECE 2003: 99). Simplified systems, which improve the cooperation of customs and authorities in transit and landlocked countries or within one region, are key to reducing transport time and costs.

There are numerous examples of such simplified systems such as the EU's Single Administrative Document. Not surprisingly most technical assistance programmes include a reference to the introduction of such simplified procedures. Another example is the Baltic Common Transit Procedure, which so far covers road transport only and came into force in January 2001 (UNECE 2002: 18). It simplifies transit through the three Baltic States by introducing a single customs declaration and guarantee. The Baltic countries see this Agreement as a step towards the Convention on Common Transit, which applies to the transit of goods from/through the EU, EFTA (European Free Trade Agreement) and the Visegrad countries. The Convention on Common Transit and especially the reforms introduced in July 2001 are an excellent example of legislative changes closely intertwined with operational reforms (UNECE 2002:18). The aim of this approach is to improve the legal environment for transit operations on the one hand, especially with regard to avoiding fraud, and, on the other, to link more closely the 22 customs administrations of the parties to the Convention. In Africa too, the need for a common customs document e.g. within COMESA (Common Market of Eastern and Southern Africa) has been recognized. First steps towards the recognition of simplified procedures have also been taken by the Sub regional Transport Forum of the Greater Mekong Sub region.

The cooperation between the public and private sector is fundamental for trade facilitation measures to succeed. The business community has hands-on experience and can therefore give concrete input. Their cooperation (which can be revenue-based as is the case e-g- in Singapore and Mauritius) is therefore not only helpful but necessary to make further progress in this area.

These are usually framework agreements that lay out broad goals and policy directions but leave potentially contentious details to be worked out through separate protocols and annexes. Here, it would be relevant to note that Nepal has a very effective bilateral agreement with India. However, Ethiopia does not have similar

bilateral agreements with many neighbouring countries that have sea access. Because of lack of bilateral agreement of Ethiopia with its neighbours, it loses on the access to sea routes, which adversely affects its economy and trade. These issues pertaining to Nepal and Ethiopia will be discussed in greater detail in Chapter 3 and 4.

The following chapters show concrete examples of how countries in Eastern and Central Europe, Central Asia and in Western Europe are coping with being landlocked, how their governments have decided to tackle the issue over the years, including during their economic and political transition process and which policies and concrete steps have been adopted to facilitate transit and their countries' access to the sea.

## 2.5 Conclusion

Due to the centrality of the role of geographical factors in determining the foreign policy as well international relations, the concept of geopolitics is acquiring tremendous importance. Growing global connections between states and people have also posed new challenges. In such a global situation, the crisis that landlocked countries are facing today has implications for its geopolitical, geo-economic, and geo-strategic situation.

Since it has proved impossible to create an international consensus affirming that sweeping rights of transit and stationing exist in the absence of positive agreement derogating from the rights of a territorial sovereign to impede access to and from its landlocked neighbours, the problem can no longer usefully be viewed as a purely legal problem. It is now a problem of encouraging states to adhere to the appropriate positive agreements the results of the efforts of UNCLOS and UNCTAD along that line are not encouraging. Bilateral and regional arrangements could be useful for Ethiopia and Nepal transit route problem.

A final caution, which may not be out of place, is that the problem seems to be a problem of neighbourliness. Every help given to a landlocked state to secure rights of transit through a neighbour's territory may be regarded as pressure on territorial integrity by that neighbour in absence of mutually agreed policy.

Balance of trade is determined by transit route. If export exceeds imports, a country is said to have a favourable balance of trade while if import exceed it has an

unfavourable or adverse or negative balance of trade. Transit route has a major role for import and export behaviour of a country. Because transit route is a medium for trade, every land locked country want to link with rest of the world for trade, transit route provide the system for this. Ethiopia and Nepal trade behaviour are determined by transit route. It possibility has been explored in related chapters.

Transport infrastructure and transit route also play the major role to direction of trade. Direction of trade means import and export destination. Two types of import export destination first, trade flow with neighbour country and rest of the world. Trade flow with neighbour countries determined by transit route, transport infrastructure, healthy relation with neighbour country. Trade flow with rest of world means other part of world, which country they have not boundary with landlocked country. It depends on goods quality, utility and sea route accessibility.

## Chapter III

### Transit Routes and Transport Networks of Ethiopia

Transit routes are outcome of two circumstances: the present political conditions and the historical forces that lead to landlockedness of a state. A country may not necessarily be landlocked from the very beginning. The history also plays a role in determining the geography of a country at different point of time. This chapter discusses first, the historical circumstances and the context in which Ethiopia become a land locked country in the modern times. Secondly, the main geopolitical problems adversely affecting the movement of Ethiopian transit cargo and the related costs inhibit the development of road freight transport as a result of the country's lack of its own sea-port. It also attempts to identify problems relating to the structure of the freight transport industry, investment in the sub sector, customs procedures and other transit services that have an impact on the total freight transit transport costs and competitiveness in Ethiopia.

It does not need much elaboration to state that colonialism has hurt the world's important cultures, which include North American civilisations of Maya and Inca, the Abyssinian civilisation of the Horn of Africa, etc. At present, Abyssinia is known as Ethiopia, which is among the world's oldest nations and the second-most populous nation in Africa (Khumalo 2007:11). It is situated in the Horn of Africa and it assumes criticality with respect to geo-politics. The Suez Canal, the Red Sea and Babel Mandeb fall within the maritime boundaries of The Horn of Africa. The world's greater part of trade and commerce takes place through this oceanic region. This region facilitates trade among Europe, Asia, Australia and East Africa.

In the colonial period, the Horn of Africa was under the occupation of Italy, Britain, and France, which has resulted in Ethiopia being influenced by the struggles between its three colonial masters. In 1869, after the Suez Canal was dug, this region became extremely sensitive geo-politically. Italy, in its bid to further its colonial interests, attacked Ethiopia in 1898, but failed to conquer it (Cohen 2003: 323). This initial setback, however, failed to deter Italy from pursuing its geo-political interests

in the region. In 1926, it succeeded in capturing Eritrea, an important coastal region of Ethiopia that touched the Red Sea. This forms the background to Ethiopia being transformed into a land-locked country, which manifests itself fully in the cessation of Eritrea from Ethiopia in 1993 after the end of the Cold War in 1991 (Iyob 1997:137). At present, Ethiopia is a federal democracy. Its democratic history can be traced from 1991, as prior to this; it was under the military dictatorship of Mengistu Haile. Haile ruled the country from 1974-1991. Till 1974, the country had monarchy (HRW 2003:11). Ethiopia failed to develop a sustainable diplomatic relationship with its neighbouring countries due to political turmoil and violent chaos prevalent. A long-term and stable diplomatic relationship is important to develop transit routes critical to Ethiopia's economy and defence. Ethiopia's administrative division is mainly influenced by its geographical complexities. Administratively, Ethiopia is divided into nine state and three charted cities, on the basis of ethnic similarity.

Geographically, Ethiopia is a difficult country. Its physical features are an impediment to its economic and political developments. As such, means of transport and communication could not be developed to the desired extent. Being landlocked, Ethiopia doesn't have access to sea routes. For access to sea routes, a landlocked country needs transit routes. Success in developing transit routes depends on cooperation from neighbouring countries, something that Ethiopia grossly lacks. Geographically, Ethiopia has been divided into three regions – Rift Valley, Ethiopian Highland and Low Land. (Miller 2010:9). Ethiopia-Djibouti railway has been developed along with Great Rift Valley. This rail route links Ethiopian capital Addis Ababa with Port Djibouti (Hance 1975:359). Ethiopia's other three regions, because of their highland topography; have till date failed to develop any credible transit route. A neighbouring country, by providing a transit route to a landlocked country, also allows entry into its sovereignty. From its five neighbouring states, Ethiopia has a transit route only with Djibouti. It failed to cultivate relationships with its other neighbours, which hindered trans-boundary movement of trade goods.

The Somalia region has been a bone of contention between Ethiopia and Somalia. In 2006, the two countries even fought a war over the issue (Ogaden War) (Notholt 2008: 2-23). Ethiopia has had troubled relations with Kenya since colonial times, but lately, the two countries have been able to overcome past acrimonies, with Kenya offering Ethiopia its Mombasa and Lamu ports. Ethiopia has had normal

relations with Sudan, but it has failed to develop a transit route via Sudan due to decades-long civil war between the Black Christians in South Sudan and the North Muslims. As recently as in July 2011, Sudan split up, with Republic of South Sudan; it's become a new land locked country in East Africa (BBC 2011). After the cessation of Eritrea in 1993, Ethiopia lost its port infrastructure. However, under an agreement, Eritrea continued to provide access to its Assab and Asmara ports to Ethiopia. After the 1998 Eritrea-Ethiopia war, Eritrea withdrew port access extended to Ethiopia and the two countries end all diplomatic relations.

### 3.1 Historical Background

The history of Ethiopia as land locked country is story of several ups and downs. It is successor to Abyssinian civilization. A unique civilization emerged at the beginning of the first millennium A.D. in the northern highlands of Ethiopia and Eritrea. Abyssinian civilization extended across the Red sea into Southern Arabia and west into Sudan's Nile Valley. Scramble of Africa[1] had made it land locked country. The Horn of Africa was a place of struggle for power by three competing colonial powers namely, British, French and Italian (See Map 3.1). The competition over controlling influence in the region had deep impact over its political, economic and infrastructural development and shaped the nature of Ethiopian territory. It could be looked through a glimpse of Ethiopian history.

The modern history of Ethiopia stared from crowned emperor Tewodros II (Ras Kasa in 1855) who was the first leader of modern Ethiopia. Ruling from the natural fortress of Maqdala, Tewodors II established a national army and worked to reform the land system (Keller 1991: 21). In 1885, Italian forces invaded Tigary from Eritrea. During a pitched battle the following year near the Tigrayan capital of Adwa, Menelik's humiliated the Italian forces, inflicting the first defeat on a European power by an African army (Shinn 2004).

It was the starting time of transit route crisis of Ethiopia. In 1889 Menelik II declared himself Emperor. In a treaty Italy assumed control of Abyssinian affairs and

[1] The berlin Conference (1884-85) led to the Scramble for Africa. Between 1878 and 1914, European powers divided up the entire African continent except for the independent countries of Ethiopia and Liberia. The conference was an entirely European affair, no African leaders were present (Hodge 2008: 9)

the Empire became an Italian Protectorate. In1895, an uprising under Menelik II resulted in independence for Ethiopia (Lane 2008:207). He located the capital at Addis Ababa and embarked on military conquests to the south that more than doubled the size of the empire (Shinn 2004). European power, especially Italy, began to cast a covetous eye on Ethiopia. After Menelik, Ras Tafari became emperor and, upon his coronation in November 1930, took the title Haile Selassie (Hill 2006:78). He signed a 20 year friendship agreement with Italy. He introduced the first written constitution and encouraged reforms and modernization in the country (Shinn 2004).

Although Italy reaffirmed its friendship treaty with Ethiopia in 1934, it provoked an incident the same year at wall in Ethiopia's Somali-inhabited Ogaden Region bordering Italian Somalia (Freedom of Information Act 2010). Bentito Mussolini concluded that it was enough of an excuse to attack Ethiopia without a declaration of war (Shinn 2004). On 2 May 1936, Haile Selassie went into exile and took the political asylum in the Britain and Italian forces captured the Addis Ababa. Italy had merged the Ethiopia, Eritrea and Somalia and created the new colonial territory of Africa Orientale Italiana (Italian East Africa) (Dear 2001:456). The outbreak of World War II changed the course of events in Ethiopia. Britain launched attacks against the Italians, one of which was led by Haile Selassie. On 5 may 1941, the emperor and his forces entered in the capital and re-established his dynasty (Shinn 2004).

After a brief period of Italian occupation, Ethiopia became a charter member of the United Nations. When other African nations got their independence following World War II, many of them adopted the colours of Ethiopia's flag, and Addis Ababa became the location of several international organizations focused on Africa (USIP1999:8). It was a unique among African countries that the ancient Ethiopian monarchy maintained its freedom from colonial rule with the exception of the short period between 1936-41 Italian occupations during World War II.

### *3.1.1 Modern Ethiopia*

#### *Post-World War II period*

After World War II, Emperor Selassie exerted numerous efforts to promote the modernization of the nation. The Constitution of 1931 was replaced with a new one in

1955 (Keller 1991: 84). The new constitution expanded the powers of the Parliament. While improving diplomatic ties with the United States, Emperor Selassie also sought to improve the nation's relationship with other African nations. To do this, in 1963, he helped to found the Organisation of African Unity. Haile Selassie was elected the first chairman of that organisation (Makinda 1987: 29).

The United Nations, in 1950 passed a resolution that created an autonomous Eritrean State in federation with Ethiopia (Minhan1998: 80). The strategic importance of Eritrea, due to its Red Sea coastline and mineral resources, along with their shared history, was the main cause for the federation with Ethiopia. This was the culmination of a gradual process of takeover by the Ethiopian authorities, a process which included a 1959 edict establishing the compulsory teaching of Amharic, the main language of Ethiopia, in all Eritrean schools(Minhan1998: 80). The lack of regard for the Eritrean population led to the formation of an independence movement in the early 1960s , Ethiopia's Emperor Haile Selassie, ignoring Eritrea's United Nations Guaranteed autonomy, installed an Ethiopian as the state's chief executive in 1955, banned Eritrea's flag and proclaimed Amhariya, the official language of Eritrean state (Minhan1998: 80). In 1962 the Eritrean assembly, to protest the abrogation of self rule, voted itself out of existence. With the United Nations approval, Ethiopia annexed the Eritrean State, eliminating the remnants of its former autonomy, on 14 November 1962, Eritrea became just another Ethiopian province (Minhan1998: 80).

He focused on institutionalising and legitimising central authority rather than on strengthening the relationships between and among the diverse geographic entities. Moreover, the hierarchically-structured imperial regime was weak at accepting groups that wished to maintain their own distinctiveness (Praeg 2006:68). Those accusations, related mainly to the Eritrea independence, were at the root of the growing Marxist movement inside the "Intelligentsia" of Ethiopia. In the early 1970s, the Ethiopian communists received the support of the Soviet Union worldwide expansion during the Leonid Breznev's leadership (Dijk 2008: 881). This help lead to the 1974 Marxist coup of Mengistu, supported even by problems related to land reforms.

Haile Selassie faced serious challenges from both northern and southern provinces in the form of ethnic, regional and religious uprisings. In typical autocratic manner, the Emperor continued a policy of attempting to secure the sympathy of

regional power houses by co-opting disgruntled ethnic leaders (Praeg 2006:68). The government's failure to effect significant economic and political reforms over the previous fourteen years combined with rising inflation, corruption, a famine that affected several provinces (especially Welo and Tigray) and that was concealed from the outside world, and the growing discontent of urban interest groups provided the backdrop against which the Ethiopian revolution began to unfold in early 1974 (Milkias 2011:38). Whereas elements of the urban-based, modernizing elite previously had sought to establish a parliamentary democracy, the initiation of the 1974 revolution was the work of the military, acting essentially in its own immediate interests. The unrest that began in January of that year then spread to the civilian population in an outburst of general discontent.

*Mengistu Haile Mariam*

Mengistu Haile Mariam was head of state from 1977 to 1991. He formally assumed power as head of state and Derg[2] Chairman in 1977, although he had wielded behind the scenes power long before that, leading a coup in 1974 (Adejumobi 2007:177). The new government undertook socialist reforms, including nationalisation of landlord's and church's property. Mariam declared himself a Marxist and committed Ethiopia to the Socialist path of development in order to establish his regime's socialist credentials, American military facilities, including the Kagnew Air Force Base were closed and all U.S. military personnel were expelled from Ethiopia (Kieh 2002:127). Under Mengistu, Ethiopia received aid from the Soviet Union, other members of the Warsaw Pact and Cuba and Ethiopia becomes a part of Cold War. It seems that the Cold War has obvious influence in the development of the transit routes of the Ethiopia.

During Mengistu, regime, in 1977, Somalia attacked the Ethiopians in the Ogaden, a region the Somalis long claimed. Soviet air lifts and Cuban troops saved the day and pushed the Somalis back. Guerrilla warfare, however, continues in other parts of the state (Duignan 1985: 297).

[2] The Dreg meaning the committee of military officers which ruled the country from 1974 until 1987. In terms of ideology and general policy, the Dreg opted for a socialization of the production and distribution process vigorously pursued. Derg, which means "committee" or "council", is the short name of the Coordinating Committee of the Armed Forces, Police, and Territorial Army.

Soviet Somalia had fallen under Soviet influence after General Mohammed Said Barre staged a coup in 1969. The soviets built up the Somali armed forces, and constructed a modern port and air field at Berbera (Duignan 1985: 297). When the Somalis invaded Ogaden in 1977, the Soviets had to choose between the Somalis and Ethiopians. By electing to support the Ethiopians, the soviets Lost Berbera but gained assets and influence in a more strategically important state (Duignan 1985: 297). During Mengistu Haile regime separatist movement in Eretria had begun and spread out.

Mengistu eventually traded his Military khaki for the suit and became civilian president of the country in 1987 (Kamalu 2007:150). However, drought and famine were to make the regimes position weak and insurrections in the northern regions of Tigary and Eretria served to weaken the regime still further. The Mengistu revaluation of 1974 had been an opportunity for Eritrea to gain independence: but retention of the port of Massawa was still seen as strategically important for Ethiopia in avoiding its landlocked status and Mengistu army, the Derg, instead intensified the Ethiopian war against Eritrea (Kamalu 2007:150). In the meantime, in the contest between the rival ELF and EPLF movements, EPLF gained ascendancy. Mengistu decision to continue the war against Eritrea turned out to be a fatal mistake. The continued major assault on the Eritrean people including the bombing of civilians by air strikes only galvanized support for the secessionist movement. The Dergs prevention of access to food and medical aid from The Red Cross and other agencies strengthened the people's resolve still further. The war waged by Ethiopia became unviable. By 1988 following a series of devastating losses the Ethiopian army was demoralized (Kamalu 2007:151). By 1989 the Tigray Peoples Liberation Army (TPLF) joined with other grouped including EPLF in opposing the Mengistu Regime to form EPRDF (Ethiopian People's Revolutionary Democratic Front) (Kamalu 2007:151). In 1991 The EPRDF Forces succeeded in ousting Mengistu who fled in to exile and went to Zimbabwe.

### *3.1.2 Democratization of Ethiopia and Contemporary Political System*

In May 1991, The Combined Forces of EPRDF and EPLF overthrew the government of The People's Republic of Ethiopia (Aaron 2003:73). The EPRDF and other groups made up a transitional government that oversaw a transition to civilian

rule. The EPLF immediately established a provisional government in Eritrea, ending decades of incorporation of Eritrea into Ethiopia (Aaron 2003:73). Eritrea gained its independence in 1993 ending 30 years of its struggle for independence (Kamalu 2007:151). The conflict with Eritrea however continues. A border dispute between the two countries culminated in to war in 1998 (Gillespie2003:94). The EPRDF, Oromo Liberation Front (OLF), Afar Liberation Front and Several Somali Group's like Western Somali Liberation Front and Ogaden National Liberation Front adopted a Transitional Charter that established the TGE. The new Government included an 87-member's council of representatives and a national charter that Functioned as a transitional Constitution (Shinn 2004:384). A constitution was adopted in 1994, and Ethiopia's first multiparty elections were held in 1995 (Gillespie2003:94).

*3.1.2.1 The Government and Political System*

Ethiopian politics is organized on the principles of federal parliamentary republic. Ethiopia adopted a new constitution that established the Federal Democratic Republic of Ethiopia (FDRE) in 1995 (Zewde 2002:185).The federal government is responsible for national defence, foreign relations and general policy of common interest and benefits. The federal state comprises nine autonomous states vested with power for self-determination. There are two self governing administrations, the country's capital Addis Ababa and Dire Dawa (Praeg 2006: 137). The FDRE is structured along the lines of bicameral parliament, with the council of Peoples' Representatives being the highest authority of the federal government while the federal council represents the common interests of the nations, nationalities and peoples of the states. Members of both councils are elected by universal suffrage for a five-year period.

Federal Government Ethiopia has adopted a parliamentary form of government from which the President, the Prime Minister and the cabinet are drawn. The Constitution vests the executive authority of the Federal Government in the Prime Minister, who is the head of the national executive. The highest executive powers of the federal government are vested in the Prime Minister and the council of ministers (Yonatan 2010: 188). Ethiopia is divided into 9 ethnically based administrative regions and three chartered cities (See Map 3.2) (Gillespie2003:94).

The 9 regions are Afar, Amhara, Benishangul-Gumuz, Gambela, Oromiya, Somali, Southern Nations Nationalities and Peoples Region, Tigray and three Charted Cities Addis Ababa, Dire Dawa, Harari. Each autonomous state is headed by a state president elected by the state council. The judiciary is constitutionally independent. The Federal Democratic Republic is composed of states which are delimited on the basis of settlement patterns, language, identity and consent of the peoples concerned.

Political history of Ethiopia reflects several ups and downs its political history has been mainly influenced by colonial powers and effects of cold war era. This is the foremost reason Ethiopia could not develop amicable relation with Eritrea and Somalia. However some times before Ethiopia were getting the transit routes and port facility from the both countries but because of political enmity, all facilities of transit routes have ruined. Initially had Ethiopia better relation with Kenya and Sudan but their internal political instability had hampered the development of transit routes with both the countries.

## 3.2 Geographical Features of Ethiopia

The study of transit route demands geographical understanding of the landlocked country. A geographical understanding of the unit will be incomplete without knowing its topography, climate, soil, vegetation, drainage system and human resources. Topography tells us about the geological strength of the units drainage system which can tells about the adaptability and availability of water transport. Economic and human resource tells about the present level of development and the future potential. The physical features of landlocked countries are an impediment to its economic and political developments. This section is an endeavour towards understanding the geographical feature and their impact on transit route and its development in landlocked Ethiopia.

### *3.2.1 Topography*

The Ethiopian topography witnesses the geological activities and climatic effects that have been formed in long time. Geologically, it is a part of constructive plate margin and composed of basaltic rocks and volcanoes. Topography has exaggerated the development of transport network and transit route. Ethiopia contains

a variety of distinct topographical zone. Geographically, Ethiopia has been divided into three regions – Rift Valley, Ethiopian Highland and Low Land (See Map 3.3) (Miller 2010:9).

*a) Rift Valley*

Geologically, rift valley divided Ethiopia in two parts East and West. It is entirely on constructive plate margins. "This extensive fault system extends from Jordan valley in the middle east to the Zambizi River's shire tributary in Mozambique" (Ofcansky 2004: 92). "The rift marks the line where two sections of earth's crust called tectonic plates are separating. This separation from a huge valley marked by volcanoes, depression gorges, lakes and other land features" (Lassiens 2003:9). The rift valley gradually widens toward Ethiopia's northern border with Eritrea and Djibouti. The Danakil Depression is one of the lowest places of Ethiopia not covered by water, lying about 116 m below sea level at some points. It is part of the Great Rift Valley (Willie 2001: 67). A chain of lakes lies in the southern Rift Valley. But the largest inland water body is Lake Tana in the northwest of Ethiopia.

*b) Ethiopian Highland*

Ethiopian highland are called the Ethiopian plateau. The highlands of Ethiopia form the most extensive upland of the entire African continent (Hence 1975: 354). The Great Rift Valley bisects this mountainous plateau dividing it into northern and south eastern highland region. The north western highlands are large and more rugged topography. In the north west, the region is further subdivided in to northern and southern sections by the valley of the blue river (Gillespie 2003: 18) The height of the plateau vary from 1,500 to 3,000 meters above sea level and features mountainous uplands separated by deep gorges and river valleys, especially in the north, the highest point is Ras Dashen in the northern highlands (Lassieur 2003: 12). Highland plateau cover 2/3 parts of Ethiopia. Addis Ababa, Jima, Awasa, Nazret and Gonder etc. are situated in highland land plateau.

*c) Low land*

The multiplicity of Ethiopia's terrain determines regional variations in climate, natural vegetation, soil composition, and settlement patterns. The high land slopes

down to low land areas. Generally the lowlands are drier than the highlands. Poor soil makes the land difficult to farm scared settlement in the low lands. Low land is divided into two part northern low land and Ogaden plateau. Northern plateau is close to Sudan boundary Ogaden plateau called Somali plateau, it makes up almost of the eastern low lands. The Dawa, Wabe Gestro and Wabe Shebele Rivers flow across the plateau (Lassieur 2003: 12). The fragmented nature of Ethiopia highlands played an important part in the country's political and cultural history. Isolated and mountainous plateau massifs have proven to be almost insurmountable obstacles to political leaders who have sought to unify the country, to the invaders who desired to conquer it, and to those who have sporadically attempted to develop its economic resources.

*Influence of Physical Features on Transit Route of Ethiopia*

The physiographic differences within Ethiopia have been a major reason for the differences in human activities, mobility and concentration. Not only has that but evened the patterns of land use reflected by relief. Thus, it will be noticed that arable land is mostly concentrated in the low lands while forests are retained mostly on up lands. The differences in relief also show a great impact on the development of transport routes. The more conspicuous gaps in the cart track and road net in this region normally coincide with the high hills and steep slopes. Thus, the road network is either thin or absent in Somali plateau and Southern highland. At some places, these hilly ranges have been crossed or through-crossway has been made. The high Somali infringes still form the largest inaccessible region for vehicles. While numerous hills obstruct the alignment of roads, the narrow passes between them act as bottle-necks through which the roads pass. In the rainy season, the transportation system is therefore adversely affected.

*3.2.2 Principal Rivers and Drainage System*

All of Ethiopia's rivers originate from the highlands and drain into the surrounding lowlands areas. The Ethiopia is known as water tower of Africa. The Abay (Blue Nile), Ethiopia's largest river, the Tekezé, and the Baro flow west into the Nile River in Sudan, the Blue Nile contributing some two-thirds of the Nile's volume below Khartoum. The Awash flows east through the northern Rift Valley and disappears into saline lakes in the Denakil Depression. In the south, the Genale and

Shebele flow south-eastward into Somalia; the Omo drains the southwest and empties into Lake Turkana on the border with Kenya (LCFDRD 2005: 5).

The Western Highlands generally slope towards the Sudan and drainage is therefore westward. The eastern edge of these highlands constitutes a major watershed draining into the Rift Valley (The New Encyclopaedia Britannica 1987: 818). Similarly, the western edge of the Eastern Highlands constitutes another watershed, with its eastern slopes draining in a south-easterly direction and its steep western face drained by small rivers into the Rift Valley. Since the Western Highlands is an area of high rainfall, the westward drainage is by far the most important, accounting for nearly half the total volume of water drained annually from the country (The New Encyclopaedia Britannica 1987: 818).

Ethiopia contains four major rivers systems. The first system consists of the Takkaze (also known as the Atbara), the Abbay (Blue Nile), and the Baro (Sobat), originating in Sudan and flowing westward into the Nile (Adejumobi 2007: 5). The Abbay is the most famous, deriving its source from Lake Tana. In the second group is the Ganale, which is also known as Juba, and the Wabe Shabale, and these two rivers flow towards the Indian Ocean. The Gibe, also known as Omo in its lower course, flows through the south-western highlands, with the Turkana, also known as Lake Rudolph, on the Ethio-Kenya border as its terminus (Zewde 2001:2). The Awash sets off from the highlands west of Addis Ababa, Ethiopia's capital, streams across the Rift Valley, and vanishes in its north-eastern sands. The Rift also play host to Ethiopian major chain of lakes. These include Lakes Zway, Langano Abyata, Shala, and Awasa in the north, Abbaya and Chamo in the middle, and Lake Rudolf at the southern tip. A string of volcanic crater lakes can be found around the town of Dabra Zayt, formerly known as Beshoftu, about 31 miles south of Addis Ababa Nile (Adejumobi 2007: 5).

*Influence of drainage system on Transit Route*

Undulating topography could create problem because financial constraint are major obstacle in bridge construction and can deteriorate land transportation. Rivers are most suitable and less expensive in maintaining the mobility of flow of goods and services. Telescopic freight rate of water transport can challenge the land transport system. Land mobility in obstructed by rivers at many locations i.e. Aabay, Ganale.

However, river could generate good transportation system in absence of rapid cataracts and fall.

*3.2.3 Human Resources and Transit Route*

*3.2.3.1 Population*

With a population of about 61,672,000 (Regional Surveys of the World 2006: 432), the republic has nine administrative units and two charted cities. The population distribution according to the units is shown in Table 3.1. The 2007 Population Census results are presented by regions. The data show that there are significant variations in the distribution of population by regions. As shown in Table 3.1, the largest proportion of the country's population was found in Oromia Region, followed by Amhara and SNNP Regions. The lowest proportion was in Harari Regional State (Regional Surveys of the World 2006: 432). The average population density is 55 people per square mile. Approximately 85 percent of the total population lives in the rural area. The annual population growth rate is about 2.6 percent (Regional Surveys of the World 2006: 432).

Table 3.1
**Population Distribution (2002)**

| **Regional States** | **Area** | **Population** | **Density** |
|---|---|---|---|
| Afar | 96,707 | 1,188000 | 12 |
| Amhara | 159,202 | 15,850000 | 100 |
| Benishangul /Gumuz | 49289 | 523000 | 11 |
| Gambela | 25802 | 206000 | 8 |
| Harari | 311 | 154000 | 495 |
| Oromia | 353007 | 21,694000 | 61 |
| Somali | 279,252 | 3,602000 | 13 |
| SNPP | 112343 | 12,132000 | 108 |
| Tigri | 50079 | 3,593000 | 72 |
| Charted Cities | | | |
| Dire Dawa | 1213 | 306000 | 252 |
| Addis Ababa | 530 | 2,424000 | 4574 |
| Total | 1127735 | 61,672000 | 55 |

Source: Regional Surveys of The World (2006) *A South of the Sahara*, Routledge: New York

The same patterns of overall population distribution by regions were observed in the 1994 census. However, there were slight changes in the percentage of

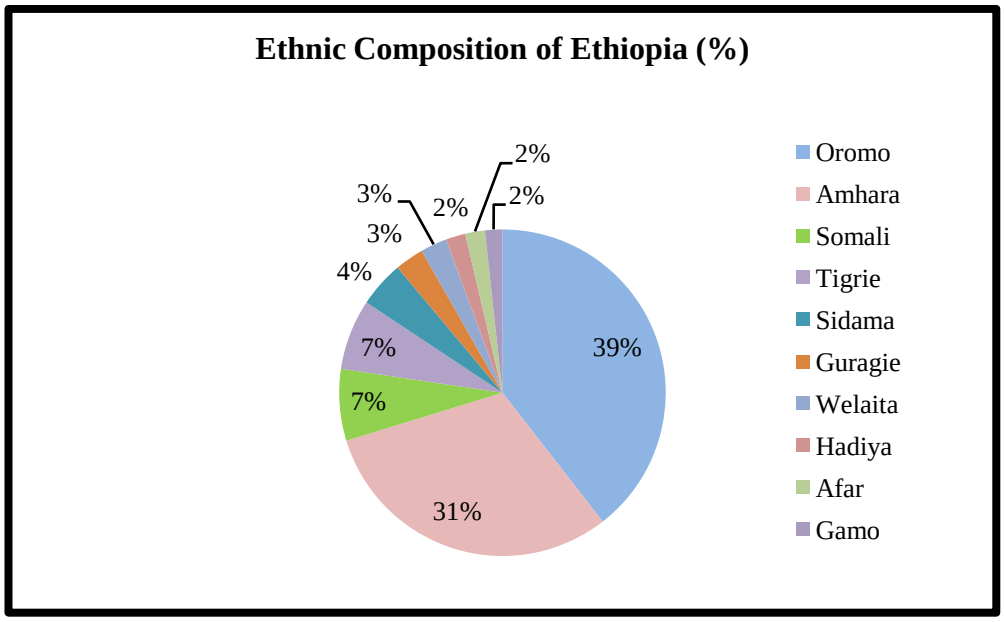
population distribution over the last 12 years: the percentage shares for Oromia and SNNP Regions have slightly increased since 1994, whereas the percentage share of the national population in Amhara Region has declined from 25.9 to 23.3 percent (Regional Surveys of the World 2006: 432). For the rest of the regions, distributions of the national population expressed in terms of percentages remained nearly the same.

Two-third population uses the Amharic, Oromigna and Tigrigna languages. Amharic is the national language of the federal government. English is taught as second languages in the school in the north. Christianity and Islam are the main religions practiced in Ethiopia. Other traditional religions are also practiced by a small section of the population, particularly in south.

*3.2.3.2 Ethnic Groups and Languages*

Ethnic classification in Ethiopia is difficult because people can be categorized on the basis of one criterion, for instance language, may be divided on the basis of another, such as ethnic identity. More than eighty ethnic groups were listed in the 2007 census (See Fig. 3.1). Out of these, 10 ethnic groups have a population of one million and above (UNFPA 2007:12).

Fig: 3.1
**Ethnic Composition of Ethiopia**




Source: UNFPA (2007), *Summary and Statistical Report of the 2007 Population and Housing Census*, UNFA

Language, however, often is used to classify various groups of peoples. At least 70 languages are spoken as mother tongues, but several predominate. Most belong to the Semitic, Cushitic, or Osmotic families of the larger Afro-Asiatic super-language family; a small number belong to the Nilo-Saharan family of languages. The largest Semitic speaking groups are the Amhara, formerly the official language that is still quite widely used, and who constitute perhaps 25 percent of the population. The second largest language is the Tigray. The Amhara occupy the center of the northern highlands, the Tigray, the far north. Both are plough agriculturalists. Smaller groups include the Gurague, Hareri, and Argobba.

*Influence of Human Resources on Transport and Transit Route*

Quality of life and transport network system are highly correlated because standard of living is highly influenced by human resource development that is technical know-how, education, health services and per capita income. A particular threshold of population is required to support any economic activity. A multiethnic country like Ethiopia has several population borne problems such as high fertility and high mortality rate, low longevity and low urbanization. The small scale movement of people from rural to urban places where more than 80 percent population in engaged with primary activities. Some groups of people are marginalized in the process of socialization, as they are vulnerable section of society and part of vicious circle of poverty. The above-mentioned factors have a determining impact over transport and communication.

*3.2.4 Economic Resources in Ethiopia*

Ethiopia is a least develop country. The economic activity is primarily confined to agricultural, apicultural and mining. The secondary services e.g. industrial activities are in preliminary stage. Agriculture is the leading sector in the Ethiopian Economy. It accounts for about 45 percent of the GDP, employs about 80 percent of the labour force, generates about 80 percent of the export (CSA Ethiopia 2007: 4). Gold, marble, limestone and small amounts of tantalum are mined in Ethiopia (FICCI 2010: 3). Other resources with potential for commercial development include large potash deposits, natural gas, iron ore, and possibly oil and geothermal energy.

Although, Ethiopia has good hydroelectric resources, which power most of its manufacturing sector, it is totally dependent on imports for oil.

*3.2.4.1 Agriculture*

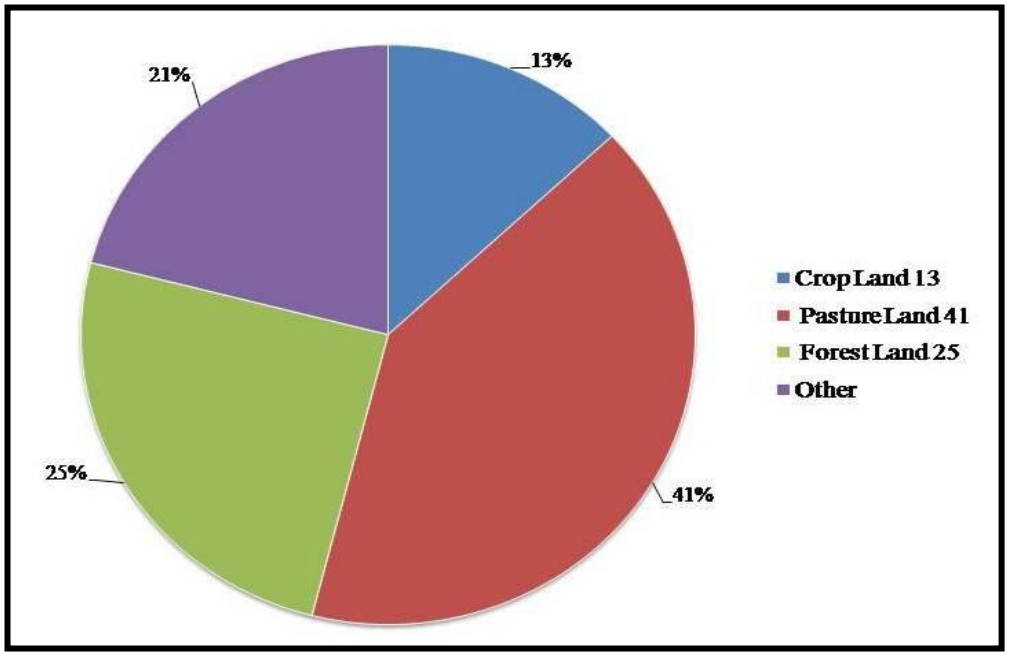
Agriculture, which includes crop production, animal husbandry livestock, forestry, fisheries and apiculture, remains by far the most important sector of the country for the following reasons. It directly supports about 85 percent of the population in terms of employment and livelihood (Regional Survey of the World 2004:408). It is the major source of food for the population of the nation and hence the prime contributing sector to food security. In addition, agriculture is expected to play a key role in generating surplus capital to speed up the overall socio-economic development of the country.

The size of Ethiopia's livestock resources is the largest in Africa and the tenth largest in the world. While the contribution of the livestock industry to the country's total exports is currently low compared to its potential, this sector holds great promise as a source of export diversification for the future (EFDRE 2011:2). Major Ethiopian export products include: coffee, livestock products (skins and hides, leather, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum, spices and mineral products (MoFA, Ethiopia 2007:13). Ethiopia's agriculture is plagued by periodic drought, soil degradation caused by inappropriate agricultural practices and poor transport infrastructure, making it difficult and expensive to get goods to market.

A poor transportation network also makes it difficult and expensive to move goods between markets, while poorly developed market intelligence system hampers the growth of competition among traders, thus further contributing to market failure (Gill 1991: 156). Yet agriculture is the country's most promising resource. Ethiopia is believed to have a considerable land resource for agriculture. World Bank estimated that cropland, pastureland, and forestland accounted for 13, 41 and 25 percent respectively, of the total land area in l987 (See Fig. 3.2).

Fig: 3.2

**Land Use Patterns of Ethiopia**




Source: Ofcansky, Thomas P. (2004), *Ethiopia A Country Study*, Kessinger Publishing: 174

*3.2.4.2 Industries*

The prosperity of nations depends upon its economic activities. It is agriculture, industries, trade and commerce that provide a nation wealth, but industry being the lifeblood of the economy of a nation. These activities cannot flourish without adequate transportation facilities. The major industrial sectors in Ethiopia are described below.

*Manufacturing:*

Ethiopia has a very underdeveloped manufacturing sector. Manufacturing contributed just over 13 percent of Ethiopia GDP in 2009-10, powered by hydroelectricity, most manufacturing plants are concentrated in Addis Ababa and Dire Dawa and produce consumer goods for the domestic market (AACC 2010: 15). Food and beverage processing and textiles dominate the country's manufacturing sector. Other manufactured goods include leather goods, sugar and molasses, shoes, tobacco and beeswax (See Table 3.2). Leather industry is major source of foreign exchange for the country. Earlier, the country used to export raw leather. Mostly, it consists of

small to medium scale industries which rely on agriculture productivity. Majority of the consumer goods are imported from EU, China and US.

*Mining*

Ethiopia is not endowed with rich mineral resources. The Ethiopian mineral resources development corporation (EMRDC) governs and manages mineral sector in the country. Gold is the main mineral export item for the country but the country is known to contain deposit of platinum, salt, limestone, clay, copper, nickel and iron (EFDRE 2011:2).

Table 3.2
**Industries Present in Ethiopia**

| **Raw material processing** | **Places** |
|---|---|
| Vegetable oil extraction | Dessie, Harar, Debre Maros, Addis Ababa, etc. |
| Coffee cleaning | 20 plants in Addis Ababa, others scattered |
| Grain milling | Scattered |
| Vegetable and fruit canning | Awasa |
| Sugar | Wonji , Shoa |
| Tanning | Addis Ababa |
| Ply wood | Addis Ababa |
| **Market oriented industries** | |
| Brewing | Addis Ababa |
| Carbonated beverages | Addis Ababa |
| Modern dairy | Addis Ababa |
| Confectionery | Wonji |
| Tobacco | Addis Ababa |
| Textiles | Addis Ababa |
| Shoes | Addis Ababa |
| Cement | Addis Ababa |
| Asbestos sheet and tubes | Addis Ababa |
| Ammunitions | Addis Ababa |
| Metal bars, rods | Addis Ababa |

Source: William A. Hence, *The Geography of Modern Africa,* New York

Several key mineral discoveries have been announced since the mid - 1980s, including iron ore in Welega province, coal in Kefa, bicarbonate in Shewa, potassium in Tigary, and tantalum near Shakiso. Significant deposit of coal and oil shale were discovered in western areas of Illubabor region (Gish 2007: 41). A well developed transport network system can possible the reach of recourses to the world market while less developed transit routes is obstacle for the same. The Ethiopian industries sector is plagued by a number of problems in the past, particularly shortages of

foreign exchange, poor transport infrastructure high cost of transportation and raw materials.

*Influence of Economic Resources on Transit Route*

Transit route plays an important role in linking production with international market. The production itself is facilitated by the transit route as processing site is linked with the sites of the raw materials. Similarly it is with the help of a developed transit route that goods and services are distributed in the local, national and international markets. It also ensures the movement of ideas and skills from one region to the other.

## 3.3 Transport and Communication Network

The way people and goods are moved across space are considered to be very important for social and economic development. Nevertheless, transport alone is not the key to progress. Transport has special significance because it plays very important role in facilitating other aspects of development. Transport is a necessary ingredient of nearly every aspect of economic and social development (Button 2001:255). It plays a key role for bringing land into production, marketing and in making natural resources accessible. It is a significant factor in the development of industry, expansion of trade, conduct of health and education programme and exchange of ideas.

Ethiopia has an inefficient transportation and communications networks (See Map 3.3) (World Bank 2007:11). For a country of its size, the transport network is quite limited and needs both up gradation and expansion. It is needless to say that cheap and efficient system of transportation system boosts the economic development of a region. The railways, roads, inland waterways and airways, all contribute individually and collectively to its advancement. For all-round assessment of economic development, it is important to study the nature and distribution of the transportation arteries and to assess their qualities and capacities.

### *3.3.1 Roads*

Road transport is the dominant mode of transport and it plays a pivotal role in supporting the economic and social development of Ethiopia. In the context of Ethiopia's geography, pattern of settlement and economic activity, transport plays a

vital role in facilitating economic development. In particular, it is road transport that provides the means for the movement of people, utilization of land and natural resources, improved agricultural production and marketing, access to social services, and opportunities for sustainable growth. Recognizing the importance of the road transport in supporting social and economic growth and as a catalyst to meet poverty reduction is very essential (World Bank 1997: 5).

They are the most universal form of communication and also the most varied. Roads of one kind or another, ranging from forest paths to the latest motorways has several important features. Firstly, wherever a demand exists for a route from place to place path or road is soon established. Secondly, a very wide range of transport agents can use roads (Leong and Morgan, 1982: 575). The roads, in general, carry about 95 percent of the country's passenger and freight traffic and provide the only form of access to most rural communities (RSDP 2009:4). Ethiopia's inadequate and unreliable transport infrastructure continues to be a significant barrier to economic growth, and access to ports, markets and services is limited (EDU 2008 17-20).

Ethiopia has about 46,812 kilometres of roadways, of which only 6,938 kilometres are paved (RSDP 2009:35). Almost all primary roads are gravel roads, including those that connect Addis Ababa with major cities and towns across the country (See Map 3.4). Since its inception in 1997 the government of Ethiopia has tackled rehabilitation and expansion of the paved main roads and important main unpaved and regional roads. The total road network has expanded from about 26,550 km at 1997 to 46,812 km, increasing the road density from 24.1 to 42.6 km per 1000 sq. km and 0.46 to 0.57 km per 1000 population (RSDP 2009:35).

The growth is outlined in Table 3.3. Change in Road Network and Road Density (1997-2009) Spending is concentrated on the five main arteries radiating from Addis Ababa toward Jimma, Ginir, Adama, Dessi, and Dire Dawa. In spite of the relative importance of road transport, the condition of the infrastructure has been generally poor. Only about 12 percent of the road network is paved and road density remains one of the lowest in Africa.

Table 3.3
**Road Networks Development in Ethiopia**

| Year | Road Network in km | | | | Growth Rate | Road Density/ 1000 pop. | Road Density/ 1000 km |
|---|---|---|---|---|---|---|---|
| | Asphalt | Gravel | Rural | Total | | | |
| 1997 | 3708 | 12162 | 10680 | 26550 | | 0.46 | 24.14 |
| 1998 | 3760 | 12240 | 11737 | 27237 | 4.5 | 0.46 | 25.22 |
| 1999 | 3812 | 12250 | 12606 | 28662 | 3.3 | 0.47 | 26.06 |
| 2000 | 3824 | 12250 | 15480 | 31554 | 10.1 | 0.50 | 28.69 |
| 2001 | 3924 | 12467 | 16480 | 32871 | 4.2 | 0.50 | 29.88 |
| 2002 | 4053 | 12564 | 16680 | 33297 | 1.3 | 0.49 | 30.27 |
| 2003 | 4362 | 12340 | 17154 | 33856 | 1.7 | 0.49 | 30.78 |
| 2004 | 4635 | 13905 | 17956 | 36496 | 7.8 | 0.51 | 33.18 |
| 2005 | 4972 | 13640 | 18406 | 37018 | 1.4 | 0.51 | 33.60 |
| 2006 | 5002 | 14311 | 20164 | 39477 | 6.6 | 0.53 | 35.89 |
| 2007 | 5452 | 14628 | 22349 | 42429 | 7.5 | 0.55 | 38.60 |
| 2008 | 6066 | 14363 | 23930 | 44359 | 4.5 | 0.56 | 40.30 |
| 2009 | 6938 | 14234 | 25640 | 46812 | 5.5 | 0.57 | 42.60 |

Source: RSDP (2009), *Ethiopia Road Authority*, Govt. of Ethiopia.

The road density at 30 km per 1000 sq. km in 2002, although better than in 1994 (at 21 km per 1000 sq. km), is still below the average of 50 km per 1000 sq. km for Africa (RSDP 2009). RSDP has estimated that about 75 percent of the total area of the country is more than half a day's walk from all-weather roads (RSDP 2009:8). The road network is divided in three part (i) Federal Roads (ii) Regional Roads (iii) Rural road (See Map3.4).

*3.3.1.1 Federal Roads*

Federal roads are those roads, which are built and operated with the help of federal government fund and care. It is also called trunk road. These are the most important roads of Ethiopia. They link up the major cities and provide an artery of Ethiopia. The major Trunk Roads in Ethiopia are mention in table 3.4. Federal road directly serve the transit facility.

Federal Road A-1 is longest Federal road of Ethiopia (RSDP 2009). It interlinks Addis Ababa and Dire Dawa to port Djibouti Port Massawa and Port Asseb. It is totally paved Federal Road (RSDP 2009). A-5 is the second largest road that links Sudan. Federal Road A-10 is third largest road. It links Awash to Somalian Port Mogadishu and Port Berbera (RSDP 2009). A-7 is geostratigically important Federal road and it links Modjo to Arba Minch. Arba Minch is a strategically important U.S.

Air Force drone base. In Ethiopia, the Federal Roads are the primary long-distance roadways and span about 18,540 km.

Table 3.4
**Federal Roads in Ethiopia**

| | Federal Road | Route | Length (km) | Surface Type | Routes for Port |
|---|---|---|---|---|---|
| A1 | Addis-Djibouti | Addis- Modjo-Nazert- Metehara-Awash- Gewane-Mile-Semera Serdo - Hanef –Ditcheto-Burie | 827 | Paved | Dijibouti Port, Asseb Massawa |
| A5 | Addis -Metu | Addis Weliso-Welkite-Gibe river-Saja-Jima- Bedelle - Metu | 597 | Paved | |
| A6 | Jimma-mizanteferi | Jimma - Bonga – Mizanteferi | 221 | Unpaved | |
| A7 | Modjo-Arba Minch | Modjo - Ziway- Shashemene - Alaba-Sodo-Arba Minch | 433 | Paved | |
| A8 | Shashemene-Hgeremariam | Shashemene-Wgenet – Awassa – Aposto – Dilla –Yirgalem – Hgeremariam | 246 | Paved | |
| A9 | Nazereth-Assela | Nazereth-Ateya-Assela | 85 | Paved | |
| A10 | Awash-Degehabur | Awash Arebereketi - Kkobo – Kulubi – Dengego – Harar - Bombas – Jijiga – Degehabur | 584 | Paved | Berbera Port and Maogadishu |
| B20 | Adigraant-Zalanbesa | Adigraant-Zalanbesa | 35 | Paved | |
| B21 | Dessie-mekaneselam | Dessie- Mekaneselam-Gundewein | 202 | Unpaved | |
| B22 | Woldia-wereta | Woldia – Gundewein – Estayish – Gashena – Flakit – Dzabit – Debretabor – Wereta. | 301 | Paved Unpaved | |
| B30 | Gondar-debark | Gondar – Debark - Adi Arkay - Buya River - Shire- Axum. | 385 | Unpaved | |
| B31 | Tik- B/Dar | Tik-Mota-B/Dar | 252 | Unpaved | |
| B32 | Bure-Nekemte | Bure - Abay River - Gida - Guten-Nekemte | 257 | Unpaved | |

Source: RSDP (2009), *Ethiopia Road Authority*, Govt. of Ethiopia.

### *3.3.1.2 Regional Roads*

The major regional roads provide connections to industries, places from key areas in the state making them more accessible. It serves to reach agricultural products to the markets. It connects with Federal Roads. The minor state road connects towns and rural places of production and markets with the districts (RSDP 2009). These roads are generally all weather roads. In the Ethiopia, regional roads refer to the numbered highways which are laid and maintained by the state government. These are not related to Federal roads and are not involved with the federal government. The regional roads link important cities, towns, district headquarters within the state and connecting them with Federal Roads or highways of the neighbouring states. Gambel,

which joined South Sudan, has the highest regional road density, but it is not connected to sea route. Afar, Somali and Oromia respectively are linked to Djibouti, Kenya and Somalia transit routes. But their regional road density is 0.023 per square kilometre (RSDP 2009). (See table 3.5).

Table 3.5
**Regional Roads**

| Regions | Regional/ Rural Road (km) | Area (km sq. ) | Road Density |
|---|---|---|---|
| Afar | 1,053 | 96,707 | 0.011 |
| Amhara | 2,996 | 159,202 | 0.019 |
| Benishangul-Gumz | 1590 | 49289 | 0.032 |
| Gambella | 846 | 25802 | 0.033 |
| Harrari | | 311 | 0 |
| Oromia | 8,123 | 353007 | 0.023 |
| SNNP | 7,343 | 279,252 | 0.026 |
| Somali | 2,097 | 112343 | 0.019 |
| Tigray | 1,404 | 50079 | 0.028 |
| Dire Dawa | 188 | | 0 |
| | 25,640 | | |

Source: RSDP (2009), *Ethiopia Road Authority*, Govt. of Ethiopia

*3.3.1.3 Community Roads*

Community roads are intended to serve the interior rural areas. They connect villages and groups of villages with district roads and small but significant commercial centre. These roads serve the function of transporting the primary products from the rural area to urban areas. The unpaved roads are mainly used by bullock carts, animals and caravan. In spite of their being the most essential means of communication in the countryside they are in most cases, no better than mere tracks and are absolutely blocked during the rainy season. And half of Ethiopia's population does not have access to roads and depends on pathways and tracks (RSDP 2009).

*3.3.1.4 The Road System*

In Ethiopia, the road facilities are awfully inadequate for the growing requirement of the region. Although the government, both the centre and the provinces are directly responsible for the development and maintenance of roads, yet it is the concern of the people to use them purposefully. Different types of roads intricately merge the general road system of Ethiopia. The road from Addis Ababa to Neghalli, which passes from central Ethiopia to Southern Ethiopia, is main artery in road communication. The other important roads of the region are Addis Ababa to

Jimma, Addis Ababa to Neghelli, Addis Ababa to Dire Dawa and Addis Ababa to Assab. These roads provide the basic framework for the road network of the region.

*3.3.2 Railway*

The Djibouti-Ethiopia Railway (Chemin de Fer Djibouti-Ethiopien, or CDE) is the successor of the Imperial Railway Company of Ethiopia and jointly owned by the governments of Ethiopia and Djibouti (African Development Bank 2006:265). The Djiboutian Ministry of Equipment and Transport and the Ethiopian Ministry of Transportation and Communications is the president and vice-president of the company. It was formed after Djibouti gained independence in 1977 and received the French shares of the Imperial Railway Company (Makinda 1987: 29). The railway links Addis Ababa, the capital of landlocked Ethiopia, to the Port of Djibouti in coastal Djibouti.

The single track 781 km railways have a one meter gauge, most of it on Ethiopian territory and about 100 km in Djibouti (African Development Bank 2006:265). The head quarter of Railway Company is located in Addis Ababa. Ethiopia announced in 2001 that it had reached an agreement with Sudan to build a rail link to Port Sudan. Ethiopia had signed the accord with the Kenya under which railway track will be connected from Addis Ababa to port Lamu via Moyle.

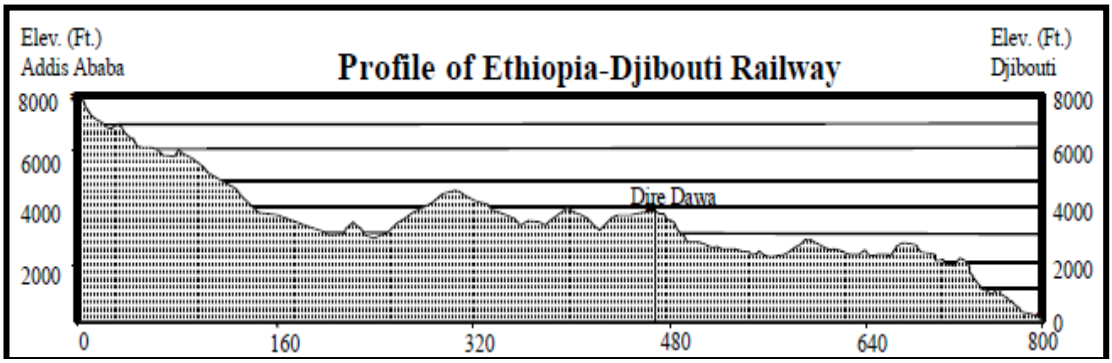
*Characteristics of Railway Lines*

The nature of curves and gradients, frequency of tunnels and bridges, the bulk of cutting and filling determine the characteristics of railway lines, as these factors have a great bearing on their smooth and efficient working. Because rough tracks, sharp curves and steep gradient are the bane of fast running trains, these features manifest the degree of terrain friction encountered, "which along the distance is a principal element in the cost of transportation and hence in the effectiveness with which communication and interchange within and among regions can take place" (Knowled and Wareing 1996). Most of the railway line running in the rift valley and Ethiopian high lands has these characteristics. The railways being highly sensitive to gradient generally avoid steep gradients and resort to curve cutting and tunnels to surmount the topographical obstacles.

The broken topography of plateau region compels the railway route to frequently change course and gradient from place to place. Because of undulating topography high power locomotive are needed. The steep gradient necessitates the services of a banking engine at some places as for example near to Addis Ababa to Nazreth (Aschenaki 2004). So laying of railway line is therefore an expensive business in the region.

The Ethiopia-Djibouti Railway line passes through rift valley region. From City Awash to Nazreth, the line runs straight with gentle slope and from Nazreth to Addis Ababa it runs straight with steep slope. In Fig 3.3, longitudinal profile and curves of Franco-Ethiopian railway lines are given. This profile shows the gradient and curves of the lines in Ethiopian topography. Most of the railways of Ethiopia in highland and hill area are generally winding having scarp curves, numerous cutting and few tunnels whereas in the plain they run straight. This reflects the varying degree of terrain friction in the high land and plateau area. The more rugged the relief of a region, the more persistent is the influence exerted on the transportation routes. The railways being highly sensitive to gradient generally avoid steep gradients and resort to curves cutting and tunnels to surmount the topographical obstacles.

Figure: 3.3
**Rail Profile of Ethiopia – Djibouti Railway**



Source: Hence, William A., *The Geography of Modern Africa*, New York

Ethiopian government had signed a Memorandum of Understanding with four companies, the China Communications Construction, China Railway Engineering Corporation, and an Indian and Russian company (Railways Africa 2010). The ERC was established in November 2007 under the supervision of the Ministry of Transport and Communications (Railways Africa 2009). The new railroad network is planned to

have at least 8 main routes that extends to all compass points. The rail line will link no less than 49 urban centers, where railway stations are to be established.

The proposed rail line crosses the borders of all regions, except Gambella. The network connects, among others, the Chartered Cities Addis Ababa & Dire Dawa, 7 of the 9 State capitals, and towns bordering Sudan, Kenya and Djibouti (Railways Africa 2010). Government of India is helping in this project[3]. During the official opening of the 2nd African Indian summit was held in Addis Ababa, Indian Prime Minister, Manmohan Singh has offered 300 million US dollar to Ethiopia to assist in the construction of railway that connects Ethiopia to Djibouti Port (Abiye 2011). Kenya would have two railway branches connecting it to its closest Horn of Africa neighbours, Ethiopia and Sudan. One of the proposed railway lines will connect Garissa town with the Ethiopian capital Addis Ababa, while another will be constructed from Lamu to Juba in south Sudan via Garissa (Business Daily, South Africa 2008).

*3.3.3 Pipelines*

Pipelines are in use where there is need of supply of goods like oil, natural gas etc. As Ethiopia is one of the least developed countries where neither they have gas nor oil it is natural that pipelines are not in use. Since Ethiopia's topography is undulating therefore pipeline construction involves high cost that is also economically unviable. It neighbour country South Sudan is oil exporting country, it is also a land locked country. Ethiopia, South Sudan and Dijibouti have signed a Memorandum of Understanding to build an oil pipeline in Feb. 2012 (MoFA Ethiopia, 2012). This pipeline will be beneficial for Ethiopia's petroleum needs.

*3.2.4 Water Ways*

For facilitating its transit trade, Ethiopia has concluded Port Utilization Agreement with Djibouti and Sudan. However, now a day Ethiopia mainly uses the port of Djibouti. A geographical feature of Ethiopia does not allow inland and marine transport system. Besides, Ethiopia has no significant navigable waterways, although

[3] During Indian external affairs minister's visit to the country in February 2010, the President of Ethiopia requested for Indian assistance to build an extensive rail transport network connecting the major towns of the country and a rail corridor with Djibouti.

limited ferry service is available on Lake Tana. The Baro and Awash rivers are navigable only in the rainy season. Because of falls, cataracts and rapids its Abay River is not navigable (Gish 2007:114).

*3.3.5 Dry Port*

The ability of landlocked countries to trade does rely on the existence of efficient and easily accessible transit corridors of which dry ports constitute a vital component. The benefits of efficient dry ports could be enormous for Ethiopia (Ethiopia Review 2009). The federal government of Ethiopia has built dry port facilities in the outside of the town of Modjo, 73km east of Addis Abeba, in the Oromia Regional State, and in the town of Semera, the seat of the Afar Regional State, 550 km northeast of the capital (Giorgis 2010). Djibouti port does not have enough space for incoming containers so the Dire Dawa dry port provides for more room, easing the transportation of goods into central Ethiopia and other eastern part. Dire Dawa is the nearest Ethiopian city to a port. It is 313 km from the port of Djibouti and thus the best place for a dry port than other areas (Kili 2008). Ministry of Trade and Industry and the Ministry of Transport and Communication has plans to build other dry ports in northern and southern Ethiopia.

**3.4 Trade Performance**

Ethiopia is one of the Least Developed Countries in the world. Its economy is based on agriculture. As such, the sector contributes about 45percent to the GDP, 80percent to employment, 85percent to export, supplies raw materials to the manufacturing sector and food to the urban population (EFDRE 2011: 2).The rudimentary stage of industrial growth combined with the traditional style of farming force the people to depend on the gifts of nature for their livelihood.

Ethiopia has chronically run a negative balance of payments (See Table 3.6 & Fig 3.4). Ethiopia's trade shows an increasing negative trade balance. While the value of imports has grown more than threefold between 2000 and 2008, exports have doubled (See Fig 3.4). This development left a trade imbalance of almost US$ 7 billion in 2008 (WITS 2008). Ethiopia's balance of trade deficit can be largely explained by the unequal terms of trade between agricultural commodities (the country's major exports) and capital goods (Ethiopia's major imports). International

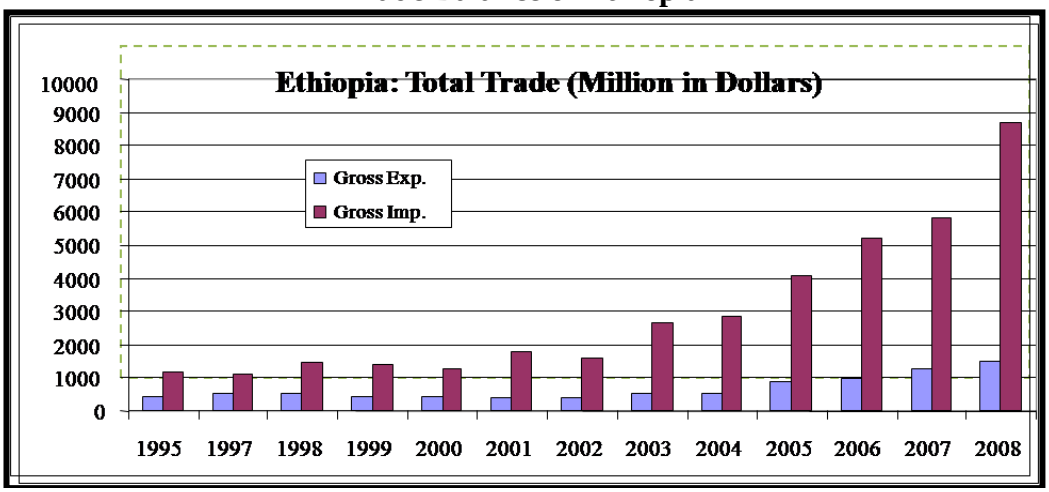
markets accord a higher price to commodities that are manufactured or "value-added" than to those that are in their raw form. Ethiopia can benefit as other developing countries have done in the last five decades from greater integration into the world trading system (EIF 2004:12). By making the country more tradable through the removal of present barriers to trade- behind the border, at the border and beyond in importing countries, Ethiopia can avail itself to additional opportunities to raise growth and reduce poverty. To avoid the vicissitudes of unfavourable terms of trade shocks, Ethiopia has to diversify its export base in a manner to encourage efficiency (EIF 2004:12).

Table 3.6
**Ethiopia: Total Trade (in Millions of Dollars)**

| Year | **1998** | **2000** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Exp. | 553 | 454 | 398 | 411 | 513 | 543 | 882 | 979 | 1242 | 1522 |
| Gross Imp. | 1459 | 1260 | 1811 | 1594 | 2686 | 2874 | 4095 | 5207 | 5809 | 8680 |
| Balance | -905 | -806 | -1413 | -1182 | -2173 | -2330 | -3213 | -4229 | -4566 | -7158 |

Source: WITS (2008), *World Integrated Trade Solution 2008,* World Bank

Fig 3.4
**Trade Balance of Ethiopia**




Source: WITS (2008), *World Integrated Trade Solution*, World Bank.

Trade diversification can only be proficient in the context of growing exports, given the small size of the domestic marketplace. Growth in trade raises national income and helps to address poverty more efficiently than a simple distribution of income from a slow income growth.

### *3.4.1 Structure of Merchandise*

The constitution of the export sector of Ethiopia is characterized by high commodity concentration as is the case with least developed countries. That is, the

sector is dominated by a few primary products that account for a lion's share of the country's export earnings. During the 2006-07, the share of the biggest contributors to the export earnings of the country was as follows: coffee (36percent), pulses, oil seeds and spices (22.6percent) of which the oilseeds were the most dominant (15.9percent), gold (8.2), chat (7.8percent), and hides, skins and leather products (7.6percent) (MoFA, Ethiopia 2007: 14).

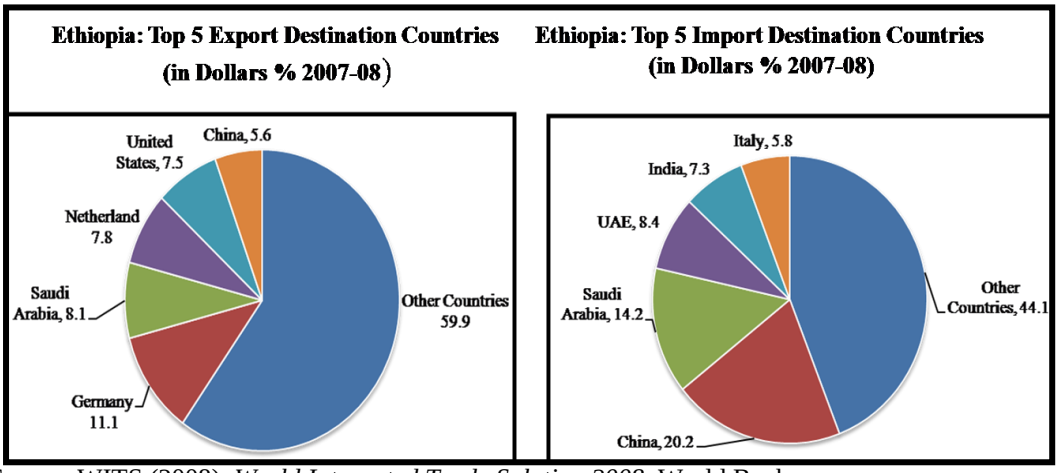
*3.4.2 Major Trading Partners of Ethiopia*

Structurally, Ethiopian import mainly consists of capital goods, consumer goods, fuel, semi-finished goods and raw materials. During 2005-06, these items accounted for 31.6, 27.9, 18.7, 17.9, and 1.7 percent of imports respectively (AACC 2008). As regards to destinations of export in the year 2006-07, Europe was the leading destination for Ethiopian commodities taking 40.8percent of the total value followed by Asia, Africa, and North and Central America, accounting for 33.5percent, 15.5percent and 5.8percent respectively. Germany, Saudi Arabia, Netherlands, USA and China were the top five countries in importing Ethiopian products in the same year constituting 11.1, 8.1, 7.8, 7.5 and 5.6 percent respectively (See Fig 3.5 for details See Appendix 4.2) (WITS 2008). At the same time exports to the European Union have been stagnant and exports to the United States and Asia have developed with slower growth rates. However, Ethiopia was able to increase exports to other world regions and thus diversify its trade relations (See Fig 3.5). The dominant roles of Germany and Saudi Arabia as destination countries underline the importance of trade corridors to these countries, especially in the case of Saudi Arabia, which is connected indirectly to Ethiopia via the Djibouti Port.

Germany is Ethiopia's largest trading partner. Along with many other countries of EU - such as Italy, France, and the United Kingdom - Germany has steadily increased its quantity of Ethiopian imports. The geographic distribution of the main trade partners for import and exports underlines the importance of overland transport corridors towards China, Saudi Arabia, United Arab Emirates and India and the well functioning of trade corridors connecting Ethiopia and the Djibouti ports. Ethiopia's largest trading partner in Africa is Djibouti, a neighbouring country through which Ethiopia has to conduct all of its import and export business.

Fig: 3.5:

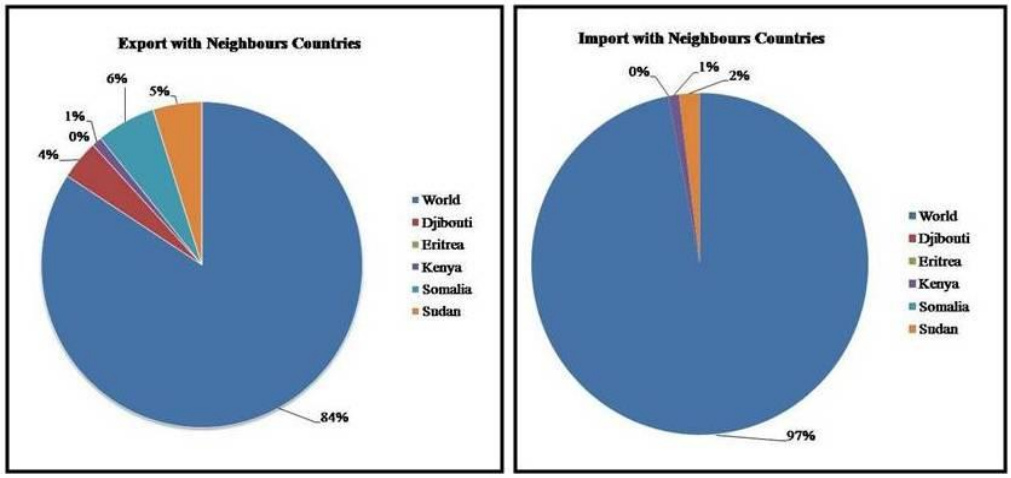
**Export-Import Patterns of Ethiopia**




Source: WITS (2008), *World Integrated Trade Solution 2008*, World Bank.

Fig.3.6

**Ethiopia: Export- Import with Neighbours Countries (in Millions of Dollars)**




Source: WITS (2008), *World Integrated Trade Solution*, World Bank

It has been seen that Ethiopia has better trade relations at global level than the regional level epically neighbouring countries (see fig.3.6 & for details See Appendix 4.2). The analysis of trade data in terms of value gives good insight to the importance of each trading partner. However, it does not directly allow analysing the demand for transport infrastructure and transport services since these are highly correlated to the volume of the transported cargoes.

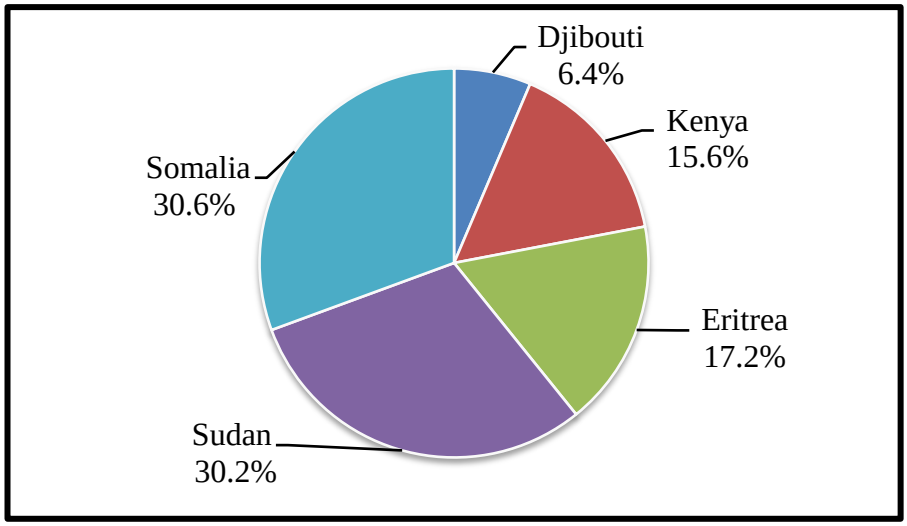
### 3.5 Transit Routes with Neighbour Countries

African continent in general, has witnessed artificial borders drawn by former imperial and colonial powers such as Britain, France and Italy. The combination of these powers had sketched the maps of region which had been part of the historical

contributory factors, amongst others, that have led to difficulty in present context. Horn of Africa is extremely relevant example of struggle for colonies by the European powers. It comprises four countries, namely Djibouti, Eritrea, Ethiopia and Somalia (Collins 2007:223). Geographically, it is an area surrounded by Red Sea in north, the Indian Ocean in the east, the Nile basin, East Africa plateau and east African highlands in the west.

Ethiopia's foreign policy has primarily been influenced by its neighbour countries because of its obvious historic, geographic and strategic considerations. The historical connections and the common borders it shares, its long-standing links, cross-border ties and the normal cooperation among the peoples of the Horn of Africa over many centuries are the bedrock of the good relations that exist between Ethiopia and its neighbours. There are five contiguous countries that shares the length of land boundary as follows: Djibouti 337 km (6.4percent); Kenya 830 km (15.6percent), Eritrea 912 km (17.2percent), Sudan 1606 km (30.2percent), and Somalia 1626 km (30.6percent) (Anderson 2003:268) (See Fig. 3.7).

Figure No. 3.7
**Ethiopia's Boundary with Neighbour Country**




Source: Anderson (2003), *International Boundaries: A Geopolitical Atlas*: New York: Routledge 268

Before the separation of Eritrea, Ethiopia had access to the sea through the Red Sea ports of Assab and Massawa, both of which now belong to Eritrea, and through the port of Djibouti in the state of Djibouti. "There are 4 main ports that can

be used to serve the country. Djibouti Port would be used as the primary port for the operation. Berbera, Mombassa and Port Sudan are other options but at the present time not as viable as Djibouti (IFRCRCS 2008: 6).

Landlocked Ethiopia has mainly focused on the Port Djibouti for international trade and commerce. A large share of the country's import and exports now move via 487 mile railroad from Djibouti to Addis Ababa (Cohen:2003:386). Before Eritrea became independent country about 86 percent of Ethiopia's imports and exports were handled through the two major ports Aseb and Mitsiwa, while only about 14 percent passed through Djibouti (USAID 2000:1). Ethiopia's dependence on its ports was jeopardized because of war with Eritrea in 1998. Because of border dispute between these two countries Ethiopia was forced to shift all its import and export traffic, including transhipments, to the port of Djibouti.

The loss of direct access to the sea through its own ports has not substantially changed the country's proximity to the sea, since the distance by road between Addis Ababa and the port of Djibouti via Galafi (the new transit route) is only 925 km compared to 860 km from the port of Assab to Addis Ababa. The additional increase is only an extra 65 km. Despite continued proximity to a seaport, Ethiopia began experiencing problems as a result of loss access to two ports Aseb and Mitsiwa (See Map 3.5). These problems included high transit transport costs due to increased transit charges, restrictions and regulations imposed by transit countries, inadequate infrastructure and poor port facilities, inefficient transport and a diminished bargaining power with littoral countries.

The inefficiency of its own road and transport system, as evidenced by factors such as the aging fleet of road trucks, poor roads and other non infrastructural constraints have aggravated the increase in transit transport costs. While these problems arise from the recent experiences and challenges that Ethiopia has faced, it is hoped that these are common to other landlocked countries in the Southern and Eastern African region but their solutions may be relevant, in varying degrees, to those countries. From the experience gained so far in the implementation of regional agreements relating to transit route, especially by road transport, it seems necessary that the agreements should be reviewed to make them focus on transit problems experienced by landlocked countries. Ethiopia's all regional and sub-regional

agreements of transit route come under organizations such as the Intergovernmental Authority for Development (IGAD) and the Common Market for Eastern and Southern Africa (COMESA). It has enhanced the volume of trade and it has agricultural development as primary object. Presently Ethiopia has made -trade point with the help of its neighbour countries (See Table 3.7).

Table 3.7
**Cross Border Trade Points**

| | **Ethiopia** | **Transit Country** | **Port** |
|---|---|---|---|
| 1 | Halli | Galafi (Djibouti) | Dijibouti |
| 2 | Dewele | Ali Sabieh (Djibouti) | Dijibouti |
| 3 | Dewele | Ali Sabieh (Djibouti)* | Dijibouti |
| 4 | Ferfer | Beledweyne (Somalia) | Mogadishu |
| 5 | Taferi Ber (Jijiga) | Boorama (Somalialand) | Berbera |
| 6 | Moyle | Moyle (Kenya) | Lamu |
| | Gambela | Gambela (South Soudan) | |
| 7 | Uoldong | Kurmuk ( North Sudan) | Port Sudan |
| 8 | Galla Bat (Ghenga) | Otrub( Nort Sudan) | Port Sudan |
| 9 | Bure | Diba – sima (Eretria )** | Aseb |
| 10 | Kokobay | Guna guna (Eretria)** | Mitsiwa |

*Rail transit, **Close,
Source: FSVWG (2011), *Cross-Border trade East Africa Cross-border Trade Bulletin:* October-December 2011

One of important characteristic of cross-border trade is the use of multiple legal currencies. For example, in the south-eastern Ethiopia/north-eastern Kenya/south-western Somalia cross-border livestock trade, six currencies are being used: US Dollar, Ethiopian Birr, Kenyan Shilling, Somaliland Shilling, Somalia Shilling and Djibouti Frank (Mulugeta: 2007:7).

### *3.5.1 Ethiopia and Eritrea Relations*

Ethiopia and Eretria were natural allies before the beginning of colonial process. Historically they were linked together by the same rulers and shared common cultural identity. Ethiopia and Eritrea historically formed a single State until modern times. They have a considerable shared linguistic history. Discussion of language and identity in Eritrea prior to full independence in 1993 is here included

under Ethiopia[4] (Simpson 2008: 269). Italy took the region of Eritrea in 1889. Italy and Ethiopia signed the Wichale Treaty there by Ethiopia recognized Italian sovereignty over Eritrea. Reciprocally, Italy accepted Menelik as a ruler of Ethiopia (Yohannes 1991: 49). In 1952 UN tried to satisfy the demand for self determination by creating an Eritrean-Ethiopian federation. Italy, the former colonial rulers of Eritrea, left the country in 1952 and Ethiopia annexed it in 1962 (Shah, 2000). After that, the cold war politics entered in Ethiopia and Eretria relations. Ten years after its implementation, the federal status of Eritrea was unilaterally abolished by Emperor Haile Selassie. He imposed direct imperial rule (Cliffe 1988: 11). Haile Selassie was supported for decades by the United States for geopolitical and Cold War reasons.

The Soviet Union had supported Somalia in their claim that parts of Ethiopia and Kenya were part of Somalia (Shah 2000). There was actually a about turn of support by the two superpowers in the 1970s as well. Thirty-year later conflict ensued as Eritrea attempted to gain freedom, joined by Ethiopian guerrilla forces that were also combating against the ruthless authoritarianism of Haile Selassie. This war ended in conquest for Ethiopian rebels of the Ethiopia People's Revolutionary Democratic Front (EPRDF) who then took control and assented to demands by their Eritrean allies for independence (Olusanya 2006: 76). An UN-monitored referendum on freedom was conducted in April 1993. The highly affirmative outcome of the vote (99.8 per cent voted in favour of 'yes' to independence of the Eretria) paved the way for the formal pronouncement of independence on 24 May 1993 (Tronvoll 2009:26). Due to un demarcated the boundary disputes between two nations their relations are not been resolved for longer period of time.

For a while, the two nations seemed to get on fairly well. However, relations further deteriorated after break-out of war, a couple of years after Eritrea introduced its own currency Nakfa in 1997 and claimed over three border town Adrigat, Badame, Zalambesa ( Wasbeek 2004:97). A conflict between Eritrean and Ethiopian soldiers over Badme (mainly) and other areas along the disputed border, led to a full-scale two-year war. Badme was a minute copy of the larger complexities. It was administered by Ethiopia earlier than the war. It was economically part of Ethiopia, using the Ethiopian currency rather than the Eritrean Nafca. Its residents had

[4] For instance, Diamat, Axuim and Solomonic dynasty are spreaded from Tigary Region of Ethiopia to Eritrea.

participated fully in Ethiopian politics, including voting in large numbers in that country's elections. But Eritrea argued that colonial treaties located the town within their borders. This war has closed the transit route between Ethiopia and Eriteria and Asseb and Masasawa port has been blocked for trade activities.

However, the major reason for the current conflict was the fact that Ethiopia no longer has a border along with Red Sea and therefore relies on going through other countries in order to ship and trade goods along that line. During the middle of 1999, both Ethiopia and Eritrea had accepted a peace plan brokered by the Organization for African Unity (OAU) in principle. However, they disagreed on execution issues and blamed each other. Since then the situation escalated and both Ethiopia and Eritrea have been accused of gross human rights violations. For example, Amnesty International points out that in Ethiopia, a large number of Eritreans are being detained just due to their Eritrean origins and use of child soldiers on the front lines continues.

*United Nations Mission in Ethiopia and Eritrea (UNMEE)*

The United Nations Mission in Ethiopia and Eritrea (UNMEE) was The UN-led International Intervention in horn of Africa. It was established by the United Nations Security Council in July 2000 to monitor a ceasefire of war that began in 1998 between Ethiopia and Eritrea (Langholtz 2006:286). UN Peacekeeping Mission has to monitor the 1000 km-long border and a 25 km-wide Temporary Security Zone (TSZ) between these two nations (Zondi 2005). It mapped out a road to the final resolution of the border, primarily through arbitration by the Eritrea-Ethiopia Boundary Commission (EEBC).

In the five years of its existence, UNMEE was relatively successful in its peacekeeping mandate under difficult conditions. It effectively monitored the cessation of hostilities, co-ordinated security through the Military Coordination Commission (MCC) and has carefully managed the security zone. The MCC helped the two parties meet at a military leadership level to resolve security incidents on both sides of the border, thus preventing direct confrontation (Zondi 2005). UNMEE spent the next four years trying to dissuade the parties from heavy military deployments along the buffer zones boundaries. This in particular restrictions that Eritrea placed on

UN transport in 2005 hampered UNMEE's freedom of movement, at times even in the temporary security zone itself.

> "On 30 July 2008, the Security Council terminated the mandate of UNMEE with effect from the following day. The Council decision came in response to crippling restrictions imposed by Eritrea on UNMEE, as well as the cutting off of fuel supplies – making it impossible for the operation to continue carrying out its mandated tasks, and putting at risk the safety and security of UN personnel".
>
> (UNMEE 2011)

The UN Security Council has had to intervene several times to keep the air corridor between Asmara and Addis Ababa open. Time and again, the UN Secretary-General lamented the lack of co-operation with the UN system, particularly by Eritrea, as a major challenge to the work of UNMEE.

However, demarcation has been delayed, despite intense international intervention, by Ethiopian insistence that the decision ignored 'human geography' made technical errors in the delimitation, and determined that certain disputed areas, specifically Badme, fall to Eritrea. Eritrea meanwhile insists on not having deviated from the commission's decision. The peacekeepers monitoring the disputed boundary were forced to withdraw in July 2008 having considered their remaining options after experiencing serious difficulties in supporting its troops (MoFA, 2010).

### *3.5.2 Ethiopia Djibouti Relations*

Djibouti is another country of the Horn of Africa which shares border with Ethiopia. It was a French colony called French Somali Land. Geo-stratigically, its location makes it highly considerable. It is bordered by Eritrea in the North, Ethiopia in the West and South, and Somalia in the Southeast. The remainder of the border is formed by the Red Sea and the Gulf of Aden at the east. It is very close to Ethiopia.

#### *3.5.2.1Boundary Agreement*

The border between the Ethiopia and Djibouti is based on the Franco-Ethiopian convention of 20 March 1897 (Shinn 2004: xxi & see Appendix 3.1).During 1897 the Franco–Ethiopian railway was started from Djibouti; it ultimately reached Addis Ababa in 1917 (DS, USA 1976 :). A protocol signed by France and Ethiopia on 16 January 1954, stated that the demarcation of the boundary between the colony of Djibouti and Ethiopia as considered final, which became

effective from 28 February 1954. With the independence of Djibouti, there has been no considerable border issues were involved between the Ethiopia and Djibouti. Djibouti President Hassan Gouled Aptidon paid an official visit to Ethiopia in October 1991, when a Treaty of Friendship and Cooperation was signed between the two countries (MoFA, 2010).

*3.5.2.2 Trade and Transit Agreement*

On June 26 1977, the territory became independent as the Republic of Djibouti. Diplomatic relations between the two countries was established in 1981[5]. Relations between two countries are generally better in comparison to other neighbouring countries of Ethiopia. "Djibouti has been the main entry and outlet for Ethiopia's goods (the Addis Ababa railway line terminates at the port of Djibouti)' and its location on Ethiopia's lifeline has accounted for the importance of Djibouti to Addis Ababa" (Makinda, 1987:42). Both countries share ownership of the Addis Ababa-Djibouti Railroad. The railroad is tied to the Port of Djibouti, which provides port facilities and trade ties to landlocked Ethiopia.

*3.5.2.3 Joint Mechanisms of Cooperation*

Joint Ministerial Commission examines political, economic and social issues. Follow-up Committee oversees the implementation of agreements and decisions made at the Head of State and Ministerial levels. Joint Border Administrators and Commissioners Committee examine border security, immigration, refugee and health matters as well as other related issues. Joint Border Sub-Committees react and give on the spot solution to problems that may arise along the common border (MoFA, 2010).

Since 1991, 39 Agreements have been signed between Ethiopia and Djibouti. There have been several official visits at Head of State and Ministerial level between the two countries where political, economic and social issues have been examined. Significant results have been achieved to further strengthen the relations between the two countries. Ethiopia has been using the Port of Djibouti for its import and export since 1998. During that year transit trade to and from Ethiopia has increased by

[5] Djibouti and Ethiopia , A Treaty of Friendship and Co-operation as well as Agreement on Economic, Technical and Scientific Co-operation and General Agreement on Transport (including arrangement relating to the Djibouti – Addis Ababa railways), were signed on march 21, 1981 (Danfulani 1999: 248)

333percent amounting to 1.2 million tonnes, with the import of hydrocarbons rising by more than 280percent. Improved efficiency at the port proved vital to handling the upsurge of Ethiopian cargo after May 1998. The volume of transit to and from Ethiopia has increased to 1,961,000 tons in 2001 (MoFA, 2010).

*3.5.3 Ethiopia Somalia Relations*

Ethiopia and Somalia are neighbours. Ethiopia shares a long southern and eastern border with Somalia (and breakaway Somaliland), and remains deeply involved in the affairs of its neighbour. The two countries fought a war over territory in the 1960s and again in the 1970s. Ethiopia's relationship with Somalia has always been complex because Ethiopia's Somali province is populated by ethnic Somalis. Ethiopia fears that the rise of an ethnic Somali nation would threaten its own territorial integrity. As a result, Ethiopia has covertly manipulated Somali factions to its own advantage, and has given strong backing to the breakaway entities of Somaliland and Punt land- a self-declared autonomous region. Somalia has been without an effective central government since President Siad Barre was overthrown in 1991 (Jordan 2009:553). Somalia has been characterized as a failed state and is one of the poorest and most violent states in the world. Presently Transitional Federal Government controls only a small part of the country. Somaliland and Puntland are two major uncontrolled regions of Somalia. Somaliland is self declared sovereign state but it has not international recognition. Punta Land is self declared autonomous region of Somalia (Dill 2010: 278).

Relationship between Ethiopia and Somalia is however not on good track, it is because the dispute of Ogaden Region. They are fighting with each other. Ogden region called Somali; the capital of Somali State is Jijiga. Population is predominantly Somali, and there is internal pressure to remove Ethiopian rule. This region operates a movement for greater Somalia to create new State based on ethnic identity which will snatch a large part of Ethiopia, if it succeeded. Another part Somalia that is as Somaliland is also part of greater Somalia movement. Somaliland is a self-declared sovereign state which denies joining the great Somalia movement. However, it does not enjoy the international diplomatic recognition in international system. Ethiopia has fair amount presence in Somaliland. Ethiopia is the only country that has got

physical presence in Somaliland. There is an Ethiopian office where officials deal with trade and diplomatic issues (Rizak,A. and A.lahi 2010).

Presently federal government of Ethiopia and Ogaden National Liberation Front (ONLF) has settled internal conflict[6]. The state of insurgency which ONLF has been conducting in the Somali Regional State of the federal Democratic Republic of Ethiopia is hereby definitively terminated and peace is established Ogaden to Ethiopia, based on a treaty they signed in 1897 in which the British ceded Somali territory to the Ethiopian Emperor Menelik in exchange for his help against plundering by Somali clans. Relationship between Ethiopia and Somaliland is a strategic partnership with regard to trade, security, diplomacy among other things. The relationship has been growing over the years. It is very important to note that Somaliland has strong diplomatic relationship with Ethiopia, a bilateral agreement on trade, security and an extradition treaty (Rizak,A. and A. Lahi 2010).

*3.5.3.1 Boundary Agreement between Ethiopia and Somalia*

Ethiopia shares largest land boundary with Somalia i.e. 1626 km (30.6percent)[7] (Anderson 2003:268). The Ethiopia–Somalia boundary incorporates what were previously the common boundaries of Ethiopia with both the Trust Territory of Somaliland (formerly Italian Somaliland) and British Somaliland (self declared sovereign State Somaliland). Two major time periods for boundary demarcation between Ethiopia and Somalia first is Emperor Menelik, on June 24, 1897, drew a line on a map to indicate the boundary acceptable to Ethiopia. Major Nerazzini submitted the copy for approval to the Italian Government upon his return. On September 3, 1897, the Italian Government sent a telegram to Ethiopia accepting the proposed line (DS, USA 1976:3). In 1960 May, British Somaliland became independent as Somali Republic. July 1, 1960, Somalia withheld recognition of the

[6] Agreement Between the government of the Federal Democratic Republic of Ethiopia and the Ogaden National Liberation Front (ONLF) on the Termination of the State Insurgency(2010), Article 1(1) The state of insurgency which ONLF has been conducting in the Somali Regional State of the federal Democratic Republic of Ethiopia is hereby definitively terminated and peace is established.

[7] Approximately 994 miles long, the Ethiopia–Somalia boundary consists of three distinct sectors. The Thalweg of the Dewa constitutes a 22-mile sector between the Kenya tripoint and the confluence of the Dewa with the Ganale–Dorya at Dolo, from which junction the rivers form the Giuba. Between Dolo and 8° N., 48° E., the second sector is delimited by a provisional administrative line for 509 miles. The final sector, between 8° N., 48° E. and the tripoint with the French Territory of the Afars and Issas at Madaha Djalelo, is 463 miles long and is demarcated by boundary pillars.

Anglo–Ethiopian delimitation of 1897 and offered only de facto recognition to all boundaries with Ethiopia (DS, USA 1976: 3).

Somalia accuses Ethiopia of being a colonialist state, and argues that the people of the Ogaden are under alien domination. They must therefore be beneficiary to all the relevant resolutions on de-colonization in order to be able to exercise their rights to self determination;

*3.5.3.2 Transit Trade Agreement*

Ethiopia could not develop a transit trade route with Somalia. Two factors can be attributed, first the unstable stage of Somalia state and internal conflict between Ethiopia and Somalia. As it is known, Somalia is one of the failed states. But Ethiopia has contacted Somaliland for its trade transit route. Now it is investing in infrastructure of Somaliland to improve its transportation for example, Berbera port.

*Ethiopia- Somaliland*

Somaliland[8] and Ethiopia signed a bilateral agreement in August 2003 to improve road links and establish customs and posts. A deal that went into effect on July 1, 2005 allowed Ethiopia to use the port in north-western Somalia (UNPO 2005). Trade between the two countries is mostly limited to the stimulant leaf Khat, fruit and vegetables exported by Ethiopia and foodstuffs and other commodities exported by Somaliland. It is often said that Berbera port can play a vital role in bringing about economic development in Somaliland. Even though, Berbera port has not been developed to accommodate several ships and cargo at a time. But, if it is developed Berbera can serve as an alternative outlet for the landlocked Ethiopia (Rizak, A. and A. Lahi 2010).

Ethiopia's export to Somaliland consisted mainly of Khat, Livestock and vegetables while Somaliland re-exports sugar and rice. Most of these animals transit through the Ethiopia border towns of Hartishik, Togwajale, Lefeissa, and trekked to Borama, the Somaliland border town between Togwajale and Berbera. From Borama animals are transported using trucks to Berbera Port and finally exported to the Middle East countries (Mulugeta 2007). But high tariff rates and lack of formal

[8] Somali land is Self Claim Sovereign State from Somalia

bilateral agreements between the 2 sides have until now limited the scope of trade exchange to the informal sector. The majority of animals exported, mainly to Saudi Arabia, are male Somali blackhead or fat-tailed sheep, followed by goats, cattle and young camels.

### *3.5.4 Ethiopia- Kenya Relations*

Relation between Kenya and Ethiopia has been friendly since both got independent in 1963. The basis of the relationship is co-operation and non-interference in internal affairs between Kenya and Ethiopia. The close links between Ethiopia and Kenya have been particularly visible in the way the two countries have constantly supported each other's positions in international forums in many different areas. Ethiopia and Kenya share a common understanding on such issues as cross-border terrorism, piracy, regional integration under the umbrella of IGAD and the prime importance of peace and security in the Horn of Africa and beyond (Embassy of The Federal Democratic Republic of Ethiopia, 2011). They help and support each other in times of crisis. The mutual visa abolition agreement in 1966 proves the attachment of these two neighbours. Moreover, Kenya supported Ethiopia during the Ogaden War between Somalia and Ethiopia (ICMPD 2008:24). The similar kind of life style of the people of the two countries helps them in maintaining a cordial relationship. The friendship and neighbour lines of Kenya and Ethiopia have made them exemplary among other countries.

#### *3.5.4.1 Boundary Agreement*

Ethiopia and Kenya share more than 1000 km of common border[9], and have a collective population of more than 100 million people (African Development Bank 2009). Ethiopia and Kenya signed a mutual visa abolition agreement in 1966 and a border agreement in 1970[10] (ICMPD2008:24). Ethiopia and Kenya signed on June 9, 1970, a border agreement that determines the present-day boundary and abrogates all previous boundary treaties between the two states (DS, USA 1975).

[9] The Ethiopia–Kenya boundary is approximately 535 miles long and is demarcated throughout. From the Somalia tripoint, it follows the lowest course of the bed of the Daua for about 120 miles, utilizes numerous straight-line segments, and extends across Lake Rudolf for about 24 miles. Northwest of Lake Rudolf, the exact tripoint with Sudan has not been determined finally (DS, USA 1975).

[10] Kenya and Ethiopia Treaty respecting the boundary between the two countries (with maps, schedules and protocol). Signed at Mombasa on 9 June 1970 (United Nations Treaty Series 1989).

Tribal clashes along the Ethiopian-Kenyan border are common however. The latest fighting has been of a larger scale than pervious conflicts (Sudan Tribune 2011). Several Kenyan members of the Turkana tribe cross the border to Ethiopia to purchase food from Merrile villagers and sometimes misunderstandings between the two sides lead to deadly clashes (Sudan Tribune 2011). The recent fighting, has led the Kenyan government to begun distributing food to Turkana villagers to deter them from moving to the Ethiopian side of the border in search of food (Sudan Tribune 2011).

*3.5.4.2 Trade -Transit agreement*

Ethiopia and Kenya enjoy good relations that promote their trade transaction. However, trade activities are affected with lack of infrastructural reason rather than political reasons. Ethiopia and Kenya have not even a single all-weather road connecting the two countries. The main road connecting Addis Ababa to Nairobi has more than 700 km of missing links. The poor condition of the road represents a major constraint to trade between the two countries (African Development Bank 2009). Although Kenya got independence in 1963 from Britain, its trade relations with new dimension with Ethiopia started in 1981 when both countries signed the treaty of friendship[11]. Recently, they have focused to overcome infrastructural constraints and are constructing transit route through rail and road. For road transit they are developing Mombasa-Nairobi-Addis Ababa corridor[12] and for rail transit Lamu–Juba, Nairobi–Addis Ababa railway (COMESA 2011:13).

For Ethiopia, the corridor will also constitute an economically viable alternative outlet to the sea through the port of Mombasa. At national levels, the project road connects the important coffee growing area of southern Ethiopia with the regional and national capitals, Awassa and Addis Ababa respectively (African Development Bank 2009). The development of the Mombasa-Nairobi-Addis Ababa transport corridor is warranted by the anticipated great trade potential between Kenya and Ethiopia and to a lesser extent between the Horn of Africa and East Africa

[11] Treaty of Friendship and Cooperation between Ethiopia and Kenya 1979.

[12] The project road is an important section of the Trans-African Highway Cairo-Cape town. Within Ethiopia and Kenya, the road is a link on the main Addis Ababa – Nairobi - Mombasa corridor.The road crosses the Ethiopia – Kenya border at Moyale. The Ethiopian section of the road from Ageremariam to Moyale is approximately 300 km long, while the Kenyan section from Moyale to Merille River is approximately 366 km in length. The construction and rehabilitation of these two missing links are part of the efforts by the governments of Ethiopia and Kenya to improve trade and regional economic integration between the two countries (African Development Bank2009).

countries to include Uganda, Tanzania, Eritrea, and Djibouti. The corridor will also serve as the most cost effective transit route to Mombasa Port for import/export of goods to/from southern Ethiopia (African Development Bank 2009). The road project is going to complete by 2020 (African Development Bank 2009). The rail transit routes are being developed by COMESA, EAC and SADC which will connect Lamu Port to Adds Ababa. This one is going to complete by 2030 (COMESA2011:13).

The project will benefit trade in Kenya and Ethiopia by Improving transportation between Kenya and Ethiopia for the benefit of both countries and the region. Reducing transport and shipping costs between Kenya and Ethiopia will reduce transit time for imports and exports thereby increasing the volume of Ethiopian goods transiting through the Mombasa Port in Kenya. Promoting trade and regional integration and increasing intra-regional trade between Ethiopia and Kenya as well as the Eastern and Horn of Africa Regions.

*3.5.4.3 Ethiopia – Kenya Bilateral Trade Agreement, 2011*

Kenya and Ethiopia signed three agreements on bilateral cooperation at the Joint Ministerial Commission for Cooperation Meeting held from 30th May to 2nd June 2011 in Addis Ababa, Ethiopia. The Agreements signed were Bilateral Trade Agreement; Memorandum of Understanding on Cooperative Technical Assistance and Cooperative Development; and the Memorandum of Understanding on Agricultural Cooperation. On Economic Affairs, the two countries agreed to grow and expand the volume of trade, improve cooperation in customs, agriculture, wildlife, forestry and tourism. Among the new areas emphasized at the meeting was the cooperation in infrastructural development as a means to support the aspirations of the two countries development plans. This includes interconnection in electricity, roads, railways, information communication and technology as well as civil aviation.

*3.5.5 Ethiopia- Sudan Relation*

Ethiopia and the Sudan share common history, ancient civilization and culture of tolerance and understanding. The name of both countries denotes same meaning that is “dark country”. After gaining independence from Egypt and the United Kingdom in 1956, Sudan suffered civil war. Sudan has had two phases. The first Sudanese civil war, with the Anya Nya in the south (1955-72) was fundamentally

secessionist and was therefore primary. It concerned the boundaries of the political community that had ended through Addis Ababa Agreement[13]. The second Sudanese civil war (1983- 2005) was led by the rebellion of John Garang in the south (Mazrui 2000: 45). The civil war ended with the signing of a Comprehensive Peace Agreement which granted autonomy to the southern region of the country. Following a referendum held in January 2011, south has become continent's newest nation on 9 July 2011 (BBC 2011).

*3.5.5.1 Ethiopia- Sudan Boundary Treaties*

The Anglo Ethiopian treaty of 1902 was designed to determine the frontier between the Sudan and Ethiopia (see Appendix 3.2).

*Ethiopia, Sudan Border Commission Meeting ends with Common Agreement*

The 12th Ethiopia-Sudan joint border development commission meeting held in the northern Mekelle town winded up with a number of agreements. During The 4-day meeting Ethiopia and Sudan agreed to scale up their cooperation on security, trade, health, agriculture, tourism and other sectors as well. Both sides have signed an agreement to work together on the control of illegal human trafficking, to control deforestation and also on ways of tackling polio and the spread of HIV/AIDS. Moreover the bordering states of Ethiopia and Sudan have agreed to make the broad forest and wild life laying along the common border for tourist attraction.

*3.5.5.2 Trade and Transit Agreement*

Ethiopia and the Sudan have a trade protocol that was signed in November 1980. Another agreement signed on may 30, 1982, provided for the removal of "all obstructions to good relation between the two counties" by stopping all "facilities used by secessionists or elements which work for destabilization" and by the expelling "group of individuals working to inflict damage on the neighbouring state". The Sudanese President, however, still insisted that the Sudan supported "the Eritreans in resolving the Eritrean question" (Danfulani 1999). In June 1985 both

[13] The Addis Ababa Agreement, signed by representatives of the government of Sudan and the Southern Liberation Movement on 27 February 1972, brought an end to seventeen years of violent conflict. (Ali 2004:283) In 1983 President Gaafar Nimeiry declared all Sudan an Islamic state under Shari'a law, including the non-Islamic majority southern region. The Southern Sudan Autonomous Region was abolished on 5 June 1983, ending the Addis Ababa Agreement. This initiated the Second Sudanese Civil War (1983–2005)

sides agreed to abide by a policy non- interference in each other's internal affairs (Danfulani 1999)

Ethiopia and Sudan has cordial relation, they have three trade points on their boundary (See Map 3.6). A bilateral trade agreement was signed between Ethiopia and Sudan in 2003. The bilateral trade agreement proclamation (Proclamation No. 318/2003) governing the export market was based on two important pillars:

1) Eliminating tariff barriers to enhance trade relations, and
2) Agreement to apply the Common Market for Eastern and Southern Africa (COMESA)

Ethiopian Road Authority was to construct roads from Dima, a town in northern Ethiopia, to the town of Boma in the Upper Nile territory of southern Sudan. This road would form part of a wide road network to link Juba and Addis Ababa and then farther towards the Port of Djibouti. Port Sudan is new transit port of Ethiopia. Sudan and Ethiopia are developing trans-boundary infrastructure of transport.

*3.5.5.4 Ethiopia, Sudan Reach Agreements to Utilize Border Minerals*

The two sides have agreed to exchange geological and geophysical information and use modern technologies for joint mineral exploitation activities. The Sudanese delegation also paid a visit to Lake Tana, the source of the Blue Nile River. Ethiopia is endowed with rich mineral resources and offers excellent opportunities for mineral prospecting and development. However the agricultural land in densely populated areas of the highlands has deteriorated markedly over recent decades. Deforestation and soil erosion are most problematic in the marginal areas of subsistence agriculture.

Geological studies have identified a favourable geological environment hosting a wide variety of mineral resources. According to the Ministry of Mines and Energy, Ethiopia's green stone belts contain substantial gold deposits and more than 500 metric tons of gold deposits. In addition to gold, there are large deposits of tantalum, platinum, nickel, potash and soda ash. Among construction and industrial minerals are marble, granite, limestone, clay, gypsum, gemstone, iron ore, coal, copper, silica, diatomite and others. The potential geothermal energy is also good. Both countries are trying to explore trans-boundary resource.

*3.5.6 Ethiopia –South Sudan Relation*

Ethiopia and South Sudan face similar challenges of landlockedness, lack of sea route accessibility, poverty, and poor transport infrastructure are the analogous difficulty being faced by both the countries. South Sudan and Ethiopia both can help each others in many ways. South Sudan have regional comparative advantages in agriculture, however it could be supply oil resource to Ethiopia, while Ethiopia should be encouraged to make complete use of its substantial potential in hydropower on the Blue Nile to export electricity to its neighbours.

South Sudan Ethiopia and Djibouti have signed an agreement in February 2012 for economic cooperation and trade promotion. For this purpose these counties will develop a transport system that will connect South Sudan, Ethiopia and Djibouti. This agreement will promote Ethiopia as a transit country in horn of Africa. South Sudan and Ethiopia have signed eight point memorandum of understanding to promote bilateral cooperation and to enhance their economic and diplomatic ties. The main focus point of MoU is transit, transport, export, communication, education and capacity building and peace, security and stability in the region.

**3.6 Conclusions:**

Ethiopia's problems related to transit routes have been an outcome of historical and political forces. Separation of Eritrea from Ethiopia made the latter a landlocked country, forcing it to explore the possibilities of developing transit routes to access sea. The horn of Africa had been the bone of contention among the colonial powers. It had created a sort of political instability in Ethiopia after the Cold War. During Cold War period, the erstwhile USSR and USA were engaged in a fierce struggle to establish supremacy over the strategically crucial Horn of Africa. Ethiopia was pro-USSR while neighbouring countries were under the influence of USA. Existence of US Air Force drone base in Arba Minch in Ethiopia clearly shows that in present time also Ethiopia is under the influence of foreign super powers. This fragile political history of Ethiopia has prevented the development of transit route with neighbouring countries, hampering its external trade.

The country's mountainous topography has also adversely affected development of transit routes. Highland topography hinders development of transport

infrastructure. This kind of topography has also hit development of a credible rail route network. Ethiopia does not have navigable rivers because of steep, daunting slopes. As a result, the country has not been able to create effective inland waterways to this day.

The prolonged period of political instability has adversely affected the development of physical infrastructure. Just to put things in perspective, till 2009, total length of road network in Ethiopia was around 46,812 km, of which only 15 percent was paved. The national capital of Ethiopia, Addis Ababa, is not connected to many of its 9 provincial capital via metalled road. Luckily for Ethiopia, the country is experiencing entrenchment of democratic polity since 2002, which has seen it bettering its ties with its neighbours, especially Sudan and Kenya. Ethiopia has started a process of development of rail routes to these two countries.

Ethiopian economy is driven largely by agriculture, with a staggering over 85 percent of the population engaged in primary activities. Coffee, pulses and natural gum are the main agricultural commodities that Ethiopia exports, but absence of sea route makes it difficult and sometime heavy transport cost make its agricultural product unviable in export markets. Most of the industrial clusters have been developed only around Addis Ababa and Dire Dawa because other regional centres are not connected with efficient road networks. Development of a few, localised concentrations of industrial units have led to sharp economic disparities in the nation.

Ethiopia depends on imports to meet its domestic consumption. Its main sources of imports are China, Saudi Arabia, and UAE while main export destination countries are Germany, Saudi Arabia and the Netherlands. Generally, Ethiopia does not trade much with its neighbours because of underdeveloped trans-boundary road infrastructure. IGAD and COMESA as regional organizations are not well established to support bilateral and multilateral trade.

It is evident that good neighbourly relations depend on a number of factors, which include political culture, but equally critical are physical infrastructure linkages such as roads, which act as a vector and anchor to sustained cultural and trade ties. Despite being geographically close to Eritrea and Somalia, Ethiopia could not develop transit routes with theses nations, because it does not enjoy trust of its neighbours. In 2011, Ethiopia entered into a trade-transit pact with Kenya that is

likely to benefit Ethiopia. Ethiopia has not been successful in renewing trade and transit agreements with its neighbouring countries for a long time. However, in an increasingly globalising world, Ethiopia cannot afford to live in economic isolation. Hence, it needs to explore trade and transit treaties with vigour.

## Chapter: IV

### Transit Routes and Transport Networks of Nepal

Nepal is an ancient land, but relatively new nation-state. Most of the time of its existence, it was ruled by monarchial political set up. It is a buffer state between two giants of Asia namely, China and India. Culturally, Nepal is highly influenced by India and its ethnic composition also conforms to Indian ethnicity. Now, it is seeking to establish a democratic form of government after the abolition of Monarchy in 2006. Nepal was economically strong as long as land routes were more important than sea routes for world trade. During the colonial period, criticality of sea routes in global trade emerged, as a result of which Nepal lost much of its economic stability. Nepal and Tibet, due to their highland topography, played the role of "buffer state" between the British India and China (Ghosh 1989: 105).

Geographically, Nepal is divided into three main regions –High Mountains, Mid-hills, and *Terai*. The high mountainous region touches the Chinese border. Because of difficult highland topography, Nepal could not develop a road transport infrastructure for shipments of goods. Nepal's Mid-hills region touches India's Uttarakhand and Sikkim states. This, too, being a highland topography, the two countries could not erect credible road transport infrastructure. Nepal is surrounded by India from the East, West and South. Nepal's *Terai* region, or the plains, touch Indian border in Bihar, Uttar Pradesh and West Bengal. It being a plain region, the two countries have been able to develop a substantial transport network, with 27 transit trades points (NTWCI 2010: 57). As much as 70percent of Nepal's land area is mountainous, due to which only limited transport network could be developed

Difficult topography, young geology, deep river crossing and the requirement of huge capital resources are the basic hurdles in the development of the transport infrastructure. Nepal, with the assistance of India, has developed "dry ports" to lend momentum to its international trade. It has two developed, fully functional "dry ports" at Birgunj and Biratnagar, while it's developing another two at Janakpur and Bhairahawa. Of these four ports, the one at Birgunj is connected to Nepal's only

functional rail route (Chowdhury 2006:102). As much as 80 percent of Nepal's population is engaged in primary sector for subsistence (Onta 2005: 4). As such, economic activities of international standards hardly take place in Nepal. International economic activities and transit routes complement each other because such activities attract global markets and existence of a credible transit routes facilitate shipment of goods. A landlocked country is dependent on neighbouring nations to be able to access global markets.

Nepal shares a high mountainous border with China which is extremely inaccessible. As a result, no transport infrastructure could come up at the Nepal-China border. However, China is looking aggressively to expand its area of influence in South Asia. For this purpose, China is laying an extensive network of road and rail transport systems. Nepal has been able to construct a transit route only with the Southern border areas of India. It is through this transit route that India makes available to Nepal access to Haldia, Kolkata and Visakhapatnam ports (Kathmandu Post 20 March 2011:1). The Treaty of Friendship, signed in 1950, forms the basis of relations between India and Nepal. At present, through the Transit Trade Agreement 2009, India provides transit route facility to Nepal. Politically, Nepal is a federal democratic country. After the end of Monarchy in 2006, the government is functioning in accordance with the mandate of the Constituent Assembly. Nepal is divided into 14 administrative zones, which are further sub-divided into 75 districts. The 14 administrative zones are grouped into 5 Development Regions-Eastern Region, Central Region, Western Region, Med-Western Region and Far-Western Region (See Map 4.1).

### 4.1 Historical background of Nepal

Neolithic tools have been found in Kathmandu Valley, which prove that humans inhabited this place about 9000 BC (Rai 2009:178). Study of Nepal's modern history is critical as far as studying transit routes is concerned. King Prithvi Narayan Shah and Prime Minister Jung Bahadur Rana played an important role in establishment of Modern Nepal. Modern history of Nepal begins with the Shah dynasty, which comes to an end with the instalment of democratic republic in 2006. During Shah Dynasty, the Ranas assume Prime Ministership. Nepal's historical development of transit routes could be analysed through the Shah Dynasty, the Rana

Regimes and the Panchayat System of Governance and at present the Democratic Republic of Nepal.

### *4.1.1 Emergence of Modern Nepal (1742–1816)*

*The Shah Dynasty:*

The Gorkha Kingdom was established in western Nepal by Dravya Shah in 1559, and this new kingdom further enforced the unification of small principalities. The Shah Kings were descendents of a noble family of the Chandrabansi Rajput Dynasty of Chitor, India, who had migrated to Nepal during the fifteenth century. Dravya Shah introduced several noteworthy reforms, and people still remember him for the saying, "Go to Gorkha if you are deprived of justice" (Rai 2009:160). In 1742, Prithvi Narayan Shah became king of the Gorkha Kingdom. He was the first great figure in the history of modern Nepal.

Prithvi Narayan Shah used supreme powers wisely, and he launched an ambitious program to unify many small and often quarrelsome kingdoms. His visit to India helped him realize the possible danger of a northward expansion into Nepal by Britain's Indian Empire. Seeking to strengthen his own hand, he set out to conquer the Kathmandu Valley and merge the region into a single kingdom. Prithvi Narayan Shah visited Varanasi (a holy city on the Ganges River) to purchase modern weapons. In Nepal, he established a number of military barracks, increased troop numbers and strength, and trained them in the use of modern weapons (Bhattarai 2008:37). He declared Kathmandu the capital of a greater and increasingly unified Nepal. Historically, Prithvi Narayan Shah is best known for the invaluable guidelines on statesmanship that he put forward for his descendants. His divyopadesh (divine counsel) is a set of sayings that remains valuable today. The sayings provide guidance for those involved in crafting foreign policy and addressing national development issues. A very popular saying is that "Nepal is a yam between two stones" (Bhattarai 2008:38).

The ruling class of Nepal recognized the fact in 18th century that their country was located between two large and powerful countries British India and China. King Prithvi Narayan Shah devised an equal-distance policy for both powers. He believed in maintaining balanced and friendly relations between Nepal and its neighbors for

saving its national sovereignty. After his death, Nepal made a mistake of invading Tibet in 1788 and 1791. It also closed the trade routes, and claimed control of several mountain passes along the border. However, this adventure of Nepal proved counterproductive in absence of any support from the British, who were not ready to antagonize China. In 1792, Nepal was forced to sign a treaty with China to stop Chinese forces that resulted in the loss of territory to, and trading privileges with Tibet (Singh 2010: 96). To the west, Nepalese troops had claimed territories on the southern plain, including Kumaon, Kangara, and Butwal. However, the southern campaign to acquire these lands had been long and costly for Nepalese troops. Ultimately, a bitter dispute between Nepal and the British East India Company over lands in the *Terai* erupted into a full blown war between the two.

The conflict ranged from 1814 to 1816, but ultimately the Nepalese troops were no match for the British East India Company (Limbu 2005:57). They were outmanned and lacked the modern weapons that the British could provide to its East India Company troops. In 1816, Nepal was forced to sign a unilateral treaty with the British East India Company. However, it was a historic and, in some ways, glorious war for Nepalese troops (Bhattarai 2008:39). Prithvi Narayan Shah had expanded his territory in Indian *Terai* region, but it was lost during the Singrauli Treaty signed in 1816 during Girvan Yuddha Bikram Shah Devai influential king of Shah's dynasty. Now Maoist movement is claiming over these territories as greater Nepal. After Cot massacre, the post of Prime Minister became strong and the king's authority declined. The prime minister post was occupied by Rana's family.

*The Rana Regime (1846–1950)*

The Rana regime was established by Jung Bahadur. He was supreme army leader in the royal court, took over the control of the government and exiled thousand of his perceived enemies to India (Bhattarai 2008:43). Jung Bahadur also took a number of positive and innovative steps toward modernization of Nepal. He also made a trip to Great Britain from April 1850 to February 1851. This was the first time that a powerful Nepalese leader had gone so far from his homeland (Whelpton 2005:43).This was the first international visit of Nepal's ruler. This visit entered into new era of diplomatic relations. After Rana's regimes became pro-British, he used his trip in furthering relations between Nepal and British India and also succeeded in

securing Nepal's sovereignty. He also helped the British in crushing the Sepoy mutiny of 1857. For his effort, Jung Bahadur received the honorary title of Rana (Tiwari 1995:65). This honor made him Jung Bahadur Rana, followed by all his descendants. Thereafter, their century long reign of power was called the "Rana regime." Jung Bahadur also tried to repair the broken relations with Tibet. In 1856, a treaty was signed that gave Nepal duty free privileges on trade and permitted a resident (business office) in the Tibetan capital, Lhasa (Bhattarai 2008:40). Nepal was working as a transit state between Tibet and British India.

Under Prithvi Narayan Shah, Nepal was unified. He also established that the king had the supreme power to rule the country. Jung Bahadur, on the other hand, snatched complete power from the king. Thus, the monarchy held little political power, and the position of king or queen was mainly ceremonial for more than a century. During World War I (1914–1918), thousands of Nepalese people served in the military, on the side of the Allies (Rai 2009:226). As a result, in 1923, a Treaty of Perpetual Peace and Friendship was signed between Nepal and the British government, which guaranteed Nepal's independence (Thapliyal 1998:203). Due to Pro-British stand, Nepal enjoyed the benefit of transboundary movement.

*Foundation of Democratic Politics in Nepal*

The modern era in Nepal began in 1950, with the overthrow of the autocratic Rana regime by a coalition of political parties supported by newly independent India (Tiwari 1995:22). This action restored the authority of the Nepalese monarchy within a constitutional framework and ushered in a period of democratic politics. The distribution of power between Parliament and the Palace remained contested, however, and in 1960, King Mahendra dismissed the parliament, assumed full executive powers, and instituted the "party-less" Panchayat system (World Bank 2011: 90).

*Panchayat System (1961–1990)*

King Mahendra introduced a new constitution and the panchayat (partyless political) system in December 1962. The panchayat system claimed to be democratic, at least in Nepal's socio-political context (Bhattarai 2008:46). In actuality, the king ensured that he held supreme power over the panchayat system, to which he gave full

support. Thus, in reality, it was direct authoritarian rule by the king. This system "introduced the National Planning Council, which, in turn, introduced four administrative tiers throughout the country: national, regional, zonal, district, and village panchayat (Bhattarai 2008:46). The panchayat system, meanwhile, did contribute to some progress. Under its direction, priority was given to highway construction, hydropower development, and expansion of irrigation. It also promoted improvements in banking, foreign relations, industrial growth, and resettlement in the Plain of *Terai*.

The relationship between Nepal and India suffered during this period due to Nepal's overture towards Pakistan and China, which irked India. India did not renew the bilateral treaty with Nepal after the same lapsed in 1989. The relationship between Nepal and India dipped to its lowest ebb at the end of the 1980s specially after India imposed an economic blockade on march 23, 1989 (trade and transit restrictions) against Nepal after the trade and transit treaty of 1978 lapsed (Dhungel 2008:40). Nepal started to buy weapons from China which were seen in India as violations of friendship treaty of 1950. India imposed blockade. During the blockade, Nepal's economic growth also went down from an annual rate of 9.7 percent in 1987–1988 to 1.5 percent a year later (Bhattarai 2008:48). This political and economic crisis raised the national sentiment and *Jananodolan* (people's movement) took roots. The demand for democracy and multiparty system became their desired end result for Nepalese people.

*4.1.2 Nepal After 1990*

Nepal is passing through the most radical transition of her life as a nation since she has been experiencing long drawn popular democratic upsurge against the absolute powers of monarchy. In 1990, the interim government proclaimed the new democratic constitution, which established fundamental human rights, a parliamentary democracy, and a constitutional monarchy. The Nepali Congress Party won the majority of seats and formed the government in 1991 (Bhattarai 2008:49). However, Nepal witnessed unstable and weak governments. Since 1990, the governments formed with help of multiparty support hindered the spreading democratic movement. Slowly democratic movements have adopted the form of Maoist insurgency. The Maoist movements destabilized Nepalese political system. Massacre of the royal

family in June 2001, the increase in Maoist activity in Nepal, the involvement of the army in the suppression of the Maoist insurgency led the imposition of a State of emergency within the country (Fisher 2007:128). After King Birendra, prince Gyanendra became the king of Nepal in 2001. He suddenly dismissed the elected government in 2002, took over all executive power, and dissolved the Parliament. On February 1, 2005, he declared a state of emergency (Bhattarai 2008:50).

On 19 May 2006, the parliament assumed total legislative power and gave executive power to the Government of Nepal (previously known as His Majesty's Government). Moreover, Nepal was declared a secular state abrogating the previous status of a Hindu Kingdom. Nepalese government was to hold elections to a constituent assembly by April 2007 (Bist 2007: 189). In December 2007, general election of Nepali parliament was conducted and it declared itself republic and removed the monarchical rule of two hundred forty years (United Nations 2009: 19). Now, Nepal is preoccupied to run its political system smoothly on the principle of federal democratic republic.

### 4.2 Geographical Features of Nepal

Geography is the most fundamental conditioning factor in the foreign policy of state because its affect remain constant and lasting (Spykeman 1938:7). It is said that the geography and neighbour hardly changes. The relation of Nepal with two giant neighbours (China and India) is affected by Nepalese's geographical features. Nepal shares its 1414 KM northern boundary with Tibet Autonomous Regions (TAR) of China and with India 1751 KM in the East, West and South (Singh 2005:215). It is separated from Bangladesh by an approximately twenty kilometer wide strip of India's state of West Bengal and from Bhutan by the eighty-eight-kilometer-wide Sikkim, also an Indian state (Kapur 2005: 40). Such a confined geographical position is hardly enviable. Nepal is almost totally dependent on India for transit facilities and access to the sea that is, the Bay of Bengal even for most of the goods coming from China. These geographical factors are influencing transit route of Nepal, physical feature, human resource and economic resource. Bhattarai argues that geographical position of Nepal forms its geo-strategic setting with regards to the Gangetic belt, an area critically important for India's security and the stability of its heartland, where an enormous share of its human and resources base is concentrated (Bhattarai 2005:8).

This is the primary reason why India has been striving towards firm influences in Nepal for its territorial and political defence in areas that border China. Nepal's geographical location is also important for the purpose of India's defence because its strategic importance also matters to China. Physical feature, human and economic resources as the bedrock of geographical features are influencing transit route of Nepal.

*4.2.1 Topography of Nepal and Transit Route*

Topography denotes the simplicity and complexity of land surface. Nepal is connected with China through high Tibet Plateau and high mountain region while with India; it is connected through plain land that is called *Terai*. China and Nepal boundary traverse the Great Himalayan Range, the highest mountain in the world. Nepal is a country of large geographic diversity. "There are three physiographic regions: high mountains (35 percent of total area), mid-hills (42 percent) and the flat *Terai* plain (23 percent). In the high mountains, there are 50 peaks above 7,000 meters including Mount Everest (8,848 meters). The mid-hills area is characterized by several microenvironments, including the fertile river valleys. *Terai* is the granary of Nepal" (Pyakuryal, 2000:35). Map 4.2 is describing physical feature of Nepal.

The Mountain Region or Parbat abruptly rises into the zone of perpetual snow along the Main Central Thrust fault zone. The mountain region (called Parbat in Nepali) is situated at 4,000 meters or more above sea level to the north of the hill region the mountain region constitutes the central portion of the Himalayan range originating in the pamirs, a high altitude region of the central Asia. In general, the snow line occurs between 5000 and 5500 meters (Bisht 2008:3). The region is characterized by severe climatic conditions and rugged topographic surroundings. Human habitation and economic activities are extremely limited in Nepal. Indeed, the region is sparsely populated with low road density and less economic activity. High mountain region covers Kodari/Nyalam, Rasuwa/Kyerong and Yari (Humla)/Purang trans-boundary roads through which the trade between Nepal and China are being conducted (NTWC2010:111).

These transit points facilitate in trans-boundary movement. China is developing its transport infrastructure in the border areas. It has developed the road network on the side of Brahmaputra (Sangopo) valley in the East and started rail

project from Lahsa to Khasa that will connect Kathmandu to remote region of China (Ramachandran 2008:1).

The hill region is commonly called *Pahar* in Nepali language, the hill region lies mostly between 2000 and 12000 feet in altitude and includes the *Mahabharat* ranges. This range is basically a chain of middle mountains that merges with the Himalayan range to their north (Shrestha 2002:11). Despite its geographical isolation and limited economic potential, the region has always been the political and cultural centre of Nepal with decision- making power centralized in Kathmandu, the nation's capital. The higher elevations above (2500 meters) in the region were sparsely populated because of physiographic and climatic difficulties whereas the lower hills and valleys are densely populated. The hill, sculpted by human hands into a massive complex of terraces, were extensively cultivated (Bisht 2008: 4).

*Terai* region begins at the Indian border and includes the northernmost part of the flat, intensively farmed Gangetic Plain called the Outer *Terai*. This is culturally an extension of northern India with Hindi, Awadhi, Bhojpuri and Maithili spoken more than Nepali. "The *Terai* is a narrow strip of fertile alluvial soil in the South of Nepal, extending East- West with an average elevation of 200 meters. The width of this fertile land is 32 km , with maximum of 45 km. most of the fertile land, about 20,720 square kilometers, is in this belt, hence it is known as the granary of Nepal " (Manandhar & Manandhar 2002:18 ). The road network is also important for transport and transit route of Nepal. The *Terai* region has more developed road networks in comparison to other areas of Nepal. The east west highway runs (Mahendra Raj Marg) along the *Terai*, and numerous other highways runs north south connect the Nepalese with the markets of the *Terai* and India (DoR Nepal 2008). Nepal joins India with open boundary without legal obligations. All transit points located near Indian borders are adjoined in *Terai* region. Industry and agriculture are relatively at developed stage in the region. The topography of *Terai* region is favorable for the development of transit route with India.

### *4.2.2 Principal Rivers and Drainage System*

Neapl is a water tower of South Asia. It has dense river drainage system. Drainage system are developed in such a way that it effectively drain off water of an area. Each stream in a drainage system drains a certain area, called a drainage basin

(Petersen 2012:474). The entire country is drained be a network of rivers and streams all of which are part of the Ganga river system and flow into the Bay of Bengal. "There are three major river systems in Nepal: Kosi in the East, Gandaki (Narayani,) in the Center, and Karnali in the West. All three river systems drain in to the Ganges in India" (Bisht 2008: 230). They originate in multiple tributaries rising in or beyond the high Himalaya that maintain substantial flows from snowmelt through the hot, droughty spring before the summer monsoon. Drainage system of Nepal cuts through the country in a generally North-South, direction and the three mountain ranges the Himalaya, Mahabharata, and Shiwalik which lie along an east west axis (Rose 1971:4).

*Influence of Drainage System on Transit Route*

The nature of drainage system of Nepal is flowing from north direction to south. These major river basins are within the larger Ganges basin that Nepal shares with, India and Bangladesh. Most of the river in Nepal are inherently linked to potential international water rights issues with Nepal's upstream and downstream neighbours because all of the river flow out of the country. The rivers that flow from Nepal to India account for a large volume of water resources in the region they can convert these resources in hydro power (Salman 2002:65). Nepal and India have made some agreement[1]. (Dhungel 2009:224) Rivers are most suitable and less expensive in maintaining the mobility of flow of goods and services. Telescopic freight rate of water transport can challenge the land transport system. Undulating topography could create problem for the development of land transport. Along with it, financial constraint is also obstacle in bridge construction and it can hinder the development of land transportation. Land mobility in obstructed by rivers at many locations e.g. Gandak and Karnali. However, river could generate good transportation system in absence of rapids, cataracts and fall.

[1] There are four agreements on three rivers between Nepal and India. They are:

- The 1920 letters of exchange for the construction of the Banbasa Barrage on the River Mahakali (Sharda):
- The 1954 Agreement On the Bhimnagar(Hanumannagar) barrage Project on the kosi River;
- The 1959 agreement on Bhaisalotan Barrage Project On the Gandak River; and
- The 1996 treaty on the Integrated Development of Mahakali (Sarda) River.

*4.2.3 Human Resources and Transit Route*

*4.2.3.1 Population*

Perched on the southern slopes of the mighty Himalayas, Nepal is an ethnically diverse, culturally rich and geographically varied country with a population of about 26,620,809. The republic has 14 administrative units grouped into 5 development regions (Census of Nepal 2011). The average population density is 157 person per square km (Census of Nepal 2001). Approximately 83 percent of the populations' live in the rural areas while 17 percent are in urban areas. The population distribution of Nepal has been shown in table 4.1.

**Table 4.1**
**Population and Road Distribution**

| SN | Zone/Region | Total Population (2001) | Total Area (Km2) | Total Road Length (Km.) | Population Influenced per Km. Road | Road Density (Km/100 |
|---|---|---|---|---|---|---|
| 1 | Mechi Zone | 1307669 | 8196 | 595.95 | 2194 | 7 |
| 2 | Koshi Zone | 2110664 | 9669 | 696.98 | 3028 | 7 |
| 3 | Sagarmatha Zone | 1926143 | 10591 | 681.29 | 2827 | 6 |
| *I* | *Eastern Region* | *5344476* | *28456* | *1974.22* | *2707* | *7* |
| 4 | Janakpur Zone | 2557004 | 29669 | 858.60 | 2978 | 9 |
| 5 | Bagmati Zone | 3008487 | 9428 | 1066.23 | 2822 | 11 |
| 6 | Narayani Zone | 2466138 | 8313 | 759.51 | 3247 | 9 |
| *II* | *Central Region* | *8031629* | *27410* | *2684.34* | *2992* | *10* |
| 7 | Gandaki Zone | 1487954 | 12275 | 547.52 | 2718 | 4 |
| 8 | Dhaulagiri Zone | 556191 | 8148 | 208.24 | 2671 | 3 |
| 9 | Lumbini Zone | 2526868 | 8975 | 909.78 | 2777 | 10 |
| *III* | *Western Region* | *4571013* | *29398* | *1665.54* | *2744* | *6* |
| 10 | Rapti Zone | 1286806 | 10482 | 900.63 | 1429 | 9 |
| 11 | Bheri Zone | 1417085 | 10545 | 852.87 | 1662 | 8 |
| 12 | Karnali Zone | 309084 | 21351 | 130.00 | 2378 | 1 |
| *IV* | *Mid-Western* | *3012975* | *42378* | *1883.50* | *1600* | *4* |
| 13 | Seti Zone | 1330855 | 12550 | 642.36 | 2072 | 5 |
| 14 | Mahakali Zone | 860475 | 6989 | 549.42 | 1566 | 8 |
| *V* | *Far-Western* | *2191330* | *19539* | *1191.78* | *1839* | *6* |
| | **Total of Nepal** | **23151423** | **147181** | **9399.38** | **2463** | **6** |

Source: DoR (2008) *Road Statistics 2006-2007,* Ministry of Physical Planning and Work, Nepal

The annual population growth rate is about 1.4 percent and the economically active segment between ages 14 to 60 year is about 61.1 percent of the total population (Census of Nepal 2011). Nepali is the national language of the federal government. English is taught as second languages in the school. Hindu is the main religions practiced in Nepal. Other traditional religions are also practiced by a small section of the population, particularly in south of Nepal.

*4. 2.3.2 Ethnic Groups and Languages*

Ethnic classification in Nepal is complicated because people can be categorized on the basis of one criterion, such as language, may be divided on the basis of another, such as ethnic identity. Language, however, often is used to classify various groups of peoples. At least 9 languages are spoken as mother tongues, but several predominate. Most belong to the Indo-Aryan language; a small number belong to the Indo-Tibetan family of languages. Nepali, Maithili, Bhojpuri, Tharu, Tamang, Nepal Bhasa, and Magar are also being spoken by considerable population of Nepal.

*Influence of Human Resources on Transport and Transit Route*

Quality of life and transport network system are highly correlated because standard of living is highly influenced by human resource development that is technical know, education, health services and per capita income. A threshold of population is essential to sustain any economic activity. A multiethnic country like Nepal have several population related problems such as high fecundity and high mortality rate, low life expectancy, low urbanization and undersized scale of movement of people from rural to urban areas. More than 83percent population is engaged with primary activities (Census of Nepal 2011). Some groups of people are marginalized in the course of socialization, as they are weaker section of society and suffering from vicious circle of poverty. The aforementioned factors have a decisive impact over transport and communication network of Nepal.

*4. 2.3.3 Economic Resources in Nepal*

Nepal is a developing country with an agrarian economy. Nepal is one of the poorest and least developed country about 25.16 percent of its population is living below the poverty line (CBS, Nepal 20011). In 1950s, Nepal is deprived of basic modern facilities which make the life conditions better. It has lacks of schools, hospitals, roads, communication, electrical power, civil service as well as industry. Modernisation of Nepal economy has come a long way. During Panchayat system, rural developments efforts have been undertaken and government administration developed since around 1975 (Bhattarai 2008:46). The Nepal is a landlocked country and it has to import all the goods through India continued to be reflected in the early 1990s. As a result of the lapse of the trade and transit treaties with India in March

1989, Nepal faced shortages of certain consumer goods, raw materials, and other industrial inputs. A critical situation has arised that had led to a decline in industrial production of Nepal. Its main economic activities are agriculture, mining and industry. Nepal has used a series of Five-Year Plans in an attempt to make progress in regional economic development. The secondary services e.g. industrial activities are in preliminary stage.

*4. 2.3.4 Agriculture*

Agriculture is the predominant sector of the Nepalese economy. It provides a major source of livelihood to about 80 percent of the population (NPC 2006:125). It contributes about 40 percent of GDP and serves as a major source of raw materials to most of the agro-based industries (NPC, 2066-67:17). It, therefore, rightly deserves topmost priority. Nepal has a considerable land resource for agriculture but only 18 percent area is cultivable. Rest includes forests and mountainous areas (NPC 2006). The highland areas (above 1500 meters) constitute about 45 percent of the total area that are inhabited by four-fifths of the population (NPC 2066-67:17). The highland areas also support about 70 percent of the livestock population. Medicinal herbs, grown on the Himalayan slopes, are sold worldwide. Livestock raising is second to farming in Nepal's economy; oxen predominate in the lower valleys, yaks in the higher, and sheep, goats and poultry are plenteous everywhere.

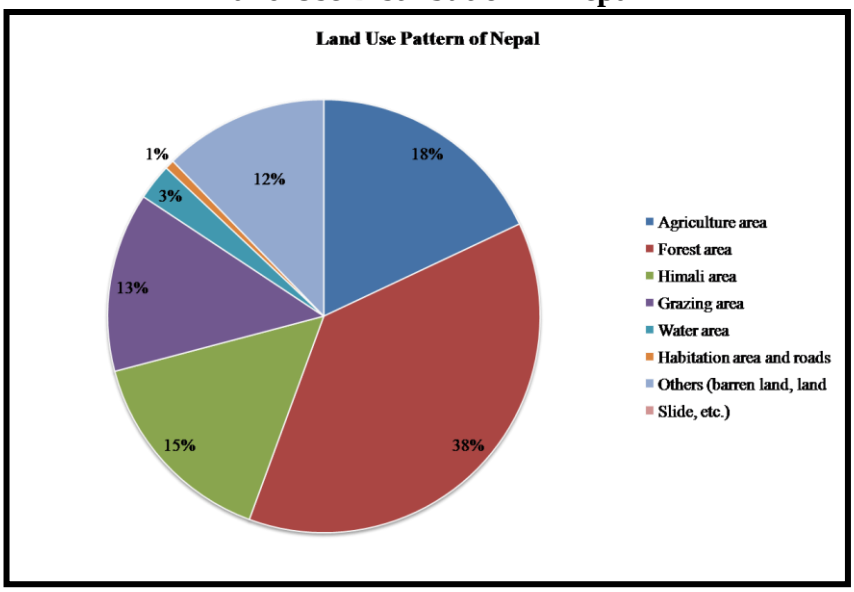
The well-developed and capable agriculture sector alone could be a great source of raw materials, employment generation and capital for the development of the non-agriculture sector. While development of the agriculture sector has received top priority and huge amounts of money have been invested in this sector under the previous periodic plans, but this sector has not been developed as desired. Productivity of the major crops is awfully low compared to the productivity of other countries. Difficult geographical condition, lack of irrigation facilities, reliance on monsoons, and traditional and subsistence level of agriculture farming are the major obstacles in the development of this sector in Nepal.

*Production and Export of Major Agriculture Products*

Major food crops include rice, maize, wheat, potato, pulses, oilseed, sugarcane, tobacco, cotton, jute, tea, cardamom, ginger and various fruits and

vegetables. Of these, mustard linseeds, herbs, ginger, dried ginger and cardamom are the major export items. Other major crops having commercial value, industrial usage and export potential include tea, jute and other items.

Fig: 41
**Land Use Distribution in Nepal**




Source: NPC (2006), *Annual Development Programs*, National Planning Commission Nepal pp: 130.

*Land Use Distribution in Nepal*

Nepal is believed to have a considerable land resource for agriculture. About 26,533 square km which 18 percent of the country's land area is estimated to be potentially suitable for agricultural production (See Fig, 4.1, for details see Appendix 4.1). It is generally accepted that this land resource can support a large population by providing enough food and other agricultural products required for the development of other sectors. However, the country has not been capable to feed its population for many years due to backward agricultural practices and climate unpredictability (NARC 2010:1).

*4. 2.3.5 Industries*

As it is not possible to expand economic activities expeditiously only through the existing agro-based economic structure, there is a need to enhance the industrial sectors of the economy. Development of the industrial sector, among other sectors, is equally essential for the rapid economic development of the country. Despite the determinant role of the industry sector in resolving issues of growing unemployment

and rural poverty, the percentage share of industrial sector in Nepal's GDP is only about 10 percent that is fairly lower than India and China (NPC 2066-67:17). Given that the majority of the population is dependent on agriculture, the need to create job options for them in non-agriculture sector through the development of productive industries is imminent. This will not only help in resolving the problems of unemployment but also instigate the process of economic development of the country. As the efforts of government alone are not enough for this to happen, the active role of the private sector is indispensable in promoting domestic and foreign industrial investment.

The major products are; noodles, biscuits, squash, sugar, tea, animal feed, vegetable ghee, beer, alcohol, shoes, plywood, straw board, paper, soap, cement, iron rods and angles, cigarettes, cotton textiles, synthetic clothes, jute goods, matches, bricks and tiles, steel utensils, batteries, soft drinks etc (NPC 2066-67:17). Biratnagar and Birganj, in the *Terai*, are the main manufacturing towns, and Katmandu also has some industrial unites. There are rice, jute, sugar, and oilseed mills; other products include carpets, textiles, cigarettes, and building materials. Wood and metal handicrafts are also important (Economic Survey of Nepal 2011:78). Significant quantities of mica and small deposits of ochre, copper, iron, lignite, and cobalt are found in the hills of Nepal.

Transportation and communication difficulties have slowed down the growth of industry and trade. Industry is indisputably the foundation of sustainable economic development and self-dependent economy. In 1951 Nepal had no transport system capable of meeting the needs of an economy that seeks to grow and develop (Jha 1973:170). There were few all-weather roads, and the transportation of goods was difficult. Goods were able to reach Kathmandu by road, trucks, and ropeways, but for other parts of the country such facilities remained almost non-existent. This lack of infrastructure made it hard to expand markets and pursue economic growth. This has been a problem for Nepal in the past, including during the Maoist movement of the past decade. If transportation network are well developed, uprising can be easily subdued because troops and goods can be moved rapidly around country's territory. In Nepal, it is critical that connections between Kathmandu and the countryside be greatly improved. This would facilitate economic development and help the peripheral areas to catch up with the cities (Bhattarai 2008:87). Nepal has tried to expand its

contacts with other countries and to improve its infrastructure, although the lack of significant progress was still evident in the early 1990s. The effects of being landlocked and of having to transit goods through India continued to be reflected in the early 1990 (UNOHRLLS 2011:23 & Mongabay 2012).

As part of it, Industrial Infrastructure Developmental Program, necessary road construction and electricity transmission lines are being expanded in Udaipur, Makwanpur, Dhading, Lalitpur, Dang, Rolpa etc with the consideration of the upcoming cement industry in the immediate future. According to preliminary CBS estimates, there has been a growth in biscuits, iron rods, light beverage and noodles in the current fascia year 2011. So, GDP was operated to grow by 2.65 percent compared to 2010 financial year (Economic Survey of Nepal 2011:119).

Among the modern industries are large manufacturing plants, including many public sector operations. The major manufacturing industries produced jute, sugar, cigarettes, beer, matches, shoes, chemicals, cement, and bricks (Economic Survey of Nepal 2011:130). The garment and carpet industries, targeted at export production, have grown rapidly since the mid 1980s whereas jute production has declined. Industrial estates were located in Patan (also called Lalitpur), Balaju, Hetauda, Pokhara, Dharan, Butawal, and Nepalganj (Economic Survey of Nepal 2011:132). The government provided the land and buildings for the industrial estates, but the industries themselves were mostly privately owned. Nepal suffers from a lack of both internal and external investment. This stems from low domestic savings, a small domestic market, a severe shortage of skilled labour, chronically corrupt and inefficient public administrations, high transport and operating costs, the inadequacy of power resources and, increasingly, political instability have been the major problem of Nepal.

*4. 2.3.6 Mining*

Although mining in Nepal was an ancient occupation, the country's mineral resources have been little exploited. Mining and quarrying accounted for 0.5percent of GDP, and was dominated by the production of cement, red clay, coal, limestone, dead-burned magnesia, and marble (Economic Survey of Nepal 2011). Mineral commodities accounted for 8percent of Nepal's export earnings. In 2000, the country also produced small quantities of agricultural lime, quartz, quartzite, salt, sand and

gravel, stone, talc, and tourmaline. A lead and zinc deposit near Lari had reserves of 2 million tons, and there were known deposits of iron, copper, graphite, cobalt, mica, and slate (Economic Survey of Nepal 2011). Development plans included the encouragement of small-scale mining, and provided for continuing mineral surveys. The prosperity of nations depends upon its economic activities. It is agriculture, industries, trade and commerce that provide a nation wealth. Industry being the backbone of the economy of a nation, these activities cannot flourish without adequate transport facilities.

*Influence of Economic Resources on Transit Route*

Transit route plays an important role in linking production with international market. The production itself is facilitated by the transit route as processing site is linked with the sites of the raw materials. Similarly it is with the help of a developed transit route that goods and services are distributed in the local, national and international markets. It also ensures the movement of ideas and skills from one region to the other. It provides both forward and backward linkages to the economy.

*4. 2.3.7 Tourism*

Tourism is the largest industry in Nepal, and the largest source of foreign exchange and revenue. Nepal spans terrain from subtropical jungle to the icy Himalaya, and contains or shares eight of the world's ten highest mountains (Pandey 2004:121). The tourist industry is seen as a way to alleviate poverty and achieve greater social equity in the country. Tourism reaches into the varied aspects of Nepalese life and its benefits are encompassed by diverse sectors directly and indirectly. It generates employment opportunities and helps in the promotion and conservation of the art and culture. Map 4.3 gives the details of tourist places in the Nepal. The tourism industry is one of the foreign currency earners in the country and thus makes a significant contribution to the economy (EU 2011:20).

*Tourist Sites and Transit Route*

The major religion in Nepal is Hinduism and Buddhism, however the Pashupatinath Temple is the world's largest temple of Shiva which is located in Kathmandu, attracts many pilgrims and tourists. Other Hindu pilgrimage site include the temple complex in Swargadwari located in the Pyuthan district, lake Gosainkunda

near Dhunche, the temples at Devghat, Manakamana temple in the Gorkha District, and Pathibhara near Phungling. Buddhism is the largest minority religion. The World Heritage site Lumbini, which is traditionally considered to be the birthplace of Gautama Buddha, is an important pilgrimage site. Another prominent Buddhist site is Swayambhunath, the Monkey Temple, in Kathmandu. Muktinath is a sacred place for Hindus as well as Buddhists. The site is located in Muktinath Valley, Mustang district.

## 4.3 Transport Infrastructure

Infrastructure has remained a backbone to the economic and social development of Nepal. Efficient infrastructure services help to generate job opportunities as well as create an environment for additional income generation (Pande 2009:1). Landlocked Nepal, mostly mountainous, has a rough and rugged terrain and transport system in Nepal is an interesting phenomenon. Due to the landscape of the country, roadways and airways are the only modes of transport in the country. The presence of railways is negligible, and urban transport services are few (World Bank 2011). The Government's agendas clearly show the priority for infrastructure development but failure on the part of effective implementation has constraint the desired level of progress in these sectors. A general pattern shows that expenditures of the developing countries in the road sector are equivalent to 2 percent of the GDP. This level of expenditure is accepted as a standard practice to achieve meaningful sectoral impacts. In Nepal, the total transport sector expenditures amounts less than 1 percent of the GDP (Pande 2009:2). In order to boost the economic growth of the country, resource allocations and the expenditures must be in line with international norms and practices where more prosperous countries are embarking on higher allocations in physical infrastructure to create additional employment opportunities as well as supplementing synergic impact on other developmental outcomes.

### *4.3.1 Road Networks*

Nepal's total road network and density are low and only 43 percent of the population has access to all-weather roads. More than 60 percent of the network is concentrated in the lowland (*Terai*) areas of the country (World Bank 2011).

The poor condition of the road network hampers the delivery of social services in the remote hill and mountainous districts and affects the country's economic development. High transport costs and the lack of connectivity are major impediments to Nepal's development. This pro-poor expansion, as well as improved modes of transportation increased access to shops, markets, schools and hospitals. Improvements in rural connectivity helped raise non-agricultural employment and incomes. At present the National Road Network has altogether 9,399.38 km roads including 4258.20 km blacktop, 2,061.70 km gravel and 3,079.48 km earth roads (See Table 4.2).

The National Road Network comprises of National Highways, Feeder Roads, Urban Roads, District roads and Village roads. The National Highways together with the Feeder roads constitute the Strategic Road Network (SRN) of Nepal. The Strategic Road Network is the backbone of the National Road Network. The construction and maintenance of the strategic roads fall on the responsibility of the Department of Roads (National Transport Policy 2001). District roads together with village roads constitute the District Road Network and are responsibility of local authorities.

*Distribution of Roads*

Because of varied topography and settlement patterns, the distribution of roads in all Development Regions and physiographic zones of the country is not even. The Central Development Region (CDR) has the highest road network followed by Eastern (EDR), Western (WDR), Midwestern (MWDR) and Far Western Development Regions (FWDR) of the country (See Table 4.2) (DoR Nepal 2008).

**Table 4.2**
**Road Network of Nepal (2006 – 2007)**

| SN | Region | BT | GR | ER | Total | NH | FRN | FRO | MH | PR | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Eastern | 892 | 396 | 685 | 1974 | 679 | 1028 | 0.0 | 142 | 126 | 1974 |
| 2 | Central | 1513 | 699 | 472 | 2684 | 817 | 1543 | 113 | 0.00 | 212 | 2684 |
| 3 | Western | 932 | 182 | 553 | 1666 | 478 | 879 | 168 | 90 | 51 | 1666 |
| 4 | Mid-Western | 452 | 598 | 832 | 1884 | 735 | 833 | 158 | 64 | 94 | 1884 |
| 5 | Far-Western | 468 | 188 | 536 | 1192 | 519 | 480 | 0.00 | 99 | 94 | 1192 |
| | Total | 4258 | 2062 | 3079 | 9399 | 3227 | 4762 | 439 | 395 | 576 | 9399 |

Source: DoR (2008) *Road Statistics 2006-2007,* Ministry of Physical Planning and Work, Nepal

Similarly, the *Terai* has the highest road network followed by hills and mountains. Furthermore, the distribution of roads in the same physiographic zones of different Development Regions is also different.

*4.3.1.1 National Highways*

National highway are main highway connecting east to west and north to south of the nation. The roads connecting national highways to regional head quarters shall also be classified as national high ways. These serve directly the greater portion of the longer distance travel, provide consistently higher level of service in terms of travel speeds and bear the inter-community mobility (regional interest).

Table 4.3
**National Highways (2006-07)**

| | **National Highway** | **Route** | **Length (km)** | **Route for Port** |
|---|---|---|---|---|
| H01 | Mahendra Rajmarga | Kakarbhitta-Belbari-Chaurahawa-Pathlaiya-Hetauda-Narayanghat-Butwal-Kohalpur-Banbasa | 1028 | |
| H02 | Tribhuvan Rajpath | Sirsiya Boarder- Hetauda-Pathlaiya- Bhainse-Naubise-Nagdhunga-Kalanki-Tripureswor | 160 | Birgunj Raxual 28 A |
| H03 | Arniko Rajmarga | Maitighar-Suryabinayak-Dhulikhel-Dolalghat - Barabise-Kodari | 113 | Kodari-ZhangmuzhenXizang, China G318 |
| H04 | Prithivi Rajmarga | Naubise- Mugling- Pokhara | 174 | Antrik h02 ko ho5 say jorta hai. |
| H05 | Narayanghat-Mugling | Narayanghat-Mugling | 36 | H01 say jura hai.antarik hai. |
| H06 | Sindhuli Rajmarga | | 201 | Jaleswar sursand 104 |
| H07 | Mechi Rajmarga | Kechna-Charali-Maikhola-Ilam-Phidim-Taplejung | 269 | Bhadrapur Thakurgahj 31 C |
| H08 | Koshi Rajmarga | Rani-Itahari-Dharan-Dhankuta-Hile | 115 | Jogbani Jogbani 57 A |
| H09 | Sagarmatha Rajmarga | Kadmaha-Gaighat- Diktel-Salleri | 324 | Antarik |
| H10 | Sidhartha Rajmarga | Belhiya-Butwal-Butwal-Bartung -Burtung-Syangjha-Syanjha-Pokhara | 181 | Bhairahawa Nautanwa NH 29 |
| H11 | Rapti Rajmarga | Ameliya-Tulsipur- Salyan-Musikot | 169 | Hi higy say jura hai antrik high way |
| H12 | Ratna Rajmarga | Jamunia-Kohalpur-Chisapani-Birendranagar | 113 | Nepal ganj Rupahi deh NH 28C |
| H13 | Karnali Rajmarga | Bangesimal-Dailekh/Saigaon-Manma-Jumla | 232 | Antarik High way |
| H14 | Mahakali Rajmarga | Mohana Bridge-Ataria-Syule-Dadeldhura-Satbanj-Darchula | 325 | Dhangadhi- Palia Kalan ste high way of UP 90 |
| H15 | Seti Rajmarga | Syaule-Doti/Silgadi | 66 | Antarik High way |

Source: DoR (2008) *Road Statistics 2006-2007*, Ministry of Physical Planning and Work, Nepal

These roads shall be the main arterial routes passing through the length and breadth of the country as a whole (DoR. MPPWT 2045: 5). The name, origin, destination and length of National Highways are illustrated in Table 4.3. There are 15 National Highways (NHs) in Nepal with total length of 3,227 km of about 9,399, of which 4,258 km (34 percent) is bituminous (DoR Nepal 2008). For the purpose of case study, NH-10 has been surveyed. NH-10 is connected with Kolkata port through NH-29 of India (DoR Nepal 2008). Bhairahawa dry port is located on it. National highway H-01 is connected with West Bengal and Uttarakhand on which there are two transits point Kakarvitta and Tankpur respectively. This is the longest highway of Nepal that became the part of Asian Highway. Another significant national highway is H-02 which connects Birgunj. Birgunj is a dry port. Indian national highway 28A joins H-02 at Raxaul. Kathmandu is located on H-02 (DoR Nepal 2008). National Highway NH-03 touches Chinese border. The NH-02 and NH-03 jointly are part of Asian Highway no 42. Asian Highway goes to China via Kodari (See Map 4.4).

*4.3.1.2 Feeder Roads*

Feeder roads are important roads but of localised nature. These serve the community' wide interests and connect district head quarters and Zonal head quarters to national highways (DoR. MWT 2045: 5). Feeder roads (FRs) include Feeder roads (major) and Feeder roads (minor). There are altogether 51 Feeder roads totaling 2,034 km in length (DoR Nepal 2008). Basically, they are occupied with agricultural activities.

*4.3.1.3 Strategic Road Network*

Strategic Road Network is part of national road system. The objective of SRN are Strengthening political and administrative linkages, poverty alleviation, development and utilisation of social, economic and cultural potentials, minimisation of total transportation cost, minimisation of adverse effects on the environment (see Appendix 4.2). It is made up of national highways and feeder roads. Although the strategic roads constitute 33 percent of the National Road Network, it plays a very important role in terms of the movement of person and materials (MoPPW 2010: 4-2). The strategic roads have high traffic volume in comparison to district roads. At present, the Strategic Road Network consists of 15 National Highways and 51 Feeder roads

totalling 4,977 km (DoR Nepal 2008). A detail of Strategic Road Network is given in Map 4.5 and Appendix 4.1.

*4.3.1.4 Major Routes and Corridors*

All Nepalese transit traffic passes through the ports of Kolkata and Haldia in India. These two ports, which are in close proximity to each other, are linked to 15 recognized border points on the India-Nepal border. Map no. 4.5 is the visual expression of table no.4.4. The majority of cargo moves through the Kolkata-Raxaul (India) and Birganj (Nepal) route to Kathmandu.

Table No. 4.4
**Transit Points to Kolkata Port**

| | **Transit Points to Calcutta Port** |
|---|---|
| 1. | Sukhia Pokhari |
| 2. | Naxalbari (Panitanki) |
| 3. | Galgalia |
| 4. | Jogbani |
| 5. | Bhimnagar |
| 6. | Jayanagar |
| 7. | Bhitamore |
| 8. | Raxaul |
| 9. | Nautanwa (Sonuali) |
| 10. | Barhni |
| 11 | Jarwa |
| 12. | Nepalgunj Road |
| 13. | Tikonia |
| 14. | Gauriphanta |
| 15. | Banbasa |

Source: DoR (2008) *Road Statistics 2006-2007*, Ministry of Physical Planning and Work, Nepal

*Road's Distance and Time Taken in Transit*

The road systems in India are well developed for internal use. The high speed roads with bypass are limited. Table 4.6 shows that a truck moving from Kolkata or Delhi towards Kathmandu averages 160-200 km daily. Many factors are responsible for such a slow movement of traffic. There is an inordinate delay in loading and unloading of goods, customs clearance and closure of boundary exit point during night, among others.

The transit transport of India and Bangladesh and the distance to major sea port in relation to time is shown in table no. 4.5. Delays and unpredictability, however, are even more worrisome than costs. From the port of departure to the destination, consignments can take weeks and sometimes months.

Table No. 4. 5
**Road's Distance and Time Taken in Transit**

| S.No. | Name of road Corridors | Distance km | Time Taken (in days) | Km/Day |
|---|---|---|---|---|
| 1 | Kath-Birgunj-Kolkata port | 1256 | 5-7 | 195 |
| 2 | Ktm-Kakarvitta-Panitanki-Phulbari-Banglabandh-Dhaka-Chittagon port | 1567 | | 174 |
| 3 | Kathmandu-Bhairahawa-Kolkata | 1314 | 6-8 | 165 |
| 4 | Kathmandu-Bhairahawa-Delhi | 1191 | 4-6 | 198 |
| 5 | Kathmandu-Biratnagar-Kolkata | 1197 | 4-6 | 199 |
| 6 | Kathmandu-Nepalgunj-Lukhnow-Delhi | 1279 | 4-7 | 183 |

Source: Nepal, Vidya Nath (2006), *"Policy Reorientation Study on Transit Trade of Nepal",* Economic Policy Network, Ministry of Finance, Nepal,

### *4.3.2 Rail*

Geographical constrain restrict the expansion of railway network. There is only one functioning railway in Nepal. This 59 km narrow gauge railway runs between Janakpur and Jainagar that touches Indian border (World Bank 2011). Nepal Railways Company (NRC), a government agency owns the 53km narrow-gauge rail line, which is composed of two sections 32-kilometer section between Jaynagar in India to Janakpur in Nepal, and a 21-kilometer portion from Janakpur to Bijalpura. Janakpur to Bijalpura network is not operational at present (World Bank 2011). The Indian Railways manages the six-kilometer railway line (of which four-kilometers fall in Nepal) that connects Inland Clearance Deport (ICD) in Birgunj to Raxaul, India is helping for two new rail links for Nepal (World bank 2011). There is no passenger service on this section. In order to meet the growing passenger and freight transport demand, Government of Nepal has long felt the necessity of development of railway as an alternative land transport mode for faster and cheaper movement of freight and passenger. For this purpose, MOPPW, Government of Nepal has commissioned the association of RITES Ltd of India & SILT Consultants of Nepal to carry out feasibility of constructing new Railway lines in Nepal (RITES 2010). India and Nepal have signed an agreement seeking to introduce rail communication between the two countries. The agreement, signed on May 21, 2004 at Kathmandu (Nepal), provides

for operating and managing the freight train services between Kolkata/Haldia ports in India and Birganj in Nepal via Raxaul (Ministry of Railway 2004).

Nepal government with help of India is trying to connect six trade point Nepalgunj, Bhairahwa, Birgunj, Biratnagar, Kakarbhitta and Gaddachauki through rail networks (See Map 4.6). The rail line starts at Kakarbhitta and ends at Gaddachauki (UNESCAP 2010:7). Nepalgunj, Bhairahwa, Birgunj and Biratnagar will be link with Indian railway. The capital, Kathmandu, has no railway connections at all. Pokhra and Kathmandu will be joined via Birgunj. China is also planning to connect Kathmandu to Lhasa. UNESCAP has planned to develop a Trans Continental Rail Networks. It will touch the boundary of Nepal (See map 4.6)

*4.3.2.1 Railways Distance and Time Taken*

Nepal was not directly connected by Indian railways since long time. Janakpur-Jaynagar narrow gauge rail is only one railway line in Nepal. In Rana regime there was Raxual Amalekhgunj railway but it was stopped after operation for few years. Most of the Indian border cities are connected with either meter gauge or broad gauge railways but Nepal has no own railways. Recently Birgunj Sirsia ICD is connected by broad gauge railway line with Raxual. The railways lines available to Nepal for transit purpose are given in table 4.6.

Table No. 4. 6
**Railways Distance and Time Taken**

| S.N. | Railways Corridors Available | Distance Km | Time taken Days | Km Per day |
|---|---|---|---|---|
| 1 | Birgunj ICD – Raxual-Sugauli-Motihari -Samastipur-Barauni-Asansol-Burdhaban-Kolkotta. | 704 | 2 days | 352 |
| 2 | Birgunj-Sugauli-Sonpur-Mugalsaria-Allahabad-Itarsi-Jalgoun-Manmad-Mumbai | 2368 | 5-7 | 300 |
| 3 | Bhairahawa-Sunauli-Nautanuwa-Lukhnow-Allahabad-Itarsi-Manmad-Mumbai | 2168 | 4-6 | 300 |

Source: Nepal, Vidya Nath (2006), *"Policy Reorientation Study on Transit Trade of Nepal"*, Economic Policy Network, Ministry of Finance, Nepal,

*4.3.3 Inland Clearance Depots*

With the aim of facilitating international trade, Nepal has adopted the policy to develop railways and road network and ICDs/dry ports at appropriate locations. The

main objectives of the ICDs are to reduce transportation costs, achieve competitiveness in imports and exports through reduced overall transit and transport costs including overhead costs, promote competitive transport services and open opportunities to private sector operators through their involvement in management and operation of ICDs (UNESCAP 2010:8). The Government of Nepal launched The Nepal Multimodal Transport and Trade Facilitation Project in 1998 to construct three ICD. According to UNESCAP, Salient Features of ICDs in Nepal are the followings

*Birgunj ICD:* The ICD in Birgunj is spread over an area of 38 hectares and is a rail based ICD. It is linked with a broad gauge railway which has a connection to the seaport in Kolkata via Raxaul. The ICD complex has a railway yard with 6 full length lines. It has an administrative block to accommodate various institutions such as customs, freight forwarders, bank, etc. to provide services related to cargo handling and clearance. It also has a container stacking yard of 685x64m with 656 ground slots capable of holding 1570 TEUs at one time with the possibility of extensions up to 2528 TEUs.

*Biratnagar ICD:* The Biratnagar ICD is a road based ICD spread over an area of 2.86 hectares. It has a container yard of 3700sq.m. Capable of holding 150 TEUs at a time and parking area for around 80 trucks. To accommodate various institutions including customs, an administrative block of 570 sq.m. Floor area has been constructed. The complex includes a covered container freight station of 55x25m with 1.2m high level platform for storage of goods and ancillary facilities such as an electric substation, workshop, water tank and car parking area.

*Bhairahawa ICD:* Bhairahawa ICD is also a road based ICD spread over an area of 3.6 hectares. The ICD complex includes an administrative block of 570sq.m. and a bituminous pavement area for parking of 250 trucks. There is also an additional inspection shed of 36x24m area with 1.2m high platform and customs litigation and goods shed of 55x25m.

*4.3.3.1 Transit Ports*

Nepal is taking the facility of Kolkata, Haldia port and Vishakhapatnam under process of the transit trade treaty. Kolkata and Haldia port are administered under Kolkata Port Trust and remains as the dominant port of entry and exit of Nepalese

transit cargo. Both of these ports handle the containerized cargo which mostly passes through Birgunj. Mongla and Chittagong port in Bangladesh are also available for Nepalese transit traffic for third country trade. However, the use of these ports are severely limited due to constraints of longer distance, complexity in documentation, inadequacy of physical infrastructures and requirement of transshipment due to differential gauge of railways (Ojha 2007).

Birgunj-Mumbai corridor is being projected as another alternative transit route for Nepal's transit traffic. There is potential of using this route for export cargo of Nepal which is mostly bound to Europe and USA. There has been understanding between the two governments in the past on use of this corridor for Nepalese transit traffic. However, the administrative arrangements and the modality are yet to be worked out and agreed. (Rajkarnikar 2010)

### 4.4 Trade Patterns

Nepal is a developing country with an agricultural economy. In recent years, the country's efforts to expand its manufacturing industries and other technological sectors have achieved much progress. Agricultural activities remain the main economic activity followed by manufacturing, trade and tourism. The principal sources of foreign currency earnings are merchandise export, services and tourism. Major industries are woollen carpets, garments, textiles, leather products, paper and cement. Other products made in Nepal are steel utensils, cigarettes, beverages and sugar. There are many modern large-scale factories but the majorities are cottage or small scale operations. Most of Nepal's industries are based in the Kathmandu Valley and a string of Small towns in the southern *Terai* plain (MoCS Nepal 2009). Commerce has been a major occupation in Nepal since early times. Being situated at the crossroads of the ancient Trans-Himalayan Trade Route, trading has been in the nature of the Nepalese people. Foreign trade is characterized mainly by import of manufactured products and export of agricultural raw materials.

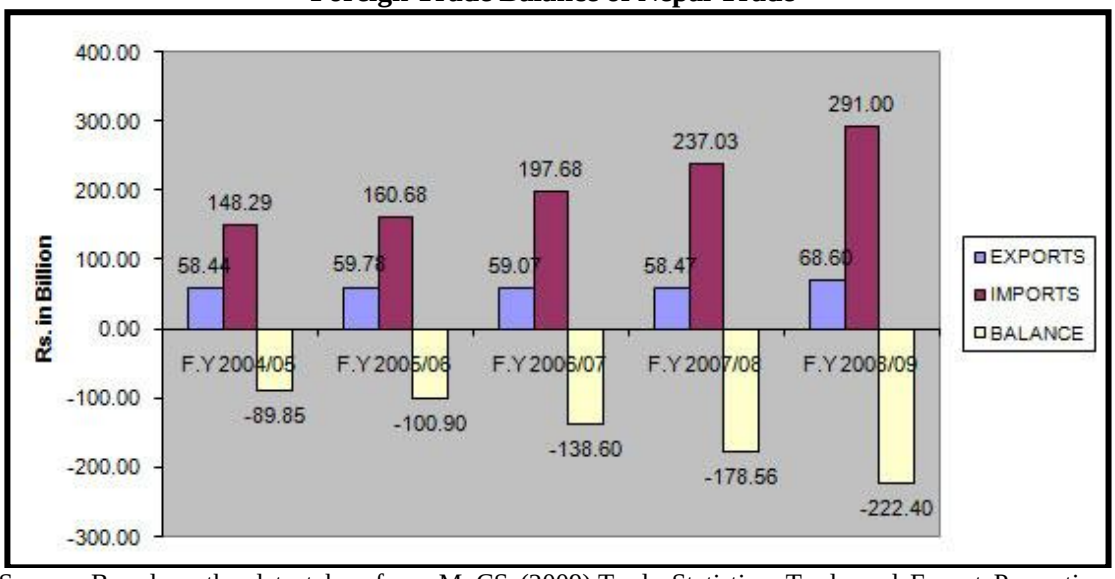
Trade activities are much more directed by the trade and industrial policy of a country. The trend of foreign trade, in particular, moves in accordance with the trade policy adopted by the country. Therefore, the import and export trade largely depend upon the trade policy.

Table 4.7
**Foreign Trade Balance of Nepal**
**(Value in '000 Nepali-Rs.)**

| Fiscal Year | Exports | Total percent | Imports | Total percent | Total Trade | Total percent | Trade Deficit |
|---|---|---|---|---|---|---|---|
| 1997/98 | 27,402,244 | 23.6 | 88,894,771 | 76.4 | 116,297,015 | 100 | 61,492,527 |
| 1998/99 | 35,826,572 | 28 | 92,314,090 | 72 | 128,140,662 | 100 | 56,487,518 |
| 1999/00 | 49,561,028 | 30.4 | 113,687,149 | 69.6 | 163,248,177 | 100 | 64,126,121 |
| 2000/01 | 55,245,900 | 31.7 | 118,786,609 | 68.3 | 174,032,509 | 100 | 63,540,709 |
| 2001/02 | 47,386,788 | 30.4 | 108,634,801 | 69.6 | 156,021,589 | 100 | 61,248,013 |
| 2002/03 | 50,011,122 | 28.1 | 128,228,134 | 71.9 | 178,239,256 | 100 | 78,217,012 |
| 2003/04 | 53,949,414 | 28.4 | 135,840,335 | 71.6 | 189,789,749 | 100 | 81,890,921 |
| 2004/05 | 58,443,821 | 28.3 | 148,294,229 | 71.7 | 206,738,050 | 100 | 89,850,408 |
| 2005/06 | 59,776,874 | 27.1 | 160,677,924 | 72.9 | 220,454,798 | 100 | 100,901,050 |
| 2006/07 | 59,073,097 | 23 | 197,676,512 | 77 | 256,749,609 | 100 | 138,603,415 |
| 2007/08 | 58,474,359 | 19.8 | 237,030,276 | 80.2 | 295,504,635 | 100 | 178,555,917 |
| 2008/09 | 68,596,852 | 19.1 | 291,000,944 | 80.9 | 359,597,796 | 100 | 222,404,092 |

Source: MoCS (2009), *Trade Statistics*, Trade and Export Promotion Centre, MoCS, Nepal.

Fig. 4.2
**Foreign Trade Balance of Nepal Trade**




Source: Based on the data taken from MoCS (2009),Trade Statistics, Trade and Export Promotion Centre, MoCS, Nepal.

The leading trade partners of Nepal are India, USA, Germany, United Kingdom, Belgium, France, Japan, Bangladesh, Peoples' Republic of China, Hong Kong, Switzerland, Spain, Italy and Canada over the last few years (MoCS Nepal 2009). Nepal suffered from trade deficit in recent years. As table no.4.7 and fig 4.2 shows that, trade deficit in 1999-2000 and 2000-01 was stabilized but after it is

increasing. The main reason for increasing trade deficit is political turmoil and instability due to Maoist led violence.

*4.4.1 Export Pattern of Nepal*

USA stands to be the second largest importer of Nepalese goods followed by Germany for the last couple of years. The major commodities exported by Nepal to these countries, other than India, included cotton readymade garments, woollen carpets, hide and skins, gold and silver ornaments, pulses, handicrafts, tea, cardamom, herbs, ginger seeds and perfume oil (MoCS Nepal 2009). India is a largest export destination of Nepalese products. US, Bangladesh, Germany and China are other major importing countries (See Table 4.8). Nepal has transit and trade treaty with China, India and Bangladesh.

**Table 4.8**
**Nepal Top 10 Trading Partner Export 2008-09**
**(Value in '000 Nepali-Rs.)**

| | |
|---|---|
| **Total** | **68,596,852** |
| India | 43,574,482 |
| U.S.A | 4,878,573 |
| Bangladesh | 4,710,402 |
| Germany | 2,785,047 |
| China P.R | 1,847,934 |
| U.K | 1,429,686 |
| France | 1,144,695 |
| Italy | 851,549 |
| Canada | 795,372 |

Source: MoCS (2009), *Trade Statistics*, Trade and Export Promotion Centre, MoCS, Nepal

The share of Nepal's export to SAARC member countries was 25.4 per cent of the total exports in 1995-96 (MoCS Nepal 2009).The share gradually increased over the last few years and stood at 43 per cent in 2008-2009 (MoCS Nepal 2009). Among the SAARC member countries, India has been the major country to import by virtue of importing more than 90 per cent of the total export of Nepal. Major commodities exported to India include; vanaspati ghee, polyester yarn, pulses, twines, snacks, cardamom, noodles, vegetables, live animals, hide and skins, ginger, catechu, oil cakes, tooth paste, toilet soap, herbs, rosin, rice bran oil and cattle feed. Bangladesh

has been the second after India to import from Nepal in the SAARC region. Pakistan, Sri Lanka and Bhutan are also importing from Nepal but at a very low scales (See Table 4.9). In recent years, Maldives has also started to import goods and commodity from Nepal. It shows that

Table 4.9
**Nepal's Exports from SAARC Member Countries**
**(Value in '000 Nepali-Rs.)**

| | **1995/06** | | **2000/01** | | **2005/06** | | **2008/09** | |
|---|---|---|---|---|---|---|---|---|
| Country | Value | % In Total | Value | % In Total | Value | % In Total | Value | % In Total |
| Afghanistan | | | | | 457 | 0 | 2,346 | 0 |
| Bangladesh | 385535 | 9.43 | 127554 | 0.6 | 234,323 | 0.6 | 4,710,402 | 9.7 |
| Bhutan | 47 | | 41807 | 0.19 | 238,275 | 0.6 | 194,826 | 0.4 |
| India | 3682600 | 90.08 | 21220700 | 99.18 | 40,714,700 | 98.4 | 43,574,482 | 89.4 |
| Maldives | - | | 225 | | 47 | 0 | 4,007 | 0 |
| Pakistan | 3032 | 0.07 | 5857 | 0.03 | 186,228 | 0.5 | 86,003 | 0.2 |
| Sri Lanka | 17117 | 0.42 | 306 | | 2,207 | 0 | 161,544 | 0.3 |
| Sub Total | 4088331 | 100 | 21396449 | 100 | 41,376,237 | 100 | 48,733,610 | |
| Total Exports | 19881100 | | 49822700 | | 59,776,874 | | 68,596,852 | |
| % in Total Exports | | 20.56 | | 42.95 | | 69.2 | | 71 |

Source: MoCS (2009), *Trade Statistics,* Trade and Export Promotion Centre, MoCS, Nepal

Nepalese export is strengthening the regional trade. Among many export products, woollen carpets used to be the prime export product of Nepal. The share of woollen carpets in the total export of Nepal comprises 40.4 per cent in 1995-96 and 1996-97 (MoCS Nepal 2009). Since 2000-01, the share of woollen carpets in Nepal's total export trade is declining. The share of this product in the total export trade was 27.8 per cent and 20.9 per cent in the year 2005-06 and 2008-2009 respectively (MoCS Nepal 2009).

*4.4.2 Import Pattern of Nepal*

Nepal imports the commodities of its requirements from different countries. India, China, Switzerland, Singapore, Hong Kong, Japan, Korea Republic, Thailand, Malaysia, Indonesia and Kuwait have been the major import trade partners of Nepal (See Table 4.10) (MoCS Nepal 2009). However, it is noteworthy that India has been the country from where imports are made comparatively to a large extent. Nepal imports its fifty seven percent of commodities from India which also constitutes ninety nine percent imports from SAARC's countries. The trade and transit treaty,

good transportation system in Plain area and developed transit point are accountable for the large amount of import from India.

Table 4.10
**Nepal top 10 Trading Import Partner**
**2007/08 (Value in '000 Nepali-Rs.)**

| | |
|---|---|
| **Total** | **291,000,944** |
| India | 165,119,002 |
| China , P.R. | 32,852,910 |
| Saudi Arabia | 8,683,695 |
| Indonesia | 8,307,186 |
| Singapore | 7,047,113 |
| Thailand | 6,637,979 |
| U.K. | 6,499,879 |
| Argentina | 6,478,282 |
| Japan | 6,111,189 |
| Malaysia | 4,888,939 |

Source: MoCS (2009), *Trade Statistics*, Trade and Export Promotion Centre, MoCS, Nepal

Nepal imports more than 30 per cent of its requirements from SAARC region. But the major import destinations for Nepal, has been the India from where more than 95 per cent of her requirements are fulfilled. Apart from India, commodities are imported from Bangladesh and Pakistan too but the percentage of imports from these countries is very low (See Table 4.11).

Table 4.11
**Nepal's Imports from SAARC Member Countries**
**(Value in '000 Nepali-Rs.)**

| | **1995/06** | | **2000/01** | | **2005/06** | | **2008/09** | |
|---|---|---|---|---|---|---|---|---|
| **Country** | **Value** | **%** | **Value** | **%** | **Value** | **%** | **Value** | **%** |
| Afghanistan | | | | | 221 | 0 | 6,225 | 0 |
| Bangladesh | 679647 | 2.69 | 561130 | 1.38 | 104,646 | 0.1 | 418,014 | 0.3 |
| Bhutan | 29936 | 0.12 | 39991 | 0.1 | 127,301 | 0.1 | 352,367 | 0.2 |
| India | 24398600 | 96.55 | 39660100 | 97.8 | 107,143,100 | 99.6 | 165,119,002 | 99.3 |
| Maldives | - | - | 69 | - | 45 | 0 | 71 | 0 |
| Pakistan | 135091 | 0.53 | 240926 | 0.59 | 191,380 | 0.2 | 248,893 | 0.2 |
| Sri Lanka | 26934 | 0.11 | 52173 | 0.13 | 52,019 | 0 | 58,224 | 0 |
| Sub Total | 25270208 | 100 | 40554389 | 100 | 107,618,712 | 100 | 166,202,796 | |
| **Total Imports** | 74454500 | | 108504900 | | 160,677,924 | | 291,000,944 | |
| **Percent in Total Imports** | | **33.94** | | **37.38** | | **67** | | **57.1** |

Source: MoCS (2009), *Trade Statistics*, Trade and Export Promotion Centre, MoCS, Nepal.

Due to limited domestic production on the one hand, and the increasing requirements of commodities and products in the country, the country needs to import from different countries. Nepal's major imports are crude palm oil, kerosene, diesel, petrol, chemical fertilizers, copper wire rod, scraps and sheets, machineries and parts, polythene granules, computer and parts, transport vehicles and parts, electrical equipments and goods and telecommunication equipments.

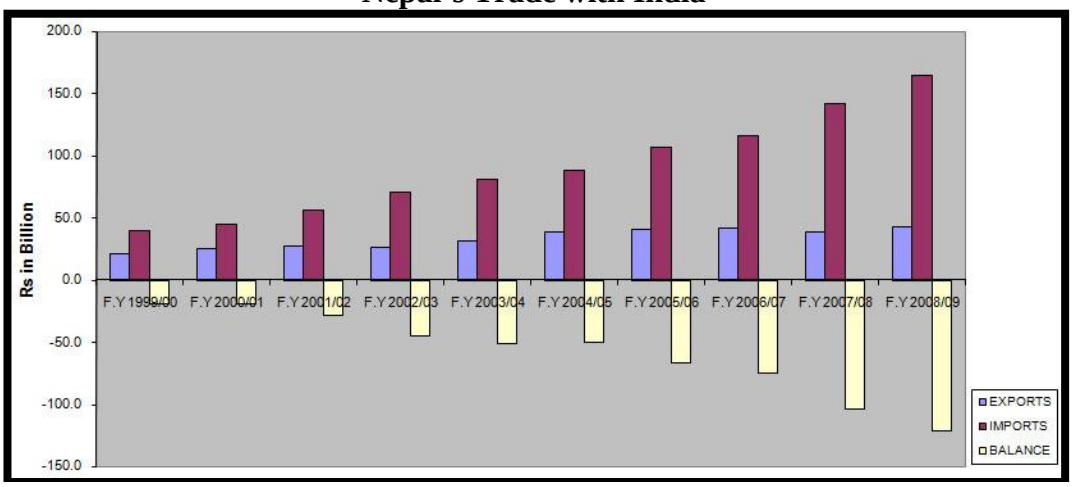
*4.4.3 India- Nepal Trade Relation*

Nepal-India economic relations are governed by bilateral trade treaties. The first such treaty was signed by British India and Nepal in 1923 and governed their relations till India's independence. After the end of the British Rule, these neighbours signed another treaty of trade and friendship in 1950 and since then, with periodical modifications, this treaty has been serving as the base of their economic relations.

The modern Nepal-India trade relations that began in 1950 continued to be extremely good for the initial two decades. Till 1971, with a share of around 99 per cent, India remained the only major trade partner of Nepal. However, these good relations started fading away in 1970s. From the year 1970-71, Nepal's exports to India as well as its imports from India started declining drastically. The share of Nepal's exports to India came down from 99 per cent in 1970-71 to 40 per cent in 1985-86 and further to 18.5 per cent in 1995-96. In the same way, Nepal's Imports from India as a proportion of its total imports also declined from around 98 per cent in 1970-71 to 42.5 per cent in 1985-85 and further to 32.8 per cent in 1995-96. As a result of the lapse of the trade and transit treaties with India in March 1989, Nepal faced shortages of certain consumer goods, raw materials, and other industrial inputs, a situation that led to a decline in industrial production. As a result of the 1989-90 trade-disputes with India, many inputs were unavailable, causing lower capacity utilization in some industries.

In a bid to revitalize the trade relations, India and Nepal renegotiated and modified the trade and transit treaties in 1996. The 1996 amendment led to increased trade between these two countries. At present, around 68 per cent of Nepal's total exports are directed to India, while around 61 per cent of its total imports are from India (See Fig 4.3).

Fig.4.3:
**Nepal's Trade with India**




Source: Based on the data taken from MoCS (2009), *Trade Statistics*, Trade and Export Promotion Centre, MoCS, Nepal: 2009

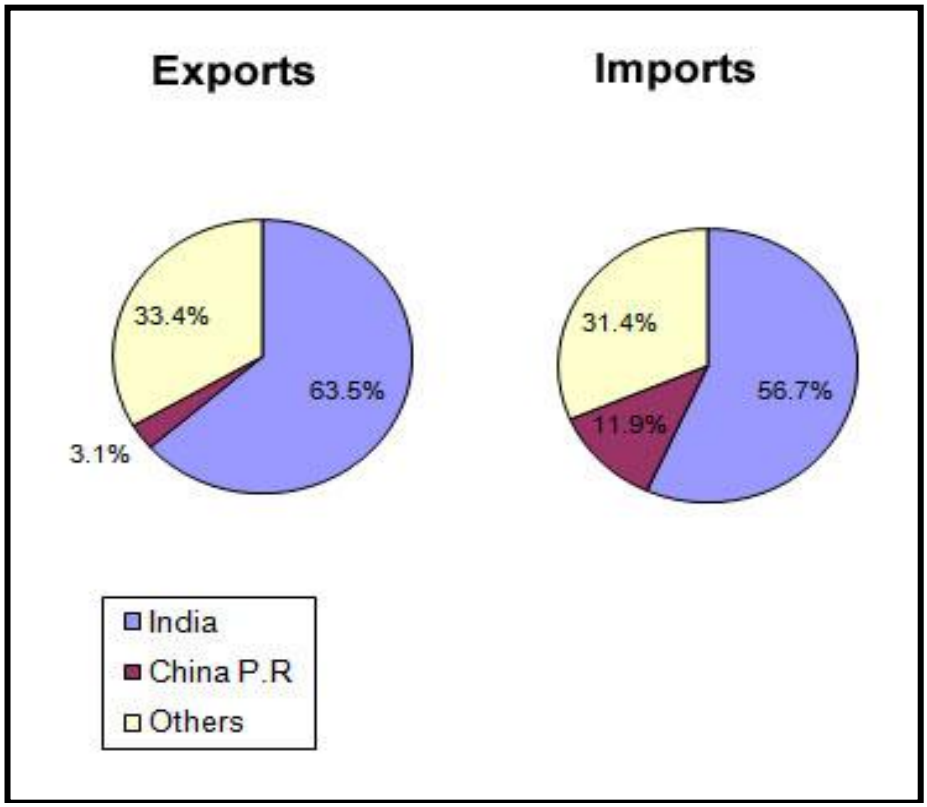
Nevertheless, a close examination of India's recent trade with South Asian countries suggests that despite having the free trade agreement, India's trade with Nepal has grown at a much lower rate than its trade with other SAARC countries. Consequently, Nepal-India trade as a proportion of India's trade with SAARC has declined from 22 per cent in 2001-02 to 15.9 per cent in 2006-07.

One of the major concerns in Indo-Nepal economic relations is the trade deficit. Given the limited export capabilities of Nepal, it has been facing huge trade deficit with India and the trade liberalization in India leading to opening up of Indian markets to foreign goods has aggravated this problem, owing to the increased competition. Secondly, the informal cross-border trade between these two countries has also created a lot of problems. According to some estimates, the volume of informal trade between these two countries is higher than the official trade volumes (See Fig 4.4).

During the last couple of years, Nepal has registered the lowest growth among all South Asian Countries. Though, the domestic political turmoil is the main culprit, the inadequate infrastructure is also equally responsible for this. Infrastructure deficit inhibits the growth of markets for hill products such as fruits, vegetables and other agro-based processed food articles and also constrain the tourist inflows, which are the main drivers of growth for most hill areas. The cooperation in infrastructure development could be mutually beneficial for India and Nepal. It could accelerate the

economic growth of Nepal and at the same time it could also contribute to the solution of growing food shortage in India.

Fig. 4.4:
**Nepal Trade with India and China**




Source: Based on the data taken from Nepal MoCS (2009), Trade Statistics, Trade and Export Promotion Centre, MoCS, Nepal.

## 4.5 Transit Routes and Neighbouring Countries

India and China are neighbours of Nepal. Although, geography and culture is not supporting relationship between China and Nepal, ideological affiliation is working as bond of relations. As we know, Nepal is under the influenced of Maoist ideology. The legal basis of China and Nepal relations is rooted in Sino-Nepalese Treaty of Peace and Friendship of 1960. India, however, remains the most important neighbour for Nepal's transit routes.

### *4.5.1 Indo- Nepal Relation and Transit Treaty*

Relations between India and Nepal are close yet fraught with difficulties stemming from geography, politics, economics, the problems inherent in big power-small power relations, and common ethnic, linguistic and cultural identities that

overlap the two countries' borders. New Delhi and Kathmandu initiated their intertwined relationship with the 1950 Indo-Nepal Treaty of Peace and Friendship and accompanying letters that defined security relations between the two countries, and an agreement governing both bilateral trade and trade transiting Indian soil. This treaty constitutes the base of India-Nepal relations. The transit treaty with India is singed on a broad framework. Transit treaty is mainly related to the boundary of two nations, so that study of boundary between two countries is essential for the analysis of the transit routes.

*4.5.1.1 Evolution of Indo Nepal Boundary*

The present border between Nepal and India is based on two treaties; its location is fixed by the Segowlie treaty[2] that had ensured on the restoration of the *Terai*, whereas its management is regulated by the 1950s Treaty of Peace and Friendship. Segowlie treaty failed to mention clearly in so many sections where the borderline would actually pass through. After the British withdrawal from the subcontinent, this prior arrangement with regard to the border between Nepal and India continued in principle and maintained. There were complaints and country complaints regarding displacement of boundary pillars, missing pillars etc. attempts were also made on several occasions to fix the displaced pillars in their original position (Warikoo 2009:123).

The Treaty of Peace and Friendship is the legal foundation of the open border between India and Nepal. Article 7[3] of this treaty defines open boundary. The present boundary between India and Nepal is the boundary, was demarcated in 1959. Both the government also agreed upon the preservation of a strip of uncultivated land yards in width on both sides (Shrestha 2003:74-78). In 1981, Indo–Nepal boundary commission was constituted. There are no serious boundary disputes between India and Nepal except for *Kala Pani* Region that was raised during the UML Regime 1995 (Warikoo 2009:123). Due to absence of any serious boundary dispute between Nepal and India, the trans-boundary movement and trade is going on smoothly. Open

[2] The Segowlie Treaty was signed on December 2, 1815 between the British East India Company and Nepal.

[3] The government of India and Nepal agree to grant, on a reciprocal basis, o the nationals of one country in the territories of the other tha same privileges in the matter of residence, ownership of property, participation in trade and commerce, movement and other privileges of similar nature.

border also facilitates the movement of goods and peoples. The citizen of both the countries can cross the border without visa and to take goods for daily usage across the border without paying custom duties. The fundamental demerits of an open boundary are an unauthorized trade practice. This unauthorized or illegal trade becomes the cause for the loss of revenue to both the countries. It also facilitates human trafficking and drug smuggling. To overcome this hurdles, India and Nepal signed a treaty for unauthorized trade practice. Besides the economic relations across the border, people of Nepal and India have strong cultural and social ties, especially in the border areas. So that, the open border provides an opportunity to the people to live their social and cultural life unrestricted in the frontier.

*4.5.1.2 Transit Trade Agreement and*

*Treaty with India*

Nepal had the nearest transit point, Kolkata, since the British ruled in India formalised in the Friendship Treaty with the Rana ruler in 1923. Nepal and Independent India signed bilateral treaty of friendship in the year 1950 covering different sectors of relationship including trade and transit. Treaty of Peace and Friendship 1950 formalized close relations between the two countries. Formal trade relation between the two countries was established in 1950 with the signing of the Treaty of Trade and Commerce (Bhasin 2005:1943). In the year 1960 and 1971 trade and transit treaties were renewed between India and Nepal. Transit treaty incorporated provisions regarding transit facilities extended by India for Nepal's trade with a third country, as well as on cooperation measures to control unauthorized trade. Nepal and India separately signed a treaty of trade, transit and cooperation to control the unauthorized trade in 1978 (Bhasin 2005:1943). This treaty was unilaterally abrogated by India in the year 1989 because Nepal had violated the treaty of friendship. After the advent of democratic government in Nepal, India signed two treaties on trade and transit with Nepal in 1991. This transit treaty has been renewed for twice in 1999 and 2006. The transit treaty of 2006 regulates the present trade and transit relations. The Government of India accepted Nepalese request for "automatic renewal" of the Treaty for further seven-year periods. However, the Protocol and Memorandum to the Treaty, containing modalities and other provisions would be subject to review and modification every seven years or earlier if warranted. Timely modifications are

natural (NTWCL 2010:70). However, it is remarkable that India has been delaying to renew this treaty in time for non-transit reasons. Bilateral trade and trade related activities between Nepal and India are generally governed by the treaties of trade, transit and other agreements for cooperation to control unauthorized trade.

*4.5.1.3 Indo-Nepal Trade Treaty 2009 and its Implications*

Indo-Nepal trade treaty 2009 is base for conducting trade relations. This treaty was signed on 27 October, 2009 at Kathmandu. It gave a new direction in the trade related areas as well as a scope for the trade improvement especially to Nepal (Mukherji 2010:5). Some of the provisions made in the earlier treaties were replaced and modified. It made the procedures simple and straight so as to remove the procedural delays. Moreover, the Treaty committed the cooperation in more specific and extended manner. Some of the provisions of the Treaty are stated below:

Article 1 of this treaty says that the contacting parties shall explore and undertake all measures, including technical cooperation, to promote, facilitate, expand and diversify trade between two countries. Under this provision, it facilitates cross border flow of trade through simplification, standardization and harmonization of customs, transport and other trade related procedure and development of border infrastructure. Taking into account the fact that India and Nepal have 27 mutual trade point on border, it presents an enormous task. According to Article 2, The Contracting Parties Shall endeavour to grant maximum facilities and to undertake all necessary measures for the free and unhampered flow of goods, needed by one country from the other, to and from their respective territories.

Article 4 of this treaty favours agricultural trade between India and Nepal. This article exempts basic customs duty as well as from quantitative restriction the import of such primary products as may be mutually agreed upon. According to article 4, these following primary products are currently eligible for preferential treatment.

1. Agriculture, horticulture, floriculture and forest produce,
2. Minerals which have not undergone any processing,
3. Rice, pulses, flour, atta, bran and husk,
4. Timber,
5. Jaggery (gur and shakar),
6. Livestock, poultry bird and fish,

7. Bees, bees-wax and honey,
8. Raw wool, goat hair, bristles and bones as are used in the manufacture of Bone-meal,
9. Milk, homemade products of milk and eggs,
10. Ghani-produced oil and oilcakes,
11. Herbs, ayurvedic and herbal medicines, including essential oils and its extracts,
12. Articles produced by village artisans as are mainly used in villages,
13. Akara,
14. Yak Tail,
15. Stone aggregate, boulder, sand and gravel,
16. Any other primary products, which may be mutually agreed upon.

The author has surveyed four trade points i.e. Bhairrahawa, Taulihawa, Krishanagar and Koilabas out of the 27 (See.fig 4.5). It has been known through these research visits case study that these trade points vary in terms of movement of goods, nature of infrastructure and connectivity through Indian railways. All trade points are opened from 8.00 am to 8.00 pm.

*I) Koilabas/Jarwa border*

This point does not have transport infrastructure because of physical constrains. It is only trade point that comes into Shivalik region. In 1990s, Koilabas/Jarwa was a major trade transaction point but due to negalence of Nepali government, the exiting transport system could not sustain. It was linked through Indian railways. However it was closed in 2006.

*II) Krishnanagar/Barhni*

It is the most developed and busiest transit route after Bhairrahawa. It is connected with Indian railway network. Barhni is a railway station that is nearest to this transit point. All major goods like cement, fertilizer and salt are traded through this trade point

*III) Taulihawa/Khunwa*

Taulihawa/Khunwa is trade point through which only concrete, clothes and sands are traded. This trade point is basically confined to rural trade between the two countries. Shohratgarh is the nearest railway station. This route has a massive international trade potential.

*IV) Bhairrahawa / Nautanwa*

Bahairrahawa is an inland container depot out of four ICD in Nepal. It is directly connected with Kolkata port by Indian railways. Nautanwa is the nearest railway station to this transit point.

After surveying these four trade points, one came to understand that between the two countries, there is a boundary strip of about 100 ft. The roads from these two countries converge at this boundary strip. However, only the Barhini/Krishnanagar transit point is connected to paved/metalled road. The other three transit points lead to unpaved roads on both sides of the boundary strip (for example See Fig 4.6). As a result, traffic bearing goods is severely affected. Vehicular traffic, carrying goods, are allowed only for 12 hours-from 8 AM to 8 PM. Since heavy vehicles (trucks and lorries) that carry goods are not allowed for the rest 12 hours, this causes a huge traffic jam and affecting the free flow movement of transport services.

In accordance with the provision made in the Treaty, it would be automatically extended for further period of five years at a time on the condition that unless either of the parties gives to the other a written notice of its intention to terminate the Treaty. But the notice should be given three months in advance. Furthermore, the scope for amendment and modification of the Treaty was provisioned upon the mutual consent of both the countries. This Treaty facilitated to a greater extent in favour of Nepal. By virtue of this Treaty Nepal can export to India without any quantitative restrictions on the one hand and, free of custom duties on the other. These provisions were definitely the positive aspects and also creating an appropriate environment for boosting up the Nepalese export trade.

*4.5.1.4 Agreement of Cooperation to Control Unauthorized Trade 2009*

An Agreement of Cooperation (AoC) between Government of Nepal and the Government of India was also signed to control unauthorized trade. This Treaty was signed on 27 October 2009 between the Government of India and Government of Nepal with a desire to maintain, develop and strengthen the existing friendly relations and cooperation between the two countries recognizing the need to facilitate the traffic-in-transit through their territories (NTWCL 2010:72). It was agreed that this Agreement shall come into force on the date of its signature and shall supersede the

Agreement of Cooperation to Control Unauthorized Trade concluded between the Government of Nepal and the Government of India on 6th December 1991, as amended or modified from time to time (Bhasin 2005:2506).This Agreement shall remain in force for a period of seven years. It may be renewed for further periods of seven years, at a time, by mutual consent subject to such modifications as may be agreed upon.

Article 1 recognises that there is a long open border between two countries and there is free movement of persons and goods across the border and noting that they have the right to pursue independent foreign trade policies and Article 4 of the Agreement makes the provisions of:

I. Each contracting party will prohibit and cooperate with each other to prevent re-exports from its territory to the third countries of goods imported from the other contracting party without manufacturing activity, and

II. Re-exports to the territory of the other contracting party of goods imported from third countries without manufacturing activity.

Indo-Nepal Trade Treaty, 2009 indeed provided liberal framework in the arena of trade relationship between these two countries. Katti remarks, of course quite rightly with regard to the revised treaty stating that bilateral trade agreements is indeed a bold step in an effort to further boost bilateral trade and joint investment with Nepal. These new era earmarking a movement in the direction of making SAPTA successful and the consequent Free Trade Area among the member nations of the region a reality at the earliest (Shrestha 2003:45). One of the significant promising characteristics of this Treaty can be identified as to waive off the condition of material content in the Nepalese goods while exporting to India. The provision of non-reciprocal basis duty free and without quantitative restrictions access to the Nepalese manufactured articles in India was available to Nepal as per the Treaty of Trade, 1991. But the content of raw material in the exportable articles was being the central issue from the side of the Nepalese businessmen. This issue was resolved by the provision in this Treaty.

*4.5.1.5 Transit Treaty between India and Nepal 2006*

This Treaty was signed on 5 January 2006 between the Government of India and His Majesty's Government of Nepal with a desire to maintain, develop and strengthen the existing friendly relations and cooperation between the two countries recognizing the need to facilitate the traffic-in-transit through their territories. It was stated in the Treaty that it will remain in force up to the 5 January 2013 and will, thereafter, be automatically extended for a further period of seven years at a time unless either of the parties gives to the other a written notice, six months in advance (NTWCL 2010:20).

In the Article 1 of the Treaty provision was made that the Contracting Parties shall accord of "traffic-in-transit" freedom of transit across their respective territories though routes mutually agreed upon. No distinction shall be made which is based on flag of vessels, the places of origin, departure, entry, exit destination, ownership of goods or vessels. Article 2 stated that each Contracting Party shall have the right to take all indispensable measures to ensure that such freedom, accorded by it on its territory, does not in any way infringe its legitimate interests of any kind. The provision of exemption from customs duties and from all transit duties or other charges was also made for the traffic-in-transit, except reasonable charges for transportation and the costs of services rendered in respect of such transit. Moreover, with a view to offer convenience of traffic-in-transit the Contracting Parties agreed to provide, at point or points of entry or exit, warehouse or sheds for the storage of traffic-in-transit awaiting customs clearance before onward transmission.

In order to extend the freedom of the high seas, merchant ships sailing under the flag of Nepal, the Treaty made the provision of providing treatment no less favourable than that accorded to ships of any other foreign country in respect of matters relating to navigation, entry into and departure from the ports, use of ports and harbour facilities, as well as loading and unloading dues, taxes and other levies. In fact, this Treaty continued many of the provisions made by the earlier treaties to provide transit facilities as needed by Nepal.

Treaty of Transit is very vital to a land-locked country like Nepal. It was well reckoned in this Treaty. Fulfilments of social, economic and developmental needs largely depend upon the export and import trade. And, trade depends much upon the

transit procedures and facilities. As one of the characteristics this Treaty made a provision of renewing automatically for a period of further seven years. It can be viewed as one of the beautiful aspect of the Treaty. It minimizes the administrative procedures that were seen in the past. This Indo-Nepal Treaty of Transit provided, as the earlier transit treaties had made, port facilities to Nepal at Calcutta and specified 15 transit routes between Calcutta and the India- Nepal border. In addition 27 trade points along with India-Nepal border for mutual trade. (NTWCL 2010:151).

*4.5.2 China- Nepal Relation and Transit Treaty*

China and Nepal enjoy good cordial neighbourly relationship. Diplomatic relationship between the two nations began in 1955. The basis of their diplomatic relationship is the Five Principles of Peaceful Coexistence. Nepal supports China's One-China Policy, which means it recognizes China's claims on Tibet and Taiwan. Nepal shares its boundary with China's southernmost state, which is Tibet. China has been able to establish peace and order in Tibet with the active cooperation of Nepal. Like with India, Nepal also enters into agreements pertaining to trade and transit. Transit and trade treaties between Nepal and China can be divided into two parts-- Sino- Nepal Boundary Agreement and Trade and Transit Agreement.

*4.5.2.1 Evolution of Sino- Nepal Boundary*

Historically, Nepal never touched the Chinese boundary directly but after China's occupation of Tibet China became Nepal's new neighbour in 1950. At present, the boundary of both countries extends 1,414 km along the crest of the Himalayan Mountain (MoFA Nepal 2011). This boundary was established as a result of the boundary agreement signed between two countries on 21 March, 1960 (BIR 1965:1). Both countries established their diplomatic relations by signing a treaty in 20 September 1960. It was legal foundation for their future course of relations. It promised friendly relations and collaborations. This treaty was an effort to continuations of Nepal relations with Tibet region of China which had its root in Thapathali treaty signed between Nepal and Tibet in 1856. However, the real and full-fledge contact between China and Nepal had began in 1960, when China completely occupied Tibet (Sino-Nepal Boundary Agreement, 21 March, 1960). The 1960 boundary agreement facilitated trade and transportation between two countries.

Sino-Nepal Boundary Agreement, 21 March, 1960 is a land mark of all agreement between china and Nepal.

*Trade and Transit Agreements between China and Nepal*

From time to time, China and Nepal Transit enter into agreements to protect their respective economic and frontier interests. With respect to transit route, Nepal and China have signed three important agreements. These agreements are: Trade and Payment Agreements, 1981, Agreement on Road Transportation, 1994 and Agreement on Trade and Other Related Matters between the Tibet Autonomous Region of China and Nepal, 2002.

*Trade and Payment Agreements, 1981*

This agreement forms the basis of bilateral trade relations of Nepal and China. This agreement defines transit routes, merchandise trade, trade basket. Article 9 defines trade through land (called overland trade in the agreement) and Article 10 defines trade via sea. This agreement was renewed in 2003. At the time of renewal, Article 7 was amended to include 3 more trade points, taking such points to 6 between Nepal and China(NTWCL 2010:110-126).The following are the 6 trade points:

- Kodari-Zhangmu
- Rasua-Jilong
- Yari(Humla)-Pulan
- Olangchunggola-Riwu
- Kimathanka-Chentang
- Nechung (Mustang)-Lizi

*Agreement on Road Transportation 1994*

The basic aim of this agreement is to promote trans-boundary movement of people, goods and vehicles.

*Agreement on Trade and other related matters between The Tibet Autonomous Region of China and Nepal, 2002*

This agreement defines regional, frontier trade relations between TAR and Nepal. Article III define, the two sides agree to make full use of the Lhasa-Kathmandu Highway on a reciprocal basis to transport passengers and cargo, and

promote cooperation between the two countries in trade, tourism and other fields. Article V envisages mode of payment and lays down ground rules for the authorities of the two countries to safeguard the legitimate rights and interests of traders of either side. It also aims to promote and facilitate smooth trade (NTWCL 2010:110-126).

The nature of transit treaty between china and Nepal is cordial. The treaty is complementary for both the countries to fulfil their trade and trans-boundary related requirement. Nepal is one of the most geopolitically important neighbour countries for the China. The four major geopolitical factors for the China are following:

First, geographically, Nepal has remained the southern entryway for Tibet. The entire northern boundary of Nepal is associated to the Tibet Autonomous Region of Nepal (TAR). Since time immemorial, Nepal has been maintaining closer economic and cultural ties with Tibet than China. Second, because, among the South Asian states, Nepal shares the longest border with China after India and a large part of this border is inadequately protected due to the nature of the topography (mountainous).Third, India has maintained a strong historical, geographic, economic and cultural relationship with Nepal. Both countries share an open and peaceful border with each others. Fourth, Nepal could become a significant transit country between India and China with the extension of the Asian Highway, route AH42, to Lhasa, China.

*4.5.3 Bangladesh- Nepal Relation and Transit Treaty*

The bilateral relations between the People's Republic of Bangladesh and the Federal Democratic Republic of Nepal have been progressive since the foundation of Bangladesh in 1971. The transit facility for Nepal and Bangladesh through India is very poor. There are inadequate customs facilities and testing laboratries in this region. The transit facility is virtually nonexistent (Francois 2011:183). The two nations are separated by the "Siliguri Corridor" - a small stretch of territory of the Indian state of West Bengal lies between southern Nepal and northern Bangladesh. Both South Asian nations are members of the South Asian Association for Regional Cooperation (SAARC) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Nepal and Bangladesh signed bilateral agreement on transit in 1976. The agreement and its protocol have specified six points

of entry have been allowed for the movement of traffic in transit by all means of transportation (NTWCL 2010:151)

- Chittagong port
- Khulna-Chalna port
- Biral point
- Banglabandh point
- Chilhati point
- Benapole

Chittagong and Khulna-Chilna (Mongla) are sea ports and others are land border points at Bangladesh India border (Nepal 2006: 10). Nepal is using Birol and Banglabandh points. Benapole is near Kolkata Birol point is connected with meter gauge rail line at Bangladesh which was under use after GOI allowed rail connection through Radhikapur to Birol as per the letter of exchange between India and Nepal. The benefit of this route is the thorough movement of meter gauge rail from Fulbari India to Chittagong Bangladesh and also Indian railways station located at Nepal India border without any trans-shipment en-route. In comparison to Kolkata route (771 km from Jogbani) this route (958 km from Jogbani) is longer. Radhikapur-Birol crossing point was used for some time but due to the lack of trilateral procedural arrangements it became expensive and inefficient and is not in use any more (Nepal 2006: 10). The only available route of Phulbari-Banglabandh from 1997 is in operation to some extent. A bilateral agreement was signed between India and Nepal to open the Kakarvitta-Panitanki India Nepal to Phulbari-Banglabandh the shortest route (44 km) from Nepal border to Bangladesh border and Mongla port. This transit route was allowed for only one point that is Panitanki/Kakarvitta.

*4.5.4 Transit Policy in View of Regional Integration of Trade*

Nepal, Bangladesh and India are the member of two regional groups namely SAFTA (South Asia Free Trade Arrangement) and BIMSTEC (Bay of Bengal Initiative for Multi Sectored Technical and Economic Co-operation). Both the agreements are related to economic, trade and tariff matters and are ready for enforcement. In this age of globalization no country can develop in isolation. For the growth and prosperity of the countries of this region interdependency and the regional integration has become essential. It is necessary to maximize the regional benefit through globalization. For a LDC like Nepal it is much better to negotiate through

regional or multilateral mechanism than bilateral (Nepal 2006: 23). The SAARC concept also gave the birth of the concept of Quadrangle cooperation and development in the sub-regional level. Asian Development Bank (ADB) had initiated South Asia Sub regional Economic Cooperation (SASEC), the SASEC member countries are Bangladesh, Bhutan, India and Nepal. (ADB 2009:1). It is moving ahead with the development target of potential trade and economic linkage between four countries Bangladesh, Bhutan, India and Nepal.

The transport connectivity is very important for the nations at regional or sub-regional level. Similarly, transit transport is the gateway of development of any country especially for the landlocked country like Nepal. Nepal should take care of the regional and sub-regional agreements at the time of formulation the policy. SAFTA and BIMSTEC both are targeting in the increase of regional trade with reduced and lifted tariff barriers and create tariff wall to others. In regional context the issue of transit should be addressed under SAFTA. The Article 8(k) of the SAFTA relates to Transport facilitation but it does not explicitly deals with the details of issue of transit. The Article 8(g) of SAFTA states that transit facilities for efficient intra-SAARC trade especially for the land locked states (Nepal 2006: 23). Details have yet to be negotiated with member states in view of trade facilitation of land-locked states.

There are many reforms to be done as lifting tariff or non tariff barriers on cargoes, development of hard infrastructures, simplification of formalities, reduction in requirements of documents and harmonization of customs procedures are major sectors to be negotiated in regional level. Only framework agreement has been done in BIMSTEC and negotiations on trade facilitation measures have not taken place so far. (Weerakoon 2005: 253). The Nepalese government has to be prepared to focus transit issues for facilitating trade through this window as well during the negotiation. It is observed that negotiations in regional forum may be easier than bilateral negotiations in issues like trade, transit and transport matters.

**Conclusion:**

Nepal maintains a cooperative, non-partisan relationship with its two giant neighbours India and China. Nepal has always tried to retain its neutrality, choosing not to get embroiled in the territorial disputes between India and China. This chapter

has explored and studied four factors influencing Nepal's transit route, namely geography, transport infrastructure, trade pattern, and transit treaty.

The topography of Nepal is unfavourable for development of transport network and transit routes. Nepal has a difficult, highland topography towards Chinese border. As a result, it's difficult to develop transport network. On the contrary, Nepal has a plain topography towards the Indian border. As a result, Nepal has been able to develop 27 trade points. Many rivers originate from Nepal, but these rivers are not navigable. Nepal has experienced different political systems such as constitutional monarchy, absolute monarchy and currently a republican framework. Due to political instability, policymaking has suffered, hampering creation of transport network. Nepal's transport infrastructure is in shambles.

Even now, many of Nepal's district headquarters are connected with paved roads. Metalled roads are available only to 43 percent of the country's population. Kolkata or Delhi towards Kathmandu averages 160-200 km daily. Many factors are responsible for such a slow movement of traffic. There is an inordinate delay in loading and unloading of goods, customs clearance, closure of boundary exit point during night, among others. Nepal's exports to India account for 63.5percent of its total global exports. Of its total imports, Nepal buys 56.7 percent from India. It shows that Nepal's transit routes with India are far more developed. Nepal is a member of SAARC and BIMSTEC. These two regional organisations, besides other things, promote regional trade. Majority of Nepal's trade is with its neighbours India, Bangladesh, and China.

Undisputed boundaries facilitate creation and success of transit routes. Nepal's boundaries were demarcated during the British period itself, which holds well even today, and as a result, Nepal is not involved in any major boundary dispute with its neighbours.

## Chapter: V

# Transit Routes for Ethiopia and Nepal:

# Analysing the Similarities and Dissimilarities

The land locked countries of Asia and Africa are in least developed stage in their present time. To establish themselves in the form of developed economies is a challenge to them. Some problems of the landlocked countries are common to all and some problems are specific to countries. To have an obstacle free transit route is a common problem of landlocked countries. Transit routes are the basic needs of a landlocked country and these get affected by the geopolitics of a particular region. This chapter takes the help of comparative study method to understand the nature of effects on transit routes by the specific geopolitics of Ethiopia and Nepal.

This comparative study takes care of three main points, First, the nature of comparable objects should be same, secondly, comparison should be done on the basis of similar variables. Thirdly, comparison should be done in respect of particular time period. The study chooses Ethiopia and Nepal as its subjects for comparison by giving proper consideration of aforementioned three points and these yardsticks have also been followed during the preceding chapters.

In respect of first point, it can be said that the nature of problems of transit routes in Ethiopia and Nepal are same. Both these countries have never been colonised, situated in highland topography and without any navigable river. Both these countries are neither enclave nor double landlocked countries. Both these countries have had a long monarchical history and an experience nascent evolving democracy. Both these countries have been surrounded by the countries that have been the objects of colonialism in their historical evolution that impinges on their equations with neighbouring countries. In respect of second point, it is submitted that this study compares the geopolitics of transit routes on the basis of these four variables i.e. geographical features, transport infrastructures, trade patterns and transit agreements.

As has been mentioned in third point, the data used in this study are of same time period. The transport infrastructure and trade pattern data of both these countries are of same period and the recent transit and trade agreements of both these countries are also been analysed to analyse current situation.

This chapter is a comparative study on the challenges of transit routes for landlocked countries based on the findings of the aforementioned two cases of Ethiopia and Nepal that are taken for detailed research work. This study tries to compare the nature of transit treaties and their effects over trading patterns of Ethiopia and Nepal. A brief comparison of both countries is shown in table no 5.1.

Table 5.1
**Comparison of Ethiopia and Nepal**

| S.N. | Ethiopia | Nepal |
|---|---|---|
| Political Structure | Federal Democratic Republic of Ethiopia | Federal Democratic Republic of Nepal |
| Area | 11,27,735 | 147181 |
| Population | 6,16,72,000 | 23151423 |
| Density | 55 person/sq.km | 157 person/sq.km |
| HDI Rank(2010) | 157 | 138 |
| GNI | 992$ | 1,201$ |
| Road Length | 46,812 km | 9399.38 km |
| Railway Line | 781 km | 59 km |
| Number of Neighbour country | 6 | 2 |
| Export Destination (top five countries) | Germany, Italy. Audi Arabia, Japan and China | India, U.S.A, Bangladesh, Germany, China. |
| Import Destination (top five countries) | China, Saudi Arabia, United Arab Emirates, India, Italy. | India, China, Saudi Arabia, Indonesia, Singapore. |
| Export Goods | coffee, livestock products (skins and hides, leather, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum, spices and mineral products | cotton readymade garments, woolen carpets, hide and skins, gold and silver ornaments, pulses, handicrafts, tea, cardamom, herbs, ginger seeds and perfume oil |
| Import Goods | Capital goods, consumer goods, fuel, semi-finished goods and raw materials. | capital goods, consumer goods, fuel, semi-finished goods and raw materials |

Source: Based on Preceding Chapters Three and Four

Both Ethiopia and Nepal are landlocked countries and suffer from geographical constraints. From the methodological perspective, this study has taken four variables i.e. geographical features, transport infrastructures, trade patterns and transit agreements. In addition to these variables, historical formation of states has been looked into for the understanding of the nature of transit treaty and trade pattern.

## 5.1 Political and Historical Aspect

The root of most problems lies in history. Ethiopia and Nepal were influenced by rivalries of colonial powers, though they never lost their sovereignty to any colonial power and were never colonised. The rationale for taking a historical perspective on political aspects is to explore the historical roots of their present political crisis in both Ethiopia and Nepal. Both countries have adapted federal democratic republic structure. Ethiopia is practicing democratic election process from 1994 but Nepal is seeking democratic establishment and trying to establish a Federal Republic since 2006. Nepal has experienced different political systems such as constitutional monarchy, Partyless Panchayat, absolute monarchy and currently a republican framework.

Most of the transit treaties signed by Ethiopia and Nepal were with neighbours' that were once ruled under the colonial powers. The study reflects that Ethiopia became a landlocked country because of rivalries of colonial powers and irrational and unsystematic boundary demarcations have created strained relationship with its neighbouring countries. The historical evolution of Nepalese transit route though is little dissimilar from Ethiopian transit route history. The Horn of Africa gets geopolitical importance due to the erection of Suez Canal in 1869. After the Suez Canal was dug, this region became extremely sensitive geo-politically. Italy, in its bid to further its colonial interests, attacked Ethiopia in 1898, but failed to conquer it (Cohen 2003: 323). This initial setback, however, failed to deter Italy from pursuing its geo-political interests in the region.

The region of Horn of Africa has been particularly influenced by the colonial powers and their mutual rivalry. During Cold War, Ethiopia was sharing close relationship with USSR. With the cessation of Cold War, Eritrea got separated from the Ethiopia and the Communist regime in Ethiopia withered away to give the way for nascent democracy. Ethiopia has opted for democratic federal structure. USA has its base in Ethiopia that shows that Ethiopia is still very important in the eyes of world power for their strategic gain. However, neither the history of Nepal nor its present situation puts Nepal in such contested position for strategic gain of super power.

Nepal was basically a transit state when land route was significant for international trade. It was the part of ancient Silk route network. Nepal shares

demographic, cultural and geographical similarity with India. These factors have played positive role in the development of smooth relations with India. So Nepal did not face crisis in trade mechanism as it had happened with Ethiopia. Nepal is a buffer state between two giant of Asia namely China and India. Peaceful atmosphere and democratic setup is inevitable for the socio economic development for a nation. During the field survey it was found that to achieve the larger goal of democracy in Nepal, people, time to time, had blocked the transit route to negotiate with the government. Now, it is seeking to establish a democratic form of government after the abolition of monarchy in August 2006. Nepal is administratively divided on geographical bases. Administratively, Ethiopia is divided on the basis of ethnic similarity. It is divided into 9 ethnically based administrative regions and three chartered cities. Nepal is highly influenced with India and its ethnic composition also conforms to Indian ethnicity which has made its debates of federalism very complicated.

### 5.2 Geographical Comparison of Ethiopia and Nepal

Geographically, Ethiopia and Nepal are complex countries. Physical features of both the countries present several impediments to their economic and political developments. As such, means of transport and communication could not be developed to the desired extent. Being landlocked, Ethiopia and Nepal do not have access to sea routes. For access to sea routes, a landlocked country needs transit routes. Geographically, Ethiopia has been divided into four physiographic regions - Ethiopian High Plateau, Ethiopian Crystalline Highlands, Somali Plateau, and Great Rift Valley (Miller 2010). Nepal is divided into three physiographic regions: High Mountains, Mid-Hills and the flat Terai plains.

Ethiopia-Djibouti railway has been developed largely thanks the Great Rift Valley. This rail route links Ethiopian capital Addis Ababa with Port Djibouti (Hance 1975:359). Ethiopia's other three regions, because of their highland topography have till date failed to develop any credible transit route. The differences in relief also show a great impact on the development of transport routes. In Ethiopia, road network is characterised by high hills and steep slopes. Thus, road network is either thin or absent in Ethiopia’s Somali plateau and Southern highland. At some places, these hilly ranges have been crossed or through-crossways have been made. The high

Somali infringes still form the largest inaccessible region for vehicles. While numerous hills obstruct the alignment of roads, the narrow passes between them act as bottle-necks through which the roads pass. In the rainy season, the transportation system is therefore adversely affected.

Nepal is divided into three main geographical regions –High Mountains, Mid-hills, and Terai. The high mountainous region abuts the Chinese border. Because of difficult highland topography, Nepal could not develop a road transport infrastructure for shipments of goods. Nepal's Mid-hills region touches India's Uttarakhand and Sikkim states. This, too, being a highland topography, the two countries could not develop a credible road transport infrastructure. Nepal's Terai region, or the plains, touches Indian border in Bihar, Uttar Pradesh and West Bengal. This being a plain region, the two countries have been able to develop a substantial transport network, with 27 transit points. The Terai region has more developed road networks in comparison to other areas of Nepal. The east west highway runs (Mahendra Raj Marg) along the Terai, and numerous other highways run north south connect the Nepalese with the markets of the Terai and India (DoR Nepal 2008). Nepal joins India with open boundary without legal obligations. All transit points located near Indian borders are adjoined in Terai region. Industry and agriculture are relatively at developed stage in the region. The topography of Terai region is favorable for the development of transit route with India.

As regards Ethiopia ,the fragmented nature of Ethiopian highlands played an important part in the country's political and cultural history. Isolated and mountainous plateau massifs have proven to be almost insurmountable obstacles to political leaders who have sought to unify the country, to the invaders who desired to conquer it, and to those who have sporadically attempted to develop its economic resources. The physiographic differences within the Ethiopia have been a major reason for the differences in human activities, mobility and concentration. Not only this, even the patterns of land use are influenced by relief. Thus, it will be noticed that arable land is mostly concentrated in the low lands while forests are retained mostly on up lands. The differences in relief also show a great impact on the development of transport routes.

Geographical position of Nepal forms its geo-strategic setting with regards to the Gangetic belt, an area critically important for India's security and the stability of its heartland, where an enormous share of its human and resources base is concentrated (Dahal 2006:376). This is the primary reason why India has been striving towards firm influences in Nepal for its territorial and political defense in areas that border China. Nepal's geographical location is also important for the purpose of India's defense because its strategic importance also matters to China. Physical feature, human and economic resources as the bedrock of geographical features are influencing transit route of Nepal.

*5.2.1 Human Resources comparison of Ethiopia and Nepal*

Quality of life and transport network system are highly correlated because standard of living is highly influenced by human resource development i.e. technical know-how, education, health services and per capita income.

Ethiopia is multi ethnic society and they have serious nature of conflict among various ethnic groups. In comparison of Ethiopia, Nepal has lesser ethnic diversity. However people of Nepal are relatively peaceful in nature mainly because of practice of Buddhism and Hinduism. During the field survey for this study it was found that some Nepali tribes such as Thakalis, Sherpas, and Newars are trading community. Globalization and technological innovation have changed the pattern of trade and transport world over. This has a serious impact on the trade pattern of the Nepal because they could not compete with the rest of the neighbouring countries.

A particular threshold of population is required to sustain any economic activity. This study reflects that multiethnic countries like Ethiopia and Nepal have several population related problems such as high fecundity and high mortality rate, low longevity, low urbanization and small scale movement of people from rural to urban areas. The above-mentioned factors have an influential impact over development of transport and communication.

*5.2.2 Comparison of Economic Resources of Ethiopia and Nepal*

Ethiopia and Nepal are economically weak country. Both countries have open economy. The economic activity is primarily confined to agriculture. The secondary sector e.g. industrial activities are in preliminary stage. Both of these countries fulfil

their energy requirements mostly from hydro power. Ethiopia and Nepal are known as water towers with great potential.

There is a slight difference between the land use pattern of Nepal and Ethiopia. Ethiopia uses its 13 percent of land for agriculture and Nepal uses its 18 percent of and for the same. It is important to note here that this 13 percent cropland of Ethiopia is not available for agricultural purposes all over the year. However the 18 percent cropland of the Nepal is of such a kind that is used for the agricultural purposes for almost all over the year. Ethiopia is not a self dependent country in respect of food security. Coffee, honey, natural gum and oil seeds are the important agricultural products of Ethiopia. Ethiopia enjoys the important place in the export of livestock but this livestock production does not suffice the food security need of the Ethiopia. Ethiopia is an important exporting country of some of the livestock products like skin, leather, live animals and meat. On the other hand, rice, herbs, maize, sugar, tea and cardamom are the important agricultural products of the Nepal. Nepal's croplands are mainly situated in the low land terai areas and are very fertile agricultural land that makes the Nepal partially self independent country in its food security.

The secondary sector of both these countries is underdeveloped. Etyhiopia's important secondary sector products are leather products, fur, cement, plywood and beverage. Nepal's secondary sector products are mainly of small scale industries. These products mainly are carpet, cloth, cigarettes and jewellery etc.

Most of the industries of Nepal and the industrial distribution of this country are mainly concentrated on the Indian border and around Kathmandu. This shows that Nepal has undertaken developmental activities in the border areas. Ethiopia, on the other hand, has most of its industrial development concentrated around the capital city of Addis Ababa and charted city of Dire Dawa. Unlike Nepal, in Ethiopia the development of industrial clusters along the borders has not been taken place.

### 5.3 Transport Infrastructure of Ethiopia and Nepal

The way of movement of people and goods across space is considered to be of great significance for social and economic development. Nevertheless, transport alone is not the key to progress. Transport has special significance because it plays very

important role in facilitating other aspects of development. Transport is a necessary ingredient of nearly every aspects of economic and social development. It plays a key role for bringing land into production, marketing and in making natural resources accessible. It is a significant factor in the development of industry, expansion of trade, conduct of health and education programme and exchange of ideas. This section of the study deals with comparison of the road, rail and dry ports of the two countries. The study does not involve comparison in waterways and pipelines because these two options are absent in these countries.

Road transport is the dominant mode of transport and it plays a pivotal role in supporting the economic and social development of Ethiopia and Nepal. The road transport provides the means for the movement of people, utilization of land and natural resources. It also improves agricultural production and marketing, access to social services, and opportunities for sustainable growth.

Ethiopia's road density is 4.26 km per 100 sq. km. The present average road density in Nepal is 10.8 km/100 sq km. This shows that the road density of Nepal is greater than that of Ethiopia. The road density of both these countries is less than that of other developed land locked countries like Switzerland and Austria. Nepal and Ethiopia both are situated in high land topography and vulnerable to adverse weather conditions. Mostly in rainy and winter seasons, the road transport of these countries are adversely affected due to land slide, snow fall, dense fog and other similar natural hazards. Both these countries have three tiered road structure system to maintain and upgrade their road transport facilities. The road network system of Ethiopia has been divided in the categories of: Federal Roads, Regional Roads, Rural Road and the road network system of Nepal is divided in the categories of : National Highways, Strategic Road Network, District Roads.

Ethiopia's trans-boundary road network except Djibouti is less developed than that of Nepal. Nepal trans boundary network with India is well developed and that is why there exists 15 transit points and 27 trade points and 4 dry ports on the India Nepal border. The details of these trade points, transit points and the dry ports are given in chapter four. Ethiopia does not have any of its dry ports on the border and all of its dry ports are situated in internal regions and the details of the same are provided in chapter three.

The Djibouti - Ethiopia Railway links Addis Ababa, the capital of landlocked Ethiopia, to port of Djibouti in coastal Djibouti. The single track 781 km railways have a one meter gauge, most of the Ethiopian territory and about 100 km in Djibouti. Presently Ethiopia is planning to develop a railway line to Port Sudan (Sudan) and Port Lamu (Kenya). In Nepal, only one railway line exists in the southern part bordering India that connects Janakpur (Nepal) and Jai Nagar (India). Nepal Government with the help of India is trying to connect six trade points Nepal Ganj, Bhairahwa, Bir ganj, Virat Nagar, Kakarbhitta and Gadda Chauki through rail network. China is also planning to connect Kathmandu to Lhasa. So it can be said that transit route rail network of Nepal is more developed than that of Ethiopia.

Transcontinental road networks are being developed in Asia and Africa both. The two highways (highway no.4 and 6) of the trans African highway that has been developed by the help African Development Bank will also go through the territories of Ethiopia. The highway no. 4 will join Cairo, Addis Ababa, Gaborone and highway no. 6 will join Djibouti to Ndjamena. The development of these highways will ease the Ethiopia's access to the sea and strengthen its transit route facilities. In Asia also the development of transcontinental rail and road network is planned by UNESCAP. The route number AH 42 and AH 2 of the Asian Highway will cross the Nepal in north-south and east-west direction respectively. The AH 42 will join the Birgunj on Indian border to Kodari on Chinese border. The AH 2 will join Kakarbhitta/Naxalbari (near West Bengal) to Gadda Chowki (near Uttrakhand). The border point of Trans Asian Railway on Indian side is Raxaul. It seems that both these countries Nepal and Ethiopia will be benefited by the aforesaid international efforts of the African Development Bank and the UNESCAP.

Ethiopia and Nepal have inefficient transportation and communications networks. For a country of their size, the transport network is quite limited and needs both upgradation and expansion. It is needless to say that cheap and efficient system of transportation system boosts the economic development of a region.

### 5.4 Trade Pattern of Ethiopia and Nepal

Ethiopia and Nepal are Least Developed Countries in the world. Their economies are based on agriculture. Both the countries have chronically run a negative balance of payments. Ethiopia's trade shows an increasing negative trade

balance. Both countries' balance of trade deficit can be largely explained by the unequal terms of trade between agricultural commodities (the country's major exports) and capital goods (Ethiopia's major imports).

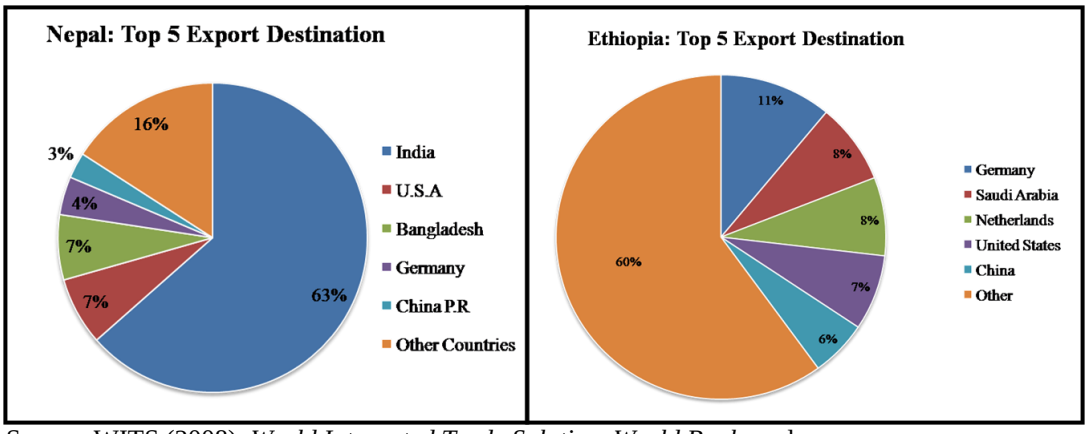
The leading export products of Ethiopia are coffee; oilseeds, pulses and spices; chat; hides and skins; and in very recent years flower and gold. Nepal has a different export patterns. The chief sources of foreign currency of Nepal are merchandise export, service sector, tourism. Major industries are woollen carpets, garments, textiles, leather products, paper and cement. Other products made in Nepal are steel utensils, cigarettes, beverages and sugar.

Structurally, the import of Ethiopia and Nepal mainly consists of capital goods, consumer goods, fuel, semi-finished goods and raw materials. As regards to destinations of export in the year 2006-07, Europe was the leading destination for Ethiopian commodities taking 40.8 percent of the total value followed by Asia, Africa, and North and Central America, accounting for 33.5 percent, 15.5 percent and 5.8 percent respectively. Germany, Saudi Arabia, Netherlands, USA and China were the top five countries in importing Ethiopian products in the same year constituting 11.1, 8.1, 7.8, 7.5 and 5.6 percent respectively (WITS 2008). Djibouti is largest trading partner of Ethiopia in Africa

In respect of international trade, both countries' imports are more than their exports. Regional cooperation, infrastructure and friendly relations with neighbours with other important factors affect on the export patterns of both the countries. It is important to note here that the all the export destinations are far from Ethiopia. This affects Ethiopia's development adversely. However, in case of Nepal its export share to two of its neighbours India and China are very high. Nepal exports 63 percent India, 16 percent, 7 percent US and 7 percent Bangladesh also (see Fig. 5.1). It shows that Nepal is enjoying favourable export opportunities with its neighbours and there is a strong regional trade mechanism exists for Nepal than that of Ethiopia. India, China, Switzerland, Singapore, Hong Kong, Japan, Korea Republic, Thailand and, Malaysia, Indonesia and Kuwait have been the major import trade partners of Nepal (MoCS Nepal 2009).

Fig 5.1

**Export Pattern of Ethiopia and Nepal**




Source: WITS (2008), *World Integrated Trade Solution, World Bank.* and MoCS (2009), *Trade Statistics,* Trade and Export Promotion Centre, MoCS, Nepal.

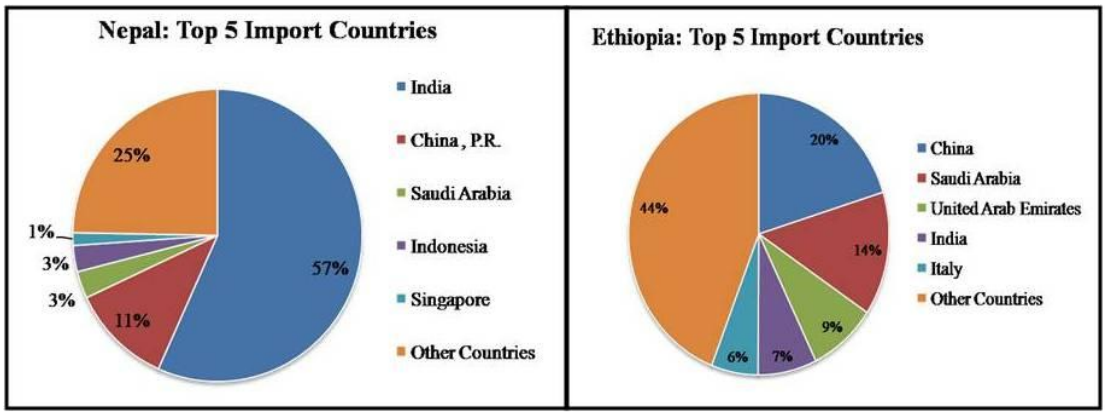
Nepal imports fifty seven percent of its commodities from India which also constitutes 99 percent of its total imports from SAARC's countries. After India, 11 percent and 3 percent of total import of Nepal come from China and Saudi Arabia respectively. If Nepal's import from two of its neighbour India and China is added together it becomes more than two-thirds of its total import. However, Ethiopia's import from any of its neighbours is not more that one percent of its total imports. Not a single neighbour of Ethiopia could find its place in the list of the top five import countries of Ethiopia. From above discussion, it seems that Ethiopia trade relation with IGAD countries and its neighbour countries are not completely developed.

Regional Organization also promotes the bilateral and multilateral trade agreements. Ethiopia is a member of two regional organizations named IGAD (Inter Governmental Agency for Development) and COMESA (Common Market for Eastern and Southern Africa). IGAD is still in its developing stage and trying hard to develop an effective, cooperative and coherent economic and trade policies. It is important to note that its member countries also do not seem to be serious for its betterment and development. Its two member countries Kenya and Uganda seem not to be interested in this organization and they are focusing themselves on the East African Community. The other member country Somalia is a failed state.

On the other hand, COMESA has twenty countries as its members and its main objective is to provide free flow of trade to its member countries. However, it is important to note that the large number of member countries and the mutual distrust among its members are acting as hindrance to its basic purpose or motive. Due to the

lack of regional cooperation, Ethiopia's most of the export is of transcontinental nature.

Fig 5.2
**Import Pattern of Ethiopia and Nepal**




Source: WITS (2008), *World Integrated Trade Solution, World Bank.* and
MoCS (2009), *Trade Statistics,* Trade and Export Promotion Centre, MoCS, Nepal.

However, Nepal's two third share of its international trade goes to its two neighboring countries. It shows that Nepal is placed in more favorable conditions than that of Ethiopia in respect of reasonable trade cooperation. Nepal is a member of two regional groups SAARC and BIMSTEC. SAARC is an eight member countries organization and BIMSTEC is a seven member country regional organization. SAARC is a well established regional organization that works in the areas of trade, culture, technology, transport etc. Secretariat of SAARC is located in Nepal. This strengthens Nepal's relations with other member states. All its member countries meet once in each two years to take note of the development in the respective areas and to set goals for the future. SAARC member countries also behave in good faith in mutual cooperation in trade matters. BIMSTEC is a new organization that has been established to provide economic and technological cooperation among the member countries. It has seven members and they meet once in every four years.

Ethiopia was the main architect for the establishment of IGAD and responsible for its ultimate existence. Ethiopia is an effective country in the region of Horn of Africa and is capable of making IGAD prominent regional trade organization. Except Uganda all the neighbours of Ethiopia are the members of the IGAD, so it is also important for Ethiopia to make this organization a prominent reality for engaging its

neighbours into profitable mutual trade and to secure its interest in its transit routes in these neighbouring countries.

### 5.5 Transit Routes of Ethiopia and Nepal

The nature of transit treaties also varies a great deal between Ethiopia and Nepal. The nature of Ethiopian transit treaties have their root in its colonial history whereas Nepalese transit treaties are based primarily on geopolitical considerations. In other worlds, political factors are important in case of Ethiopia and geographical factors shape Nepalese transit treaties. The independence of Eritrea compelled Ethiopia to develop transit route. In case of Nepal, it has been historically land locked country, so its transit treaties have existed for long time and are more stable. Ethiopia has transit treaty only with Djibouti and Nepal has more options. Nepal has signed transit treaty with three countries, India, China and Bangladesh. Although, Nepalese boundary does not touch with Bangladesh, but with the help of India, it has signed transit treaty with Bangladesh as well.

African continent had witnessed the demarcation of borders in an artificial manner by former imperial and colonial powers Britain, France and Italy. These artificially demarcated borders are a part of the colonial legacy of the African continent that has led to many inter-state disputes in different parts of Africa. Horn of Africa region provides a very glaring example of the site of struggle for colonies among the then imperialist European powers. It comprises of countries, namely Djibouti, Eritrea, Ethiopia and Somalia (Sorenson, 1995: 37). Geographically, it is the area surrounded by Red Sea in north, the Indian Ocean in the east, the Nile basin and east African highlands in the west.

Though Ethiopia has six neighbouring countries but it has not engaged in any diplomatic and economic relations with all of its neighbours. It does not have diplomatic relations with Eritrea and Somalia. However, except Djibouti, Ethiopia's diplomatic relationship with its other neighbours like North Sudan, South Sudan, Kenya is still emerging. The reasons for not having any diplomatic relations with Somalia for long time can be attributed to the following two factors: Firstly, unstable ssgovernment stage of Somalia and, secondly, the boundary conflict between Ethiopia and Somalia. The reason for Ethiopia's not having relationship with Eritrea is mainly historical and related to the formation of Eritrea and its relationships with Ethiopia

since independence. Eritrea has become an independent State after being separated from the Ethiopia and the two countries have had long history of boundary disputes that have been the cause of two having intensely fought wars. Djibouti is the main transit country of the Ethiopia. Djibouti provides transit facilities to Ethiopia both by rail and road. The treaty of Friendship and Cooperation 1991, is the basis and foundation pillar of the mutual economic relations between these two countries. Ethiopia has entered into treaty relationship with Kenya regarding the transit routes, named Bilateral Trade Agreements 2011. This is the first of its kinds in respect of cooperation in transit routes between these two countries. The routes, rail and road will be developed under the provisions of this treaty. The two ports situated in Kenya, Port Lamu and Port Mombasa, will be used as transit port for Ethiopia.

Ethiopia has friendly history with undivided Sudan and after Djibouti this was the only country where Ethiopia has the Trans-boundary transport infrastructure. However, after the emergence of South Sudan, Ethiopia has also taken positive steps to built good relationship with this nascent country in its neighbourhood. Except Sudan and Djibouti, the economic relationship of Ethiopia with other neighbours is still evolving.

Nepal is an ancient nation and it still enjoys well established diplomatic and economic relationship with both of its neighbouring countries India and China. Treaty of Friendship 1950 is the basis of the relationship with India and the Treaty of Friendship 1960 is the basis of its relationship with China. There is an established Transit Route Treaty between India and Nepal. There are 27 trade points and 15 transit points on India Nepal borders. There is an established mechanism to appraise the treaty relations and to improve the same from time to time. Nepal and India have separate treaties for both the trade and transit but with China the transit matters are part of the trade treaty and no separate treaty for transit exists between Nepal and China. Nepal and China also have periodical appraisal mechanism of mutual treaty relationship and there are six trade points between Nepal and China.

For both the countries Nepal and Ethiopia, there are substantial differences in trade and transit treaties patterns with their respective neighbours. Nepal has well established and friendly diplomatic, economic and transit relations with all of its neighbours, whereas, Ethiopia has estranged relations with some of its neighbours and

its relations with rest of its neighbouring countries is still evolving. Nepal does not have any boundary disputes with its neighbours. However; Ethiopia has fought boundary wars with its two neighbours Eritrea and Somalia. Both the neighbours of Nepal, India and China are the emerging economies and this adds positively in the transit route facilities of Nepal. Moreover, all the neighbours of Ethiopia are the least developed countries and their poor economies negatively impact the transit route facilities of Ethiopia.

Thus, through this study, we come to understand that landlocked countries require special institutional arrangements at national and international levels to ensure their regional development and develop effective transit routes. Regional cooperation and good neighbourly relations have a positive impact on the development of transit routes. The case of Nepal and India is a very good example of how good neighbourly relations between the two countries and regional cooperation have paved the way for development of transit routes for Nepal. Here, it is important to mention that they have supported each others' policy stands on many international fora. Similarly they both are the members of multilateral organisations such as SAARC and BIMSTEC. A mutual environment of trust, willingness to cooperate for each other's development as also understanding each other's geographic and strategic location help such landlocked countries better exploit opportunities to their respective advantages.

### 5.6 Conclusions

Both these countries Nepal and Ethiopia share the similar histories in one respect that both of these have not been ever subject to subjugation by the colonial powers. Ethiopia was surrounded by the presence of three colonial countries i.e. the U.K., France and Italy and for this reason it has inherited the estranged relationships with its neighbouring countries. However, both the neighbouring countries of Nepal were the British colonies and Nepal was a buffer state between these two colonies and this is one of the important reasons for the Nepal to enjoy friendly relationship with its neighbours. Ethiopia has developed its economic relations with the separatist state of Somalia named Somali Land and this indicates the mutual distrust and the intervention in domestic affairs of Somalia by Ethiopia. However, Nepal relations with its neighbouring countries are based on the doctrines of Panchsheel that put

emphasis co-existence and non-interference of domestic affairs of neighbouring countries.

Landlocked countries normally depend on more than one transit country for their overseas exports and imports. Since they do not have seaports, they must seek agreements with their adjacent and coastal neighbours to gain access to the sea. Physical features of Ethiopia and Nepal do not support transit route infrastructure. Nepal's geographical location is also important for the purpose of India's defence because its strategic importance also matters to China thus it has developed a mutual beneficiary relationship with its neighbour. Ethiopia is totally dependent on Djibouti for transit facilities. Similarly Nepal is almost totally dependent on India for transit facilities and access to the sea that is, the Bay of Bengal even for most of the goods coming from China.

To sum up, this study thus signifies the edge that Nepal enjoys over Ethiopia in respect of its transit route facilities due to various reasons namely, cordial relations with neighbouring countries, established and well defined transit treaties, developed Trans boundary road structure and emerging economic status of the neighbouring countries.

# Chapter 6

# Conclusion

Development is a dynamic and continuous process. The nations of the world have been choosing their own paths of development from ancient times. Not a single country of the world is completely self sufficient in respect of its needs in the contemporary time. The forces of globalization have further increased the interdependence amongst nations. Self reliance therefore means capacity to procure what is needed but not locally produced. Nations engage in mutual transactions to fulfill these needs and transportation is the basic edifice of this much needed transactions. With the help of the transportation on the one hand, countries export their surplus to the other countries and also on the other hand, import the goods for its needs from the other countries. Here export and import are meant to connote international trade.

As long as the land routes were more important than the sea routes, landlocked countries were efficient players in the international trade. In that era landlocked states had important leverage of playing buffer or bridge between major trading neighbours. Previously, most of the landlocked countries were joined through the rest of the world by various transit routes and no one could afford to go without interacting with these countries. Technological developments have changed the world's economic activities as well as means of transportation. The use of steam and diesel engines in the universal transportation system has changed the trade flow scenario of the world.

The conventional trade routes like silk routs network etc. become redundant after the introduction of the steam and diesel engines which made navigation through open oceans both cost effective and efficient. These technological developments introduced the speed and efficiency factors in the world's economic and transportation system. The

maximum benefit of these developments has been utilized by the sea routes. The pace of colonial expansion and the ease that sea routes provided to the European colonial powers minimized the role of land routes and worked as fillip to the expansion of suitable sea routes.

The developments of sea routes put the coastal countries in more beneficial position than the landlocked countries. Due to this, some landlocked countries have fallen behind the coastal countries in respect of economic development. But, it is also true that some of the landlocked countries have successfully utilized their human and natural resources to become the economically developed nations such as Austria and Switzerland. Even Nepal with its enormous water resources, tourism, biodiversity and youthful human resources has the potential to become a major supplier to China and India that are in much need for its resources and services.

To move beyond their immediate neighbours for example to open oceans, landlocked countries need transit routes. Some developed landlocked countries have developed efficient transit routes with the cooperation of their neighboring countries. The problems and possibilities of the impact of geopolitics of Nepal and Ethiopia on the success or failure of their transit routes have been analyzed in this study using a comparative approach. The geography, economy, strategic location and history of any specific location influence its geopolitics. This study has tried to understand the effect of physiography, relations with neighboring countries, mode of transport and the role of international and regional organizations on the transit routes of Ethiopia and Nepal.

First and foremost it is the boundary disputes that generally affect the relationship with neighbouring countries. The relationship of Nepal with its neighbours has been peaceful for most part of its history. Except some minor differences, Nepal does not have any boundary disputes with both of its neighbours. This peaceful border situation has helped Nepal in its transit route development. Nepal follows the doctrine of Panchsheel in its relationship with neighbours and this benefits Nepal in its transit routes. The relationship of Nepal with its neighbouring countries is discussed in chapter four of the study. However, while Nepal's history and politics vis a vis its neighbours have not been

contentious or complicated, its geography places several limitations in developing efficient transport and transit systems.

On the other hand, Ethiopia has border disputes with all of its neighbours except Djibouti and Sudan and it has not been able to expand its transit routes given its internal civil war and bifurcation as also because of difficult terrain. Ethiopia has almost settled its border disputes with Kenya but the border lines with Eritrea and Somalia remain still disputed. Also unlike Nepal, Ethiopia is the most powerful country in the Horn of Africa and this powerful situation creates suspicion in the minds of its neighbouring countries about its hidden ambitions and speculations in development of transit routes. The persisting boundary disputes of Ethiopia aggravate this situation and make any further developments fragile and vulnerable. The relationship of Ethiopia with its neighbouring states is discussed in chapter three of the study.

Thus the first important conclusion of this study is that the fact that Nepal's relations with its neighbour are more cordial, peaceful and cooperative than that of Ethiopia has made a fundamental difference in both the evolution as also in utilization of transit routes by these to landlocked countries.The landlocked countries enter into the territory of their transit countries, so it becomes very important for the landlocked countries to have faithful relations with their transit countries. The importance of this relationship of mutual trust can be seen in the single event in 1989 when India blocked the transit routes of Nepal on the ground of the alleged violation of the Treaty of Friendship 1950 as Nepal had begun procuring weapons from China against wishes of New Delhi.

Secondly, highland topography acts as barriers in development of transport system. As it is clear from the study, both the countries have failed to develop appropriate transport system on their highland topographical regions. The topography of North West plateau and Somali plateau of Ethiopia are unfavourable for the development of transport network. This is the main reason behind the insufficient transport facilities in this region. Similarly, the high mountain region and upper hill region of Nepal are also not favorably placed for the development of the land routes. The transport system of Nepal in its terai plain is very dense and the region for this dense transport system can easily be attributed

to its plain area. However, the experiences of the world can be used to remove some of these geographical obstacles with help of science and appropriate technology except that its calls for heavier investments with low returns.

Thirdly, for the countries of highland topography, the unimode transport system cannot be successful means for transit routes and thus there is a need to develop multimode transport system. Transit routes are generally developed to serve the purpose of goods transport. For the carriage of goods in highland topographical regions, the goods have to overcome various kinds of natural obstacles, so there is a need to develop multimodal transport system in this region. As we know, that train routes are efficient and cost effective for long distances and the trucks are useful for the short distance transport. So there is a need to develop both kind of transport system and also the water ways in appropriate condition. The mechanism of multimode transport system has been discussed in chapter two.

Fourthly, landlocked states also seem to benefit greatly if their transit routes are part of any multi country road or rail network. This greatly reduces their vulnerability to the whims and fancies of their neighbours. The examples of Trans African road and Trans Asian road and rail network can perhaps explain this possibility. This will enhance the chances of peace, mutual cooperation and development in border areas and promote the scope of regional trade. The discussion about merits and demerits of the Trans - Continental transport network has been discussed in chapter five.

This study justifies both of its original hypotheses; firstly, that the landlocked countries require special institutional arrangements at regional and international level to insure their development of transit routes, and second that the regional cooperation and the good neighbourly relations have positive impacts on the development of the transit routes facilities.

Landlocked countries require special institutional arrangements at regional and international level to ensure their development of transit routes. Transit route is a fundamental need of a landlocked country yet it is not recognized as their fundamental right as a sovereign country. In the absence of transit route, a landlocked country cannot

establish its reach to the international market and cannot participate in global economy. The development of transit route takes place especially with the help of coastal countries.

The sea route accessibility of the landlocked countries remains important for two purposes: firstly, exploitation of marine resources and secondly, commercial use of sea routes. These two purposes are regulated, mainly by the UNCLOS III, 1982 and the, Almaty Declaration 2003. The United Nations Economic and Social Council has established an office named UN- OHRLLS (Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States) to deal with the matter over developments of transit routes of landlocked countries. However, the neighbouring countries of the landlocked countries are not bound to follow these regulations.

It is important to note that the implementation of these laws and norms that guide transit routes is more important than mere regulation which makes these initiatives appear as transitory and fail to underline the gravity of this being a right and not a favour. The study submits that though these international instruments are not binding but they do have persuasive values and especially have the potential to obtain landlocked states what has been their due for long time. The guidelines developed in these instruments provide a very important base for any regional cooperation to take place. These guidelines may form bedrock for any future negotiation, so it can be said that international instruments also play an important role in development of transit routes of the landlocked countries. The study of the success of transit routes on the basis of efforts of regional organizations and bilateral relations corroborate the first hypothesis that land locked countries required special institutional arrangements at regional and international levels to ensure their development of transit routes.

Nepal's transit route development has been benefitted from the bilateral cooperation with India and China and the multilateral cooperation of SAARC. This issue has also been discussed in chapter two of Association of South East Asian nation's charter and has helped Laos to promote its transit routes. Thus it seems that regional organizations plays important role in the development of the transit routes of the landlocked countries. This study has come to the conclusion that the regional cooperation

and good neighbourly relations have a positive impact on the development of transit routes.

The case of Nepal with India is a good example of how good neighbourly relations between the two countries and regional cooperation have paved the way for development of transit routes for Nepal. Here, it is important to point out that they have supported each other in many international fora and they both are members of regional organisations such as SAARC and BIMSTEC. A mutual environment of trust, willingness to cooperate for each other's development and also understanding each other's geographical and strategic location help such landlocked countries better exploit opportunities to their respective advantages.

The facilities of transit routes of Ethiopia vary in accordance with its relationship with neighbours. Ethiopia has good transit routes in the territory of friendly neighbours like, Djibouti and Sudan. However, it has failed to develop efficient transit routes with its hostile neighbours. This situation corroborates the second hypothesis of the study. Ethiopia's failure to materialize its transit routes potential with Eritrea because of hostile mutual relations also justified the second hypothesis of the study.

The study also proposes following suggestions for further research in this field.

*Democratic and Stable Government*

First of all, though it was not part of this study, yet research shows that internal politics of landlocked states remains a most critical variable to study. There is a need to have democratic, stable and responsible governments in both the countries to develop their transit routes. The stable government attracts the much needed foreign investment for their economic development. This investment also accelerates the transport system and thus ultimately contributes to the development of the transit routes of the respective countries. Since both these countries have poor economy, so the stable government is a much needed as sine qua non for the development of their transit routes. People's awareness and empowerment also need to enhance so that the transport on transit routes and other related business activities cannot be jeopardized during mass public processions and protests.

*Human and Natural Resource management*

There is a need to study the lack of development in their strategies and planning for employment oriented skills in the people of both these landlocked countries. This will positively contributes to the industrial development of both these countries. There is also a need for policy studies so that the governments of these two countries can concentrate on their HDI (Human Development Index); so that efficient human recourses can be utilized for the economic development and this economic development positively adds to the development of the transit routes.

Both these countries are treated as water towers in their respective regions so there is an ample potential of hydro power generation that can make them energy secured countries for their economic development. Both these countries have also immense potential for eco-tourism and adventure tourism. These developments positively contribute to the development of the transit routes of the respective countries.

*Development of transport Infrastructure*

A transport network is the main key sector of economic development. The development of efficient transport network minimizes the time factor in goods carriage. As it is discussed in chapter four that per day average distance covered by the goods carriers destined to Kathmandu from Kolkata is only 160 – 180 kilometers. It shows the absence of efficient transport route. To solve this problem, there is a need to develop multimode transport system. This system seems to be an essential feature for the development of the landlocked countries. So there is also a need to study on what are alternatives available to landlocked states. For example can they maximize their exports in services and utilize online services?

*Transparent Transit and Trade Agreement*

Coastal countries provide services to the landlocked countries in their transit routes. To avail this facility, landlocked countries, generally, enter in agreements with coastal countries. These agreements must be reviewed and improved from time to time to

make them efficient and purposive. After analyzing Ethiopia's relations, it can be said that except with Djibouti, it does not have clear and unambiguous transit agreements with any other country. Nepal's transit agreements with India and China are clear and unambiguous. Nepal also reviews these agreements from time to time with both these nations.

*Border Area Development Programme*

Border areas are normally situated too far away from the growth poles. Due to the distance from market and poor infrastructure, economic activities do not take place in these areas. The local products of these areas suffer from immobility and cannot be sent to outside market due to the absence of efficient transport system. There is a need to start border area development programmes by both the governments to develop their transit routes. This will improve the situation of economic activities in the border areas and thus promotes the trans-boundary goods movement.

This study suggests that both Nepal and Ethiopia can learn from each other in respect of their transit routes. The capital of Ethiopia, Addis Ababa, is linked with railway network. Ethiopia has established its dry ports, namely. Modjo, Addis Ababa, Semera in the internal parts of its territory to promote regional development. With the development of transit routes Ethiopia is also developing itself as an important transit country. In February 2012, the Ethiopia has entered into agreement with South Sudan and Djibouti to develop a pipeline and road corridor that will pass through Ethiopia and join Djibouti to South Sudan. These are the lessons that Nepal can learn from Ethiopia.

Ethiopia can also share some experiences of Nepal about transit route development. Nepal established its relationship with its neighbour on the basis of Panchsheel that believes in mutual cooperation and respect for each other border lines. This strengthens the economic activities in the border areas. The neighbouring countries of Nepal, India and China are the important trade partners of it. Nepal's trade with them is almost two thirds of its total international trade. This gives Nepal an additional edge because most of its goods have to travel less distances and this helps them to maintain their prices low and reasonable.

Ethiopia's international trade is mostly intercontinental and its goods have to travel more distances to find a suitable market. This makes its goods costly and adversely affects its trade expectations. For any least developed country, this situation must be avoided. Thus, the cordial relation of Nepal with its neighbours and its regional trade patterns are the two important lessons that Ethiopia can learn from Nepal.

This study also put light on some of the important issues that other developing landlocked countries can learn from the study. There are 32 least developed landlocked countries and they are mostly engaged in primary economic activities. They should first promote their human and natural resources to develop their transit routes so that their economies can be industrialized. This would help their transport system as they will have resources to invest. Transit route is a part of overall transport infrastructure so that the development of the transport infrastructure is an essential pre requisite. The existence of the Trans boundary transport infrastructure, that is dependent on the neighbouring countries, is also essential for development of the transit routes.

The success of the good transit routes dependent upon the cordial relationship with neighbouring countries. The landlocked should develop cordial and friendly relationship with the neighbouring countries so that the development of Trans-boundary infrastructure should take place. The landlocked countries must always keep in mind that its neighbouring countries provide transit facilities to it only as long as their mutual relations remain calm and peaceful.

After analyzing the trade pattern of India and Nepal, it seems that the Trans boundary road infrastructure promotes the regional trade. By promoting regional trade with the help of regional organization, the landlocked countries can remove their transit hindrances. By the promotion of regional trade, these countries would be able to keep low the cost of their products and this would be favourable for regional economic transactions.

It seems that without the political stability, the development of landlocked countries is not possible. In absence of the political stability, the landlocked country cannot provide protection to its economic activities and development. This unstable

condition of landlocked countries also hinders the transit countries to negotiate economic and other agreements with the landlocked countries. There should be a periodic evaluation of the status of the transit agreements and the conditions prevailing on the ground with transit countries. This will help the landlocked countries to keep themselves up to date in respect of any problem or any alternative opportunity.

This study also emphasizes on some of the emerging issues in the subject that may inform the future research work on the topic. Most of the landlocked countries are situated in highland topographical region that is important for geo-strategic regions so that the established and emerging world powers are eager to establish their own strategic bases in these countries. The Trans Asian road and rail network that is developed by UNESCAP would capable to change geopolitics and geo-strategy of the whole Asia. The nature, impacts, effects and broader ramifications of these changes will need further research to understand them comprehensively. Similarly the success of IGAD may be helpful in the establishment of peace in the Horn of Africa and the role of Somali land and Punt Land of Somalia in peace establishment in the region is the subject for further research.

Being a landlocked country is not a geographical handicap. Some landlocked countries of the world have conquered their unfavourable geographical location by establishing agreement and cooperation with their neighbouring countries. A country has to choose its own path of development and prosperity. A landlocked country should develop without making any compromise with its sovereign interests. The landlocked countries should protect themselves from being a pawn in the hands of world powers. The landlocked countries have their legitimate due share in the world economy and they should not be deprived of this only for the sake of their geographical location.

The landlockedness of any country is not the informed choice of that country but merely a question of fact and opportunity in the due course of history. These countries have their legitimate interest of having appropriate transit route facilities in their neighbouring countries and there is a need to protect it. This much needed protection is also corroborated by the debate of the right to development as a group right. Every country including landlocked countries have a right to develop and it is required that this

right should not be left at the mercy and whims and fancies of the neighbouring transit countries.

Events at the global level change the political map of the world. The Scramble of Africa and cessation of Cold War has changed the political map of the world. These two events have given the birth to new landlocked countries. For a nation to remain as landlocked country must not remain a handicap forever and in coming time the number of landlocked countries may increase or decrease. The global community should properly address the genuine concerns of the landlocked countries so that a cordial framework of universal brotherhood based on the principles of equality, fraternity and justice can be established.

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## Apendix-2.1

## Landlocked Countries and Transhipping

| | **Landlocked Country** | **Transship Seaport** | **Transship Country** |
|---|---|---|---|
| **Asia** | | | |
| 1 | Afghanistan | Karachi | Pakistan |
| 2 | Armenia | | |
| 3 | Azerbaijan | | |
| 4 | Bhutan | Calcutta | India |
| 5 | Kazakhstan | | |
| 6 | Kyrgyzstan | | |
| 7 | Laos | Bangkok | Thailand |
| 8 | Mongolia | | China<br>Russia federation |
| 9 | Nepal | Mumbai<br>Calcutta | India<br>India |
| 10 | Tajikistan | Karachi | Pakistan |
| 11 | Turkmenistan | | |
| 12 | Uzbekistan | | |
| **Africa** | | | |
| 1. | Botswana | Durban | South Africa |
| 2. | Burkina Faso | Abidjan | Cote d'Iovoire |
| 3. | Burundi | Matadi | Congo, Dem.Rep.of |
| 4. | Central African Republic | Douala<br>Matadi<br>Pointe_Noire | Cameroon<br>Congo, Dem.Rep.of<br>Congo, Rep.of |
| 5. | Chad | Douala | Cameroon |
| 6. | Ethiopia | Djibuti<br>Assab<br>Massawa | Djibuti<br>Eritrea<br>Eritrea |
| 7. | Lesotho | Durban | South Africa |
| 8. | Malawi | Nacala | Mozambique |
| 9. | Mali | Abidjan<br>Conkry<br>Dakar | Cote d'Iovoire<br>Guinea<br>Senegal |
| 10. | Niger | Contonou | Benin |
| 11. | South Sudan | | |
| 12. | Swaziland | Durban | South Africa |
| 13. | Rwanda | Dar es Salaam<br>Mombassa | Tanzania<br>Kenya |
| 14. | Swaziland | Durban | South Africa |
| 15. | Uganda | Mombassa<br>Tanga | Kenya<br>Tanzania |
| 16. | Zambia | Dar es salaam | Tanzania |
| 17. | Zimbabwe | Beira<br>Durban | Mozambique<br>South Africa |
| **Europe** | | | |

| | | | |
|---|---|---|---|
| 1. | Andorra | Barcelona | Spain |
| 2. | Belarus | | |
| 3. | Austria | Antwerp<br>Hamburg<br>Marseilles<br>Rotterdam | Belgium<br>Germany<br>France<br>Netherlands |
| 4. | Czech Republic | Gdansk<br>Gdynia<br>Hamburg<br>Szczecin | Poland<br>Poland<br>Germany<br>Poland |
| 5. | Hungry | Antwerp<br>Hamburg<br>Rotterdam | Belgium<br>Germany<br>Netherlands |
| 6. | Kosovo | | |
| 7. | Liechtenstein | Antwerp<br>Hamburg<br>Marseilles<br>Rotterdam | Belgium<br>Germany<br>France<br>Netherlands |
| 8. | Luxembourg | | |
| 9. | Macedonia | | |
| 10. | Moldova | Odessa | Ukraine |
| 11. | San Marino | | Italy |
| 12. | Serbia | | |
| 13. | Slovak republic | Gdansk<br>Gdynia | Poland<br>Poland |
| 14. | Switzerland | Antwerp<br>Hamburg<br>Marseilles<br>Le Havre<br>Rotterdam | Belgium<br>Germany<br>France<br>France<br>Netherlands |
| 15. | The Vatican | | Italy |
| South America | | | |
| 1. | Bolivia | Arica<br>Buenos Aires<br>Matarani<br>Santo | Chile<br>Argentina<br>Peru<br>Brazil |
| 2. | Paraguay | | Argentina<br>Brazil |

Source: Uprety Kishor (2006), *The Transit Regime for Landlocked States,* Washington DC: World Bank Publications. &

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# Appendix 3.1

## Agreement between Great Britain, France and Italy Concerning Abyssinia (Ethiopia)

**(13 December 1906)**

The common interest of France, Great Britain and Italy being to maintain intact, the integrity of Ethiopia, to avoid any form of disturbance in the political conditions of the Ethiopian Empire, to come to a common understanding concerning their conduct in case of change of situation which may occur in Ethiopia, and to ensure that by the action of the three States to protect their respective interests, both in British, French and Italian Possessions around and within Ethiopia itself, no damage prejudicial to the interests of any one of the three powers, France, Great Britain and Italy shall be caused, the three Powers hereby agree on the following Arrangement:

**Article 1**

France, Britain and Italy shall agree to maintain the political and territorial status quo in Ethiopia as determined by the existing state of affairs now and the following Arrangements:

(a)The Anglo-Italian Protocols of 24 March and 15 April 1891 and 5 May 1894 and the subsequent Arrangements which modified them including the reservations expressed by the French Government on this subject in 1894 and 1895;
(b) The Anglo-Ethiopian Convention of 14 May 1897, and its annexes;
(c) The Italo-Ethiopian Treaty of 10 July 1900;
(d) The Anglo-Ethiopian Treaty of 15 May 1902;
(e) The note annexed to the aforementioned Treaty of 15 May 1902;
(f) The Convention of 11 March 1862, between France and the Danakils;
(g) The Franco-British Arrangement of 2–9 February 1888;
(h) The Franco-Italian Protocols of 24 February 1900, and 10 July 1901, regarding the delimitation of Italian and French possessions on the shores of the Red Sea and the Gulf of Aden;
(i) The Franco-Ethiopian Convention regarding frontiers of 20 March 1897;

It is understood that the various Conventions mentioned in the present article shall be without prejudice to the sovereign rights of the Emperor of Abyssinia and shall in no way affect the relations between the three Powers and the Ethiopian Empire as stipulated in the present Arrangement.

**Article 2**

For the request of agricultural, commercial and industrial concessions in Ethiopia, the three Powers shall instruct their Representatives to act in such a manner that the concessions which shall be granted in the interest of one of the three States may not be prejudicial to the interests of the two others.

**Article 3**

Should competitions or internal changes occur in Ethiopia, the Representatives of France, Great Britain and Italy would observe an attitude of neutrality abstaining from all intervention in the affairs of the country and confining themselves to taking such action which, by common agreement, would be considered as necessary for the protection of legations, lives and properties of foreigners and common interests of the three Powers.

In any case, none of the three Governments would intervene in any manner and to any except after achieving common grounds of understanding with the two others.

**Article 4**

Should events occur to disturb the status quo set forth under Article 1, France, Great Britain and Italy shall make every effort to maintain the integrity of Ethiopia. In all cases, by referring to the Agreements enumerated in the said article, they shall agree to safeguard:

(a) The interests of Great Britain and Egypt in the Nile Basin, and more specially, with regard to the control of the waters of this river and its tributaries (the consideration due to them being given to local interests) subject to Italian interests mentioned in paragraph (b);

(b) Italy's interests in Ethiopia in relation to Eritrea, and Somaliland (including Benadir), and more specially with regard to the hinterland, of its possessions and the territorial union between them in the west of Addis Ababa;

(c) And France's interests in Ethiopia in relation to the French Protectorate of the Somalia Coast in the hinterland of this Protectorate and in the zone required for the construction and traffic of the railway from Djibouti to Addis Ababa.

**Article 5**

The French Government shall communicate to the British and Italian Governments:

1. The act of concession of the Franco-Ethiopian railway of 9 March 1894;

2. A letter of Emperor Menelik on 8 August 1904 the translation of which is annexed to the present agreement, and which invites the concessionary Company, to construct the second section from Dire Dawa to Addis Ababa.

**Article 6**

The three Governments shall agree that the Djibouti Railway line be extended from Dire Dawa to Addis Ababa with a possible siding towards Harrar, either by the Ethiopian Railway Company under the acts enumerated in the preceding article, or by any other private French company which may be substituted for it with the consent of the French Government, on condition that nationals of the three countries shall enjoy with regard to questions of trade and transit an absolutely equal treatment both on the railway and within the port of Djibouti. Goods shall be admitted without any transit duties for the benefit of the Colony or the French Treasury.

**Article 7**

The French Government shall provide assistance so that one Englishman, one Italian and a Representative of the Emperor of Abyssinia be members of the Board of Directors of the French company or French companies which shall be responsible for the execution of work on and the operation of the railway from Djibouti to Addis Ababa. It is stipulated by reciprocity that the British and Italian Governments shall provide assistance to ensure that a post of Administrator is also created in the same conditions for a Frenchman in any English or Italian company who would have been trained or would be trained in the construction or operation of railways stretching from any point in Abyssinia to any point in the neighboring English or Italian territories.

Similarly, it is understood that nationals of the three countries shall enjoy, for questions related to trade and transit, an absolutely equal treatment both on the railways, which would be constructed by English or Italian companies, and in English or Italian ports from where these railways would start. Goods shall not be liable to any transit duties for the benefit of Colonies or English and Italian Treasuries.

The three signatory Powers shall agree to extend to the nationals of all other countries, the benefit of the provisions of articles VI and VII related to equality of treatment in the field of trade and transit.

**Article 8**

The French Government shall abstain from all intervention regarding the concession previously granted beyond Addis Ababa.

**Article 9**

The three Governments shall agree that all railway construction in Abyssinia in the west of Addis Ababa be executed where foreign assistance is necessary, under the auspices of England. Similarly, the three Governments shall agree that all railway construction in Ethiopia linking Benadir to Eritrea in the west of Addis Ababa be, in so far as foreign assistance is necessary, executed under the auspices of Italy.

The British Government reserves the right to use, where necessary, the authorization granted by Emperor Menelik on 28 August 1904, to construct a railway from British Somaliland across Ethiopia up to the Sudanese frontier, on condition, however, that it comes to terms beforehand with the French and Italian Governments; the three Governments undertaking not to construct without prior understanding between themselves any line penetrating Abyssinian territory or linking up Abyssinian lines, and in such a manner as to offer direct competition to those which shall be established under the auspices of one of them.

**Article 10**

Representatives of the three Powers shall keep themselves reciprocally informed of and cooperate for the protection of their respective interests. Should the English, French and Italian representatives fail to come to terms, they shall refer all matters relevant to their interests to their respective Governments and suspend all action in the meantime.

**Article 11**

Aside from the Arrangements enumerated in Article 1 and Article V of the present convention, no agreement concluded by any one of the contracting powers concerning the Ethiopian region shall be opposable to the other signatory powers of the present Arrangement.

Done in London, on 13 December 1906

E. Grey

Paul Cambon

A. De San Ciuliano

## Appendix 3.2

### A Treaty between Ethiopia and Great Britain on the Delimitation of the Frontier between Ethiopia and Sudan (15 May 1902).

### (Ratifications exchanged in Addis Ababa on 28 October 1902)

His Majesty King Edward the VII by the grace of God, King of the United Kingdom and Ireland and British Overseas dominions, Emperor of the Indies, and His Majesty Menelik II, by the grace of God, King of Kings of Ethiopia, encouraged by the desire to confirm friendly relations which exist between the two powers and to establish the frontier between Sudan and Ethiopia, and His Majesty King Edward having appointed Lt. Col. John Lane Harrington, Commander of the Royal Order of Victoria Agent Plenipotentiary to His Majesty King Menelik II, Kind of Kings of Ethiopia, vested with full powers in due form, and His Majesty Emperor Menelik, negotiating in his own capacity as Kind of Kings of Ethiopia hereby agree and accept that the following articles like them, their heirs, and their successors:

**Article 1**

The frontier between Sudan and Ethiopia, accepted by the two Governments shall be as follows: the line drawn in red ink on the map attached in duplicate to this Treaty extending from Kher Um Hagar in Gallabat, to the Blue Nile and the Baro, Pibor, and Akobo in Melile, and thence to the intersection of latitude 60 north with longitude $35^0$ east (Greenwich Meridian).

**Article 2**

The frontier as defined in Article 1 shall be delimited and marked on the ground by a Joint Frontier Commission which shall be appointed by the two high contracting parties which shall provide information to their subjects after the delimitation.

**Article 3**

His Majesty Emperor Menelik, Kind of Kings of Ethiopia, shall undertake, before the Government of Her British Majesty, not to construct and authorize the construction of any structures on the Blue Nile, Lake Tana or Sobat which would have the effect of obstructing the flow of their waters into the Nile, except in agreement with the Government of her British Majesty and the Government of Sudan.

**Article 4**

His Majesty Emperor Menelik II, King of Kings of Ethiopia shall undertake to grant to the Government of her British Majesty and to the Government of Sudan, the authorization to choose, close to Itang on the Baro, a portion of territory with not more than 2,000 metres along the river and an area not exceeding 400 hectares, which shall be given to the Government of Sudan in order that the latter may administer and occupy it as a commercial station as long as Sudan remains governed by the Anglo-Egyptian Government: It shall be understood between the two high contracting parties that this territory thus granted, shall not be used for political or military purposes.

**Article 5**

His Majesty Emperor Menelik II, King of Kings of Ethiopia, shall grant to the Government of Her British Majesty and to the Government of Sudan, the right to construct a railway line across the Abyssinian territory linking Sudan to Uganda. The layout of the railway shall be established by a reciprocal agreement between the two high contracting parties.

The present treaty shall come into force as soon its ratification, by Her British Majesty shall have been communicated to the Emperor of Ethiopia.

In faith where off, His Majesty Menelik II, King of Kings of Ethiopia, on his own behalf, and Lieutenant-Colonel John Lane Harrington on behalf of his Majesty King Edward VII, King of the United Kingdom of Great Britain and Ireland and British Overseas Territories, Emperor of the Indies, have signed the present Treaty, drawn up in the English and Amharic languages in duplicate, both texts equally authentic and official, and have appended their seals to them.

Done In Addis Ababa on 15 May 1902

JOHN LANE HARREINGTON LT. COLONEL
SAAL OF HIS MAJESTY EMPEROR
MENELIK II

## Appendix 3.3

**Ethiopia: Top 12 Export destination countries (in Millions of Dollars) (2007-08)**

| **Country** | **Gross Exp** |
|---|---|
| World | 1521.9 |
| Germany | 168.6 |
| Saudi Arabia | 123.2 |
| Netherlands | 119.2 |
| United States | 114.7 |
| China | 85.1 |
| Italy | 83.0 |
| Somalia | 76.9 |
| Sudan | 74.1 |
| United Arab Emirates | 69.5 |
| Japan | 61.9 |
| Djibouti | 57.3 |
| Belgium | 55.0 |

Source: WITS (2008), *World Integrated Trade Solution 2008, World Bank*

## Appendix 3.4

### Ethiopia: Top 12 Import Destination Countries (in Millions of Dollars)

| **Country** | **Gross Imp.** |
|---|---|
| World | 8680.3 |
| China | 1750.4 |
| Saudi Arabia | 1233.0 |
| United Arab Emirates | 725.8 |
| India | 635.6 |
| Italy | 501.1 |
| United States | 401.5 |
| Japan | 382.0 |
| Germany | 285.0 |
| Malaysia | 203.9 |
| Pakistan | 177.4 |
| Turkey | 167.4 |
| Sudan | 153.4 |

Source: WITS (2008), *World Integrated Trade Solution 2008*, World Bank

## Appendix 4.1

### Land use Distribution in Nepal

| **Type of Land-use** | **Area in sq. Kilometer** | **Percent of Total Area.** |
|---|---|---|
| Agriculture area | 26,533 | 18.00 |
| Forest area | 55,334 | 37.60 |
| Himali area | 22,463 | 15.30 |
| Grazing area | 19,785 | 13.40 |
| Water area | 4,000 | 2.70 |
| Habitation area and roads | 1,033 | 0.70 |
| Others (barren land, land Slide, etc.) | 18,033 | 12.30 |
| | 147,181 | 100 |

Source: NPC (2006), *Annual Development Programs*, National Planning Commission Nepal pp: 130.

## Appendix 4.2

**Definition of Strategic Road Network**

The National Road Network comprises of following five classes of roads:

1. National Highways
2. Feeder Roads
3. District Roads
4. Urban Road and
5. Village Roads

The National Highways and Feeder Roads constitute the Strategic Road Network and the remaining classes of roads viz., District Roads, Urban Roads and Village Roads are grouped as non Strategic Roads. Taking into consideration the Government's new understanding of the roads, which constitute Strategic Road Network, it is proposed to modify the definition of Feeder Roads- Feeder (Major) and Feeder Roads (Minor) as below:

**Feeder Road (Major) / FRN comprise of:**

- Major links (i.e. with an AADT of over 100 veh/day) between National Highways
- Roads linking District Head quarters/Zonal Headquarters to National Highways.
- Links from National Highways to major places of industry, tourism, public utilities, power generation (e.g. hydropower) international borders, and Hulaki roads, etc.

**The Feeder Roads (Minor)/FRO comprise of:**

- Links from Feeder Roads (Major)/FRN to major places of industry, tourism, public utilities, power generation (e.g. hydropower), international borders and Hulaki roads etc.
- Links from Urban Roads to major places of industry, tourism, public utilities and power generation e.g. hydropower, etc.

Source: MoPPW(2010),*Nepal Twenty Year Road Plan,* Department of Roads, Ministry of Physical Planning and Work , Govt. of Nepal.