

# Chapter 8

## Clusters for National Growth: Belt of Prosperous Nepal, Projects Along the North–South Economic Corridor

**Madhukar Thapa**

*Independent Researcher, Nepal*

### ABSTRACT

*This chapter offers a new economic development model from a cluster-sensitive perspective with a view to attaining Sustainable Development Goals by 2030 and a prosperous Nepal, happy Nepali aspirations by 2043. On the one hand, Nepal is experiencing an enormous investment deficit to meet such goals and aspirations, with COVID-19 exacerbating it even worse. On the other, industry experts and analysts from Macao are claiming that Nepal has the potential to become the next Macao of South Asia. This chapter seeks to offer insight into how Nepal can configure its tangible and intangible endowments with new business environment developments to take full advantage of it. It starts off by identifying the ‘integrated resort’ sector as having a relatively high chance of success. It then puts that early success story at the center and leverages it to develop other related sectors in the Nijgadh area, North-South economic corridor, and the rest of the country. The model is similar to other economic corridor developments around the world driven by new connectivity infrastructures.*

### INTRODUCTION

India and China are projected to control 35% of global GDP by 2050 (Hawaksworth, 2017, pp. 19–20), and Nepal, sandwiched between the two, has a particularly strategic geographic location to be taken advantage of — if a flight path is drawn from Mumbai to Beijing, Kathmandu sits squarely on that path. Together with Bangladesh, the quartet of countries already represent 18% of the world’s GDP and 37% of global population (Ojha, 2021). This unique geography gives Nepal an opportunity to develop a new cluster-based economic development model. A cluster is “a regional concentration of related industries that arise out of the various types of linkages or externalities that span across industries in a particular

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location.”<sup>1</sup> In other words, a cluster brings together companies, suppliers, and related industries pertaining to a particular sector to a particular location.

This chapter proposes three main points and steps. The first point identifies the integrated resort (hereinafter IR) sector as having the most potential and analyses it from a cluster-sensitive point of view, suggesting pulling together all elements of the sector in a particular area to form a broader strategic perspective, in order to allow the sector to realize its full potential. For this, Nepal needs to attract competitive IR companies with enough resources (this constitutes the second point) — here, resources are divided into four major categories: cash reserves or power of investing, a substantial customer base, experience, and brand value. Local companies providing services and products with limited resources may appeal to local customers and customers residing in cross-border states; Nepal needs competitive companies that are not only able to compete with big companies from India and China but have capacity to draw the attention of those markets and beyond. Such companies may include but are not limited to Las Vegas Sands (LVS) and MGM from the U.S., Galaxy and Suncity from Macao, and the Genting group from Malaysia. For that to happen, third, Nepal needs major policy reforms and must formulate a robust international standard legal framework by taking examples of similar reforms made in different jurisdictions in the Asia-Pacific region.

The three steps are: (1) to identify the low-hanging fruit: The development that has the most potential to succeed in a short period of time, to catalyse initial investment and positive results, and to bring international attention to the area is what is called the “Trident Development,” which consists of an IR strip, a national park resort directly in front of the to-be-built Nijgadh International Airport (hereinafter referred to as NIA), and a river city along the banks of the Lal Bakaiya and Pashah rivers on the east and west sides of the airport. The term “trident” refers to the shape in which the three projects are situated around the airport. The development is expected to create market buzz and form a foundation for infrastructure improvement and development of other related sectors in the area. (2) Upon success of the Trident Development, apply the experience to incrementally unlock related fields in Nijgadh and Province 2 in the form of a tourism cluster, an industrial cluster, an agribusiness cluster, and an aeropolis. (3) Lastly, apply the experience to unlock related fields in the Rasuwagadhi-Birgunj (north-south) economic corridor, building the “Belt of Prosperous Nepal,” and expanding it to the rest of the country, as illustrated in Figure 1.

The argument is based on cluster theory,<sup>2</sup> which was thoroughly explained during a keynote speech delivered by Porter (2014a & 2014b) at the launch of the U.S. Cluster Mapping website during a conference hosted by the University of Minnesota. To support the case, three prominent individuals’ viewpoints and an economic corridor model adopted around the world are provided. The three individuals are: the CEO of Marina Bay Sands, who explains the importance of the gaming element in an integrated resort (Cohen, 2018), Prof. Porter, who pioneers the theory of cluster mapping (2014a, 2014b), and world-renown architect Paul Steelman, who elucidates the effects of concentration (Cohen, 2018) (a four-point suggestion by Chaudhary (2019a, 2019b, 2019c) is also given to supplement the case with a domestic perspective). Moreover, creating this type of economic corridor by fusing an airport with highways and railways has proved to be a powerful business magnet, and has been a successful model in a number of jurisdictions around the world. Asia leads the way, with China at the forefront owning dozens of airports connected with high-speed railway and highways. Among the most prominent are the 178–square kilometer Beijing airport core economic zone (BACEZ) and the 415–square kilometer Zhengzhou airport economy zone (ZAEZ).<sup>3</sup> Other examples are projects being built by the Bases Conversion and

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