

# INDIA'S NEPAL POLICY (1950-2020) AND GLOBALISATION IN NEPAL: CHALLENGES WITHIN AND FROM CHINA

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*Abstract:* Seventy years (1950-2020) of India's diplomatic ties with Nepal have been defined by deep-rooted socio-cultural, economic and people to people relations. The two countries share an open border that is nowhere found in a contested South Asia. Meanwhile, as a landlocked country between India and China, Nepal has struggled to keep up with its national interests and global aspirations. With its India centric foreign policy, Nepal has time and again attempted to reduce its dependence on India and sought to improve ties with China and other countries. The advent of globalisation in the 1990s bestowed Nepal to explore opportunities for its economic growth and shift to remuneration and services-based economy from agriculture. The labour migration from Nepal to third countries changed Nepal's foreign policy objectives with India as until now India was the largest recipient of the Nepalese labourers. The arrival of democracy allowed Nepal to interact with China more openly in the last two decades, which has stood as a challenge to India's traditional presence in Nepal. In this light, the present study examines the seventy years of India's Nepal policy and attempts to contextualise China into it. It studies the overriding elements of Nepal's foreign policy, along with India and China's strategic interests in Nepal. With a focus on India's Nepal policy, the paper further argues that India's missteps and assertive stance towards Nepal have caused a great deal of damage, eventually pushing Nepal towards China. These moves have also presented Beijing an opportunity to advance its ties in trade, investment and military relations with Nepal and ensure stability and control in Tibet by putting a stop to anti-China activities in Nepal with the help and support from the Nepalese Government and Army.

*Keywords:* India's Nepal Policy, Neighbourhood First, Blockade, China, Tibet.

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## INTRODUCTION

Nepal is an important but very complex Himalayan neighbour of India. The two share centuries-old relationship, nursed by a rich and deeply pervading inheritance of history, geographical contiguity and socio-cultural identities (Khilnani 1993). An open border between the two countries has been a gateway to socio-cultural and economic exchanges. While most countries have/had issues with India in terms of border demarcation, India and Nepal have shared an open border for more than seven decades now. As a landlocked country between India on the three sides and China on the north, India's open border has served as a lifeline for Nepal for its third country trade and human migration for work and study in India. Nepal's geo-strategic location has worked a safety-wall for India from any potential threats coming from the north.

Meanwhile, the interdependence in the relations has been one-sided to India's benefit due to its size, population and economy. Although the governments in Nepal have been vocal against India's overstepping in its foreign and internal affairs, fears of an obstructed trade and transit have often limited Nepal's options to use offensive tactics to against India. On the other hand, India has continued to look at Nepal as a geo-strategic depth against China and attempted bonhomie with Nepal through development and infrastructure works. India witnessed a more assertive Nepal post-2006 where political parties, politicians, people and diplomats have raised alarms to limit India's role in its internal and external affairs. Such a shift in Nepal is visible from its assertive and offensive diplomacy towards India including its claim on disputed territories like Limpiyadhura, Kalapani and Lipulekh and deepening of relationship with China. Nepal is also trying to change the nature of its geographical constrains into an opportunity as it has reached out to China in getting access to Chinese ports which will eventually reduce its dependence on India.

In this light, the present study attempts to review India's Nepal policy since 1950 up to now with a particular focus on India's

“Neighbourhood First Policy” since 2014. The study is profoundly based on the analysis of diplomatic events, agreements, and disputes between India and Nepal. The study points at the steps and missteps on India’s part that have cost dearly to India, resulting in China’s increased presence in Nepal.

## METHODOLOGY

The historical-analytical method has been used in carrying out the present study. The method helps to examine the past and current events of the India-Nepal relations. It also helps to trace the interests, obligations and limitations of India’s Nepal policy. The present study identifies the currently existing problems in the bilateral ties through an open-ended method and highlights them using a qualitative analysis method. Additionally, the China factor in India-Nepal relations is studied using a comparative analysis of the regional, bilateral and local events. The study has referred official documents, including interviews, bilateral agreements, joint-declarations, foreign policy briefs, press releases, and statements to establish the cases and answer them. The study’s secondary data sources are based on books, edited volumes, research papers, and periodicals. Meanwhile, a large section of the present study is analytical.

## OBJECTIVES

The present study began in 2017 to review Prime Minister Modi’s foreign policy initiatives in Nepal’s context. In the last four years alone, so much has changed between India and Nepal, and events continue to unfold further till date. Prime Minister Modi won the most significant political mandates in the recent history of Indian democracy in 2014. Soon after taking the prime minister’s oath in May 2014, India was looking forward to building ties with

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its immediate neighbours, especially Nepal and Pakistan. While Modi took a surprise trip to Pakistan in 2015, his two back-to-back visits to Nepal had infused enormous energy in the bilateral ties. However, within two years in office, India-Nepal relations reached an all-time low due to several factors. In this regard, the present study reviews seven decades of India-Nepal diplomatic ties and focuses on the issues that have caused discomfort in India-Nepal relations. Meanwhile, the present study has the following objectives: *a)* review the seventy years of India-Nepal relations; *b)* contextualise China factor in India-Nepal relations; *c)* examine Nepal's experiences with global politics during the globalisation; *d)* identify salient features of India's Nepal policy and vis-à-vis; *e)* analyse present status of India-Nepal relations and China's strategic interests in Nepal.

## INDIA-NEPAL RELATIONS: AN OVERVIEW

The signing of the historical Treaty of Peace and Friendship in 1950 was a benchmark start of a "special relationship" between India and Nepal. This special relationship is often termed as the relationship of "Roti and Beti" (shared ties of food and matrimonial), the common traditional and cultural ties which bring the two countries closer (Deo 2004; Muni 1992). The end of the Rana oligarchy in 1950 and reinstating of King Tribhuvan Narayan Shah of the Shah family in Nepal provided a new start to India-Nepal relations. The two countries agreed to chalk a cooperative mechanism to ease trade, transit, and security between the two countries. The 1950 treaty also changed the narrative of a landlocked Nepal as it could trade through Indian ports and roads for its third-country trade. India's initial political engagement was centred around the Royal Palace, but soon India began to interact with the political forces in Nepal who had long been demanding democracy in the partial or full sense. India's freedom struggle movement is also believed to

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have/had influenced the democratic movements in Nepal. Therefore, in no time, India was able to win the trust of the King as it helped the Shah family reclaim its power from Rana oligarchs and the political parties who looked for political and moral support from India (Upreti 2007). It was a great success for India that it could stroke a fine balance between the Royal Palace and the political parties by respecting King's quest for regime security and democratic aspirations of the political forces.

## STRATEGIC NEPAL

Meanwhile, it is the geographical location of Nepal that dominated India's Nepal Policy. Nepal was seen as a buffer between India and China and worked as a safety wall for any external aggression coming from the north via Nepal. These lines of security considerations for India towards Nepal were inherited from the British Rule in India, which had placed Nepal as the "buffer with China" (Pande 2011). For the same, the first Prime Minister of India Nehru considered impossible for India to tolerate any invasion of Nepal from anywhere; though there was no military alliance between the two countries. The annexation of Tibet by China in 1950-51 and its newly defined borders with Nepal served as an alarm to India (Suhrawardy 1996). Therefore, any possible invasion of Nepal, in his opinion, would inevitably involve the safety of India (Jain 1959; Upadhyaya 2012). Thus, India had affirmed its "willingness to help in response to Nepal's expressed needs and desires without damaging India's security interests and without dictating what was good for Nepal" (Shashtri 2003). Although Nehru's understanding of Nepal has time and again been debated through the prism of Nepal's sovereignty, it continues to guide India's strategic interests towards Nepal.

## NEPAL MEETS CHINA

With King Tribhuvan's demise in 1955, India witnessed a kinetic line in the Nepalese political landscape. It saw the rise of a royal nationalism aiming to change Nepal-India relations, especially moving away from Indian sphere of influence and diversifying its relations. The new King Mahendra entrusted upon a task to forge ties with China, and in doing so, he sent Prime Minister Tanka Prasad Acharya to China in 1956 to extend Nepal's friendship (Dai 1963). The Chinese Premier Zhou Enlai made a return trip to Nepal in 1957. As a result of discussions between two countries' leaders, Nepal signed a Treaty of Peace and Friendship and a Treaty of Border Settlement with China in 1960. By formalising relations with China, Nepal has indicated towards restructuring of its neighbourhood policy. Ties with Nepal was a decade long desire for Beijing to challenge India's sphere of influence in Nepal and closely watch the developments at the Nepal-Tibet border, which could pose challenges to its position in Tibet (Shakoor 1989; Ghori 1964; Suhrwardy 1996; Hong-Wei 1985).

## ZONE OF PEACE

India's Nepal Policy faced further unease after King Mahendra died in 1972. His successor, King Birendra, in a fresh attempt to move away from an overreliance on India, proposed to declare Nepal as a "Zone of Peace" (ZoP) in 1973 (Labh 2000). For many, the rationale behind this proposal was to protect Nepal's freedom and independence. Still, for New Delhi, the plan's unstated purposes to extricate Nepal from its security obligations towards India agreed in the 1950 treaty (Hong-Wei 1985). Meanwhile, despite being endorsed by more than eighty countries, including initial support from the United States, former the Soviet Union, China, and Japan, India disapproved as it had severe reservations concerning its mutual security and existing treaty framework with Nepal (Muni

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1984). By 1985, it had become clear to India that Nepal would continue to look away from New Delhi; meaning, Nepal will indirectly keep away from India's security obligations. Between 1988-1989, a number of agreements on trade, transit, and petroleum purchase from third countries through India had expired. While trade and transit between India and Nepal had been regulated under the Treaty of Trade and Transit, Nepal demanded to sign treaties on transit and trade separately. India reportedly denied the demand and the issue went on for more than a year.

### THE FIRST BORDER BLOCKADE

With the Transit and Trade Treaty expiration, it became difficult for Nepal to use Indian ports and receive petroleum products from India. Therefore, an irked Nepal approached China for supplying petroleum and essential commodities. China assisted Nepal with 500 truckloads of military supplies worth \$20 million through Lhasa-Kathmandu highway in June 1989 (Garver 1991). China had been willing to establish strategic ties with Nepal, and arms supply proved to be a critical step. Although Chinese supplies initially reached Nepal, it could not last long considering costly transportation and high-altitude road transportation from China to Nepal. In the meantime, fall of the Rajiv Gandhi Government in India and the re-emergence of democracy in Nepal in 1990, discussions between New Delhi and Kathmandu were resumed, and tensions were resolved naturally (Muni 1992: 964). But diplomatic events from 1985 to 1990, saw a steady rise of China in Nepal. Though India did not recognise the "China Factor" in its official communications, India chose to observe Nepal "cautious prudence" (Mehta 2009; Bajpai 2017).

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## INDIA AND MAOIST INSURGENCY IN NEPAL

In 1996, Nepal entered into a critical phase of the Maoist insurgency and political instability. Communist Party of Nepal-Maoist launched a violent armed insurgency against the Government of Nepal and the King (Upreti 2006). Nepal became more unstable after the Royal Massacre on 01 June 2001. The crown prince Dipendra allegedly opened gunfire and killed ten royal family members, including King Birendra and the Queen. Rising political instability, civil war, and death of King Birendra was an irreparable loss for India because King Birendra was a strong pillar of India's "Twin Pillar Policy" towards Nepal. Following the Royal Massacre, India redirected its prime focus from Palace to political parties and people by extending its support for democracy in Nepal. India had successfully acted as a dialogue facilitator between the Maoists, the King and the political parties.

## POLITICAL MAOISTS AND INDIA

With the collapse of the Monarchy in 2008, India engaged with the Maoists who were now part of the political process; although India had a tough time trusting the Maoists because of their ideological inclination towards Mao and China (Jacob, Layton 2009). Meanwhile, New Delhi continued to engage with the subsequent Governments and political parties, including Nepali Congress and the Communist Party of Nepal (Unified Marxist-Leninist). Between 2008-2017, frequent changes in the Government and leadership in Nepal made it difficult for India to develop a singular foreign policy framework towards Nepal. Top leadership in India, including Prime Ministers, avoided visiting Nepal. As a result, a vacuum had emerged between the two countries. The last Indian Prime Minister to visit Nepal was Inder Kumar Gujral in 1997 (Kasturi 2014; Hangen 2007; Pandey 2010).

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## GLOBALISATION AND GUJARAL DOCTRINE

In the 1990s, India was shifting its economic traits from a closed to an open. For instance, India brought economic reforms in 1991 under the then Finance Minister Manmohan Singh's leadership by allowing foreign direct investment and shifting trade relations from erstwhile the Soviet Union to the United States and China and other East Asian countries. Yet, India's policy towards Nepal was solely driven by the China factor (Garver 1991: 966). India's loss in its war with China in 1962 was still dominating India's security apparatus. Meanwhile, demographic changes in Nepal and King Birendra's push to diversify Nepal's diplomatic connect were complementing each other.

The rising trust deficit in Nepal and other neighbouring countries towards India became a worrying factor for India by 1997. While tensions with Pakistan were mounting and eventually led to India-Pakistan war in 1999, India attempted to build trust with other immediate neighbours to sustain its regional leadership. In this regard, in 1997, the then Prime Minister of India, Inder Kumar Gujaral came up with a neighbourhood doctrine called "Gujaral Doctrine". The doctrine was based on the "five points with the inherently simple premise of non-interference in the affairs of our neighbours and respect for their sovereignty" (Gujaral 1997). The doctrine explained that:

first, with its neighbours like Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka, India does not ask for reciprocity but gives and accommodates what it can in good faith and trust. Second, we believe that no South Asian country should allow its territory to be used against the interests of another country of the region. Third, that none should interfere in the internal affairs of another. Fourth, all South Asian countries must respect each other's territorial integrity and sovereignty. And finally, they should settle all their disputes through peaceful bilateral negotiations (Gujaral 1997).

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Since India was vibrantly engaging in economic growth and mainstreamed itself in the global economy, a stable neighbourhood was indeed in India's favour. India also understood that India could not treat its neighbours at par with other countries in Europe or the Americas regarding expectations and outcomes. Therefore, the element of non-reciprocity became the cardinal factor in driving India's Nepal policy in the 1990s; yet, India could not sustain this understanding. The later Governments hardly paid any heed to resolve its border differences with Nepal, including a border dispute in the Kalapani region due to security factors. Despite Nepal's repeated efforts, India could not give ample time in resolving it as Kalapani region formed a tri-junction between India, China and Nepal which was seemingly critical to India's concerns towards China. Therefore, the period of 1990s helped India to understand changing strategic environment in the neighbourhood but to a little success in changing its policies.

## INDIA'S CHINA CHALLENGE

In the parallel, China was concerned about its interests in Tibet. While it was too early for China to take Tibet for granted despite "One China Policy" had already been endorsed by most countries by 1990, it started to deepen ties with Nepal. The later shared border with Tibet and hosted thousands of the Tibetan refugees who had been fleeing China since the 1950s. Therefore, China took its risks to compete with Indian assistance and development works and "by late 1989 Chinese firms had signed 85 contracts worth US\$137 million for work in Nepal, five Chinese companies-maintained offices in Kathmandu, and more than 1,000 Chinese workers and experts were working in Nepal" (Garver 1991: 957). Chinese message was clear that it would like a controlled border with Nepal and any infiltration by Tibetans into Nepal was to be reported to China. However, bound by the UN conventions, Nepal failed to prosecute any Tibetan refugees living in Nepal, but a reciprocal

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gesture was made to improve trade and security relations with China.

Dawn of globalisation, the disintegration of the Soviet Union, and the rise of a “Unipolar World Order” were the second coming for China’s industrial development. State-owned industries opened gates for the private investors to boost the manufacturing and diversify production bases. In this order, the then President Deng Xiaoping made a national call for the industrial development of different regions in clusters. While eastern China was already developed due to long coastline, Deng Xiaoping paid several visits to Southern China, including Tibet to integrate them into the mainstream industrial process in 1992-93. It was also an effort to engage Tibetan youth in factories and administrative jobs to tackle any prospects of Tibetan uprising. Since Nepal was just next to Tibet, China strategised to enter into Nepalese market using land-roots via Tibet. Therefore, globalisation was a seamless opportunity for China to maintain its security cooperation with Nepal and add a development partnership.

Overall, Chinese interests in Nepal continued to be Tibet centric in Nepal. To ensure Nepal’s unconditional support to “One China Policy”, Chinese President Jiang Zemin paid a visit to Nepal in 1996. He expressed appreciation for Nepal’s long-standing support to “One China Policy” and thanked the King of Nepal (Upadhyaya 2012: 125). Noteworthy, China had condemned the Maoists who had led armed war against the Monarchy in 1996. Even though the Nepalese Maoists considered Chinese leader Mao Zedong’s “peasant revolution from the bottom” as the sole ideological inspiration in waging war against the Monarchy, China had condemned them for distorting ideological representation in the name of “Chairman Mao”. It was no surprise that China disregarded the Maoist revolution in Nepal as King had been a reliable ally for China. Changing the course of ties would have cost China hugely.



## GLOBALISATION AND NEPAL'S FOREIGN POLICY

Globalisation has been an extraordinary phenomenon. Although it continues to be a contentious subject where scholars have debated the positive and negative implications, some have even argued the downfall of the sovereign nation-states and demise of political borders (McGrew 2010). The worldwide economic integration in the last three decades has intensified to a level that countries worldwide have understood the importance of global interdependence in terms of the economy, security and development. In the process of globalisation, the advent of the international liberal institutions, Global South witnessed an impeccable rise and identity in the world politics defined by resources, connectivity, trade, and peace. However, for countries like Nepal, global connectivity had a natural hindrance in its geographical location between the two countries.

With no access to the sea and a pressed assurance by its two neighbours for no aggression and promises to fulfil its trade and security needs, it failed to connect with the global community. Hence, globalisation arrived slowly in Nepal. While one may argue that the natural barriers such as geography obstructed Nepal's external exposure or it did not wish to go beyond its reliance on India, attempts were made by the Governments in Nepal to expand its outreach. For instance, even though India's security umbrella and concerns kept Nepal under its influence and saw its relations with China as a threat, King Mahindra invited China to sign a formal agreement to India's unhappiness in the 1960s.

In the follow-up, the 1970s further defined Nepal's global aspirations. While democracies worldwide were advocating democratic peace theory, Nepal came up with a "Zone of Peace" on the more practical ground to assert its sovereignty and independence. On both these occasions, it became clearer that landlocked-ness was merely a land-connectivity based trade and transit impediment for Nepal. The country had made itself clear that its foreign policy

priorities were based on peace, development and international integration. To count a few, Nepal's foreign policy objectives in 1990s were the following: *a*) to be identified as a sovereign and independent country, not just a neighbour of India; *b*) integration in world politics through the United Nations to promote global peace, security and development; *c*) establish relations with third countries for the socio-economic development of the country; *d*) asserting its support to non-alignment movement to balance ties with either of the blocks and its two neighbours; *e*) defining its regional aspirations in playing an important role in regional peace.

With these foreign policy objectives, Nepal signed several international conventions to allow international agencies to monitor development, hunger and poverty, economy and human rights in Nepal. It equally volunteered to utilise its human resources for the cause of global peace. Nepal had actively begun to send the Nepal Army for the United Nations Peace Keeping Missions (UNPKM) in Sinai, Lebanon, Tajikistan from the 1980s (UN 2008). These missions eventually became a source of employment, and Nepal managed to get recognition from the Global Community. Although the infamous Gurkha soldiers from Nepal had already been serving in the foreign armies, including Britain and then in India, UNPKM came with substantial global recognition and opportunities. By mid-1990s, Nepal's labour migration changed its course from India to Central Asia, Gulf and African countries (Shrestha 2017). The move was promoted and supported by the Government as outward migration had already proved its potential in Gurkha recruitment as a vital source of remittances to the national economy.

Labour migration from Nepal helped the country to look away from India in seeking employment. While an open border and no-visa/passport regime with India had helped Nepalese seek employment in India, low wages could not resolve the economic purpose of these migrants. By 1990s, the private employment agencies had begun to mushroom, and banks were readily lending loans to the jobseekers. Therefore, Nepal had well prepared itself to expand its diplomatic limits, and a reset in the economy was observed under

the horizons of globalisation. Nepal had predominantly stood as an agrarian economy in the past, and now, labour migration was picking up as the second largest contributor (Shrestha 2017). However, challenges before Nepal in developing its economy and reducing its dependence on India contributed in political instability and widening disparities between communities in the country. Since Nepal had been a monarchy for centuries, the call for democracy in 1990 had become acute, giving firm hopes to marginalised communities. The Maoist revolution shifted the national expenditure allocations from social welfare to security expenditure. In 1998 alone, Nepal's military spending had touched 4.2 per cent of the GDP compared to 3 per cent in India and 2.3 per cent in Pakistan. Therefore, political upheaval and economic slowdown failed to focus on industrial development. However, outward migration had continued due to ongoing insurgency in the country, which helped the economy from crashing completely. Therefore, globalisation became an important phase in defining Nepal's foreign policy needs and a tool to execute plans accordingly in sectors like trade, investment, and labour migration.

## SMALL STATE THEORY

India's Nepal Policy has largely been based on its realist choices. As S.D. Muni puts it, "seeking a friendly regime in the neighbourhood is recognised norm in the realist world of international relations" (Muni 2021), and India has been both, in search for a friendly regime as well as used its hard calculations to pursue its strategic goals. Nepal has played a critical role in protecting India's interests in the Himalayas, especially in keeping a close eye on China. India projected its prowess in Nepal through socio-cultural and political ties. It served as a dominant trade and economic partner which invariably created an overreliance for a landlocked country. Meanwhile, the small state theory provides strong elements in

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portraying India-Nepal relations with China as a factor because Nepal has been able to change relations rather than being at the receiving end. Therefore, the present study dwells upon the small-state theory to analyse India's Nepal policy.

The definition of a small state in the International Relations (IR) domain is diverse and contested compared to geography and anthropological studies on small states. Under the IR framework, theorists have defined the small state as an amalgamation of size, population, pursuance power, survival, self-assertion and self-security. While leading theorists have a contested instead unified agreement on defining small states, self-security is a common element among all. For instance, Robert L. Rothstein (1968) believes that small states lack resources in ensuring their security on their own (Rothstein 1968). The limited or no sources of power assertion of small states to secure its population and external borders leads to the rise of a weaker state continually seeking to align or remain neutral. Robert Keohane (1969) draws the definition of small states parallel to Rothstein. Keohane states that the smaller states have a limited mode of delivery to impact the international arena and continue to struggle in doing so (Keohane 1969). In defining the small state, realists have so far caricatured a pragmatic phenomenon where survival of the state is seen as the core national interest. In such circumstances, smaller states choose to either "bandwagon" with superior power or decide to stay neutral (Morgenthau 1939; Waltz 1985).

In the case of Nepal, it stands as a geographically small as well as a landlocked nation. Its landlocked nature limits its options of band-wagoning with either of its neighbours precisely because both, India and China are powerful nations in every sense and playing one against the other would lead to a long-term imbalance. Therefore, over the decades, Nepal has chosen to stay neutral in definition to balance the relationship with both its neighbours. During the testing times of 1962 India-China Border War in the Himalayas, Nepal managed to remain neutral through its non-alignment and neutrality. In 1956, Nepal was among the very few

countries to hop on the Non-Alignment Movement, which soon became a world movement against the colonial powers and stood against any powerful domination. Since Nepal was never under a direct colonial rule, by joining the Non-Alignment Movement, its message to remain neutral on Sino-India conflict was clearly led by its immediate national needs.

Leo E. Rose, Roger Dial (1969) in one of their seminal works, *Can a ministate find true happiness in a world dominated by protagonist power? The Nepal Case*, theorize small state in all practical sense along with the reasoning that Nepal being a ministate, “has succeeded in developing an impressive repertory of responses to the intrusion of unwelcome, and often threatening, external influences: balancing external influences and tacking back and forth between its two neighbours – India and China” (Rose, Dial 1969). They argue that a small state’s first objective is to set sovereignty and integrity as the cardinal goal. In doing so, states tend to change the directions if one or more power has dominated the country’s economic, strategic, and political space. A landlocked Nepal with India centric foreign policy was highly dependent on India, which in the times of bilateral feuds has led to a national emergency as was the case during 2015 economic blockade at the India-Nepal border. Therefore, change in the direction and strategy is pre-requisite in achieving a small state’s national objectives. While survival and balance of power outsmart any theory in the IR domain, the small state theory is no different as it changes directions to fulfil its national interests. Meanwhile, in theorising the small state, Leo E. Rose, Roger Dial (1969), caricature the figure represented in figure 1.

Figure 1 explains that a small state’s central goal is to protect its sovereignty and independence. To achieve this goal, they change the direction of their foreign policy from time to time as per the needs. They also keep their strategic posture as non-aligned state and remain neutral in definition to strike a balance between or among its neighbours. For instance, between 1955-56, the Non-Alignment movement became a strategic policy for Nepal. Although the movement had anti-colonial connotation, it soon became



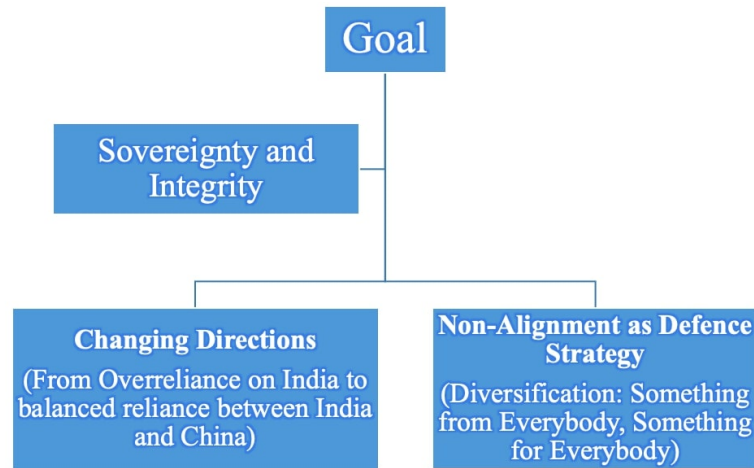


Fig. 1. *Small State Theory*.

a strategy for small countries like Nepal to assert against bigger neighbours' influence on domestic and foreign affairs. Rose, Dial (1969) write:

the new slogan of non-alignment which was introduced in 1956, “equal friendship for all”, was soon translated to mean equal friendship with India and China. This led, eventually, to a declaration of non-alignment in Sino-Indian disputes—that is, the neutralisation of Nepal in Himalayan-area politics. Some efforts were expended to provide substance to this new version of non-alignment, both in psychological and in policy terms. During the first few years after the 1960 royal coup. For instance, King Mahendra usually included both pro-Indian and pro-Chinese ministers in his Government, assuming for himself a position somewhere in-between. The public position of the ministers may have had little to do with their true sentiments on foreign policy issues (indeed, one of them served, at different times, on both sides in the cabinet), but their function

was vital to the King's manipulation of circumstances to advance his interpretation of non-alignment (Rose, Dial 1969).

Nepal's non-alignment intent was an opportunity to diversify its relations with other countries without making an open assertion to India's discomfort. From 1955-1975, Nepal established diplomatic ties with more than fifty countries, including China. King Birendra's advocacy in getting Nepal recognised as a "Zone of Peace" in the 1970s was among rare occasions where Nepal attempted to assert as an independent country amidst the regional chaos due to border tensions between India and China. Since ZoP did not suit India's strategic endeavours in Nepal including security obligations agreed upon through the Treaty of Peace and Friendship in 1950, India declined to endorse it. However, the Zone of Peace helped in sending a symbolic message to India regarding Nepal's intent to remain non-aligned and protect its self-interests in the regional.

As Cziomer puts it, "foreign policy is a process of formulating and implementing national-state self-interests in its interaction with other State and stakeholders in the international system" (Cziomer, Zyblikiewicz 2000). Non-alignment was also presented as a defence policy for Nepal amidst its threat perceptions looming from India's successful intervention in defeating Pakistan in the 1971 Pakistan-Bangladesh War and merger of the Kingdom of Sikkim into the Union of India in 1975. Meanwhile, Nepal's non-alignment has remained in question from the day it formally joined. For instance, Nepal has officially joined China-led Belt and Road Initiative in 2017 followed by a strategic partnership in 2019; at the same time, Nepal is yet to decide on joining the US, Japan, Australia and India led Quad group and its Indo-Pacific Strategy which aims to counter Chinese global influence. The present Prime Minister of Nepal KP Sharma Oli has time and again defended Chinese presence in Nepal (P. Sharma 2021). China's debt trap strategies have been refuted by Prime Minister Oli on record where he has reservations on Indo-Pacific Strategy (Baral 2020). Therefore, the element of neutrality is conditional or may not exist at all. During the 2020 political crisis

in Nepal where Nepalese President Bidya Devi Bhandari dissolved the Parliament at the recommendation of the Prime Minister and his Council of Ministers mid-way, the Chinese envoy had held meetings with the President, Prime Minister and members of the ruling Nepal Communist Party (NCP) to facilitate talks for the resumption of the Parliament or political unity within NCP (Aljazeera 2020).

While Oli has been critical of India's envoy diplomacy in the past, welcoming Beijing's high-handedness does not indicate neutrality. Soon after World War Two, Bruce Hopper, in a study on Sweden as a small state, wrote:

after two world-scale wars in one generation the possibility that neutrality can again be made the permanent basis of foreign policy of a Great Power seems to be precluded. Some go further and predict the end of small states, thus of all neutrality. In this view, small states are destined to become appanages of their most immediate Great Power neighbours, enjoying, perhaps, a cultural autonomy but without effective control of their foreign affairs or their own defence. This assumption of the "withering away" of small states, suggesting at least the partial obliteration of the identities of peoples with long traditions of freedom and independence, plus the discard of the institution of neutrality which once served as a refuge for small nations (Hopper 1945).

Therefore, neutrality has barely been the choice for the small states. The tacit alliance with immediate neighbours, especially with the powerful ones, is seen across the small states' choices. Meanwhile, certain states like Bangladesh have defied the need for an alliance despite being small in size. For instance, since its independence in 1971 from Pakistan, Bangladesh has emerged as a strong economy at a GDP growth rate of 8 per cent, far more significant than next-door India. The country is making the best use of its human resources in developing industries like readymade garments and ship manufacturing (Rooney 2019). Bangladesh's war of Independence against Pakistan was won with India's help; yet, it has

come out of making benevolent gestures and surrender its autonomy, utilising its potential as a coastal economy. Therefore, the non-alignment factor and its neutral values are inevitably conditional and strategic.

### NEW CONTOURS OF INDIA'S NEPAL POLICY: "NEIGHBOURHOOD FIRST"

During 16<sup>th</sup> general elections in May 2014, Bhartiya Janta Party (BJP) in its election manifesto had touched upon few very critical aspects of India's foreign policy, especially on the neighbourhood front. BJP promised to renew India's relations with its immediate neighbours, including Nepal and strengthen South Asian Association for Regional Cooperation (SAARC) for a peaceful and prosperous neighbourhood (BJP 2014). Keeping with the manifesto, Narendra Modi invited all the heads of the South Asian countries at the opening ceremony of his Government after BJP made a resounding victory in elections. It was a well-articulated step by the newly elected Government in maintaining cordial relations with the neighbours. Soon after paying his first state visit to Bhutan, Prime Minister Modi paid a two-day state visit to Nepal in August 2014 along with a high-level delegation. It was after a gap of 17 years that an Indian Prime Minister visited Nepal. The visit demonstrated an opportunity for PM Modi to fill the vacuum left behind by his predecessors by engaging extensively, intensely and comprehensively (Sahu 2015). Right before the Prime Minister's visit, a meeting of the India-Nepal Joint Commission (JC) took place after a gap of 23 years on 25-26 July 2014 in Kathmandu.

On his visit, the PM Modi congratulated Nepal on its tryst with the democracy and hailed the country for choosing the path of "ballot" instead "bullets". Speaking at the CA, he thanked the people of Nepal, serving in the Indian Army for their sacrifices in protecting Indian borders safe. Prime Minister emphasised to connect the

two countries through “HIT” – an acronym for Highways, Information Ways and Transmission Ways. He also announced an additional concession line of credit of USD 1 billion in Nepal for hydropower and infrastructural development in Nepal (MEA 2014). Three months later, Prime Minister Modi took another visit to Kathmandu to attend the 18<sup>th</sup> Summit of the SAARC where he highlighted on five pillars of India’s vision in the region namely “trade, investment, assistance, cooperation in every area, contacts between our people – and, all through seamless connectivity” (Modi 2014).

During his two visits, Prime Minister Modi asserted a mix of “caution” and “cooperation” with Nepal. By offering its expertise to help write a new inclusive and consensus-based constitution in Nepal, Modi underlined the importance of a Constitution. Simultaneously, “cautioned” that any political instability in Nepal will directly impact India, considering a long open border between the two countries. Also, to calm the traditional antagonistic Indian critics in the valley, Modi made categorically clear that “Nepal is a sovereign nation and India limits its role to a well-wisher and development partner of Nepal” (MEA 2014).

## NEIGHBOURLY ACT

In April 2015, Nepal was hit by an earthquake of 8.5 magnitudes. With no preparation at hand and non-existing emergency response teams to provide immediate help to affected areas, Nepal initiated a call for help from the international community. As the next-door neighbour, India sent its National Disaster Response Force (NDRF) teams, special aircraft with rescue and relief materials to Nepal within six hours of the earthquake. 16 NDRF teams, 39 Indian Air Force aircraft sorties with 571 tonnes of relief material, including rescue equipment, medical supplies, food, water, tents, blankets and other utility products. Medical teams from India were deployed in various parts of the affected areas in

Nepal (MEA 2015a). The total Indian relief assistance to Nepal amounted to approximately US\$ 67 million (MEA 2015). India also played a constructive role in assisting Nepal in the post-earthquake phase by building private houses and public buildings- schools, hospitals, and roads, in the most affected Gorkha and Nuwakot districts. On the financial front, India is estimated to have provided a total of 4.5 billion Nepalese Rupees for the construction of 50,000 houses in Nepal (ReliefWeb 2019). India in partnership with the United Nations Development Programme (UNDP) and United Nations Office for Project Services (UNOPS) reached door to door in Nepal to provide social and technical help to the affected householders (ReliefWeb 2019). India was lauded for its quick damage control during an earthquake (DNA 2015; MoFA 2016).

#### ECONOMIC BLOCKADE OF 2015

After a prolonged delay of seven years, the Government and the political parties agreed on promulgating a new constitution in 2015. Since the establishment of the first Constitutional Assembly in 2008, no government had been successful in forging a consensus on a new constitution. Debates over the demarcation of new federal boundaries, citizenship laws, the political representation of the minority groups, women's rights, etc. had kept the Parliament on a permanent deadlock. As a result, short-lived Governments could not carry-out a single vision in developing a constitution. The constitutional process was looked upon by the people of Nepal, and the international community had been continuously observing the process due to their border and business security in Nepal. For instance, an open border between India and Nepal has been a gateway to potential threats like smuggling, human trafficking, terrorism and extremism to both the countries. Countries like India, Australia, Sweden, the US and China had sought a stable Nepal. With a constitution in Nepal, political stability was presumably achieved.

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ble in Nepal. Therefore, under the mounting domestic and international pressure, the Nepali Congress-led government successfully promulgated a democratic republican constitution in 2015. The move was welcomed by the United Nations, European Union and respective countries, including China (MoFA 2019a, ET 2015; UN News 2015). However, there were no welcoming words from New Delhi and its official statement merely “note(d) the promulgation in Nepal of a Constitution” (MEA 2015). India’s unwelcoming statement was a mix of cultural and security considerations in Nepal.

## MADHESH CONNECTION

Notably, the plains of Madhesh region witnessed protests against the GoN for wrongly demarcating the federal lines of the newly formed states. Madhesi alleged that a majoritarian government led by the hill people had intentionally marginalised them to weaken their representation in the Federal Parliament. Historically, Madhesi have complained against the Pahadis (people from the hills) for dominating the Government despite them constituting 35 per cent of the total population of Nepal (Nayak 2011). In past seventy years of a modern Nepal, Madhesi ethnic groups have seen large-scale discrimination in the political and bureaucratic space due to their origin who trace roots in neighbouring India. Anthropological studies reveal that the caste/ethnic groups belonging to the Madhesh region migrated from India to Nepal in the 16<sup>th</sup> and 17<sup>th</sup> century. The bordering Indian states of Bihar and Uttar Pradesh share marital ties with the Madhesi. Other than matrimonial relations, food habits, languages, festivals, cultural practices and religious practices in Madhesh are an impression of the socio-cultural practices in India’s Bihar and Uttar Pradesh. The Tharu community, one of the largest ethnic community in the Madhesh region, has been one of the largest contributors to the Nepalese economy

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through agriculture. However, Tharus are the victims of the inhumane slave systems like *Kamaiya* and *Kamlari*<sup>1</sup> where they were forced to work in the rich landlords' fields. In the 1950s, Tharus were further forced to move from their lands in the Terai (plains) region and work in their own lands as slaves as the new hill settlers were politically influential (Sarita 2020).

With their roots in India, the later has always been vocal towards their rights and voiced against the state-sponsored exploitations. In response, the dominant ruling hill class has been opposed to India's advocacy of Madhesis demand of right to self-determination by citing it as an internal affair of Nepal. During the promulgation of the new constitution, Madhesis demanded the GoN to pay heed to their concern concerning citizenship, federal boundaries, and representation. Within weeks, the protests in Madhesh became a movement yet GoN ignored it. In this light, India extended moral support to their demands and offered to mediate with the GoN. With repeated ignorance from the GoN, India expressed its unhappiness over the new constitution.

For its security part, India was worried that violent movement in the plains in Nepal might witness its spill-over effects on bordering states of Uttar Pradesh and Bihar in India. Foreign Secretary S. Jaishankar was sent as a special envoy of the PM Modi on 18 September 2015, to Nepal. It was just two days before the promulgation of the Constitution on 20 September 2015. The last-minute attempt for delaying the enactment of the constitution did not go well with the people and the GoN and India's move resulted in a complete failure for, and it literally backfired (Muni 2015). The move was criticised because New Delhi publicly expressed its displeasure with Nepal's sovereign act of Constitution promulgation (Jacob 2016). Considering India's envoy culture to Nepal, it was not for the first time that India had sent an envoy to convey a subtle message. In April 2006, Karan Singh went as a "special envoy" of the then Prime Minister Manmohan Singh to convince the King to agree to the people's demand for democracy amidst a civil war in Nepal. The King had given an audience to the envoy and agreed for



the talks with the Maoists. While 2006 was a different phase altogether, India's advice in 2015 turned into wrong advice (Pradhan 2015). India's flawed diplomatic step caused enormous loss of goodwill to New Delhi in Nepal.

Post-constitution promulgation on 20 September 2015, India-Nepal border saw violent movement by the Madhesis which eventually turned into a blockade at the *Raxaul-Birganj* transit point. It affected the free movement of the people across the border and thousands of the trucks with essential supplies were stuck at the India-Nepal border. As a result, Nepal suffered an acute shortage of petroleum, medicines and grocery products from India. Nepal alleged that it was India's reaction to its refusal to delay the promulgation and accommodate demands of the Madhesis in of the new Constitution (S. Sharma 2019). While India refused such allegations, the economic blockade kept India at the centre of Nepal's criticism, which eventually turned into Nepali nationalism to lead anti-India campaigns.

## INDIA'S POLICY FAILURE IN NEPAL

India's relations with Nepal reached a new low after UML and the Maoists formed Government in alliance in October 2015. The new Government was led by UML Chairman KP Sharma Oli who had been a staunch critic of India due to blockade. Meanwhile, KP Oli paid an official state visit to India in February 2016. The visit took place in the backdrop of the strained bilateral ties over the border blockade. The six-day long visit was supposed to resolve the existing tensions, but New Delhi's unhappiness with KP Oli was wide in the open for his India bashing (Tribune 2015). At the end of the visit, New Delhi reportedly refused to issue a Joint Communique (ToI 2016). One of the rarest occasions that India had resented diplomatically to convey its unhappiness while the guest delegation was in Delhi for talks. It was only in 1990 when India had refused to issue a joint statement amidst Nepal's arms purchase

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from China (ToI 2016; Mukherjee 2016). In response to the cold receptions given to KP Oli in New Delhi, Nepal suspended the first state visit of the newly elected President of Nepal Bidhya Bhandari who was scheduled to visit India in May 2016 (TKP 2016). In the follow-up, Oli also recalled Nepali Ambassador Deep Kumar Upadhyay for conspiring against him and topple his Government under India's influence (Lal 2016). These frantic actions of the Oli led Government kept New Delhi at annoyance.

Few months in Government the political tussle between UML Chief KP Oli and Maoist Chief Pushpa Kamal Dahal alias "Prachanda" led to the collapse of the Oli Government in July 2016. Prachanda formed a new government in partnership with the Nepali Congress Party under his leadership. Despite his pro-China stance in the past, Prachanda made a fresh sojourn towards New Delhi to ease out the tensions. He reinstated Deep Upadhyay as the Nepalese Ambassador to India and paid his maiden state visit to India in September 2016 (Hindu 2016). During the visit, a wide range of agreements were signed including India's economic assistance of USD 1 billion for post-earthquake reconstruction, Lines of Credit (LoC) of USD 100 million and 250 million for the development of roads and power infrastructure in Nepal, allocation of 200 million for irrigation projects, and 330 million for the development of highways and Mahakali bridge from the LoC of 550 million in Nepal (MEA 2016a). Further, a reciprocal visit by President Pranab Mukherjee was aimed at minimising the trust-deficit with Nepal. The diplomatic exchanges had led to the convening of the fourth round of the Joint Commission in October 2016. These events indicated a political comfort between the leaders of two countries (MEA 2016b).

## INDIA LOSES PLOT TO CHINA

Soon after his Delhi visit, KP Oli went for a state visit to China in March 2016. Oli was accompanied by a large delegation of 100-

plus members from business, media, scientists, academic community. Oli signed several agreements including “agreement on Transit Transport between China and Nepal, agreement on Economic and Technical Cooperation between China and Nepal to implement Pokhara Regional International Airport Project, and agreement on the Joint Feasibility Study of China-Nepal Free Trade Agreement” (NT 2016). Among all ten agreements signed, the agreement on transit transport between China and Nepal was critical to Nepal’s third-country trade. As a landlocked country, almost 9 per cent of Nepal’s third country import-export transit through India and in situations like border blockade. An agreement with China will allow Nepal to redirect its trade and transit routes through China and reduce reliance on India. It was reflected from the reports in the Chinese media which was quick to add that, “historic agreements including a trade and transit agreement that, at least in principle, ends India’s monopoly over Nepal’s supply system” (CGTN 2018). With Oli’s visit, China tried to cash upon the existing vacuum between Nepal and India, which was very well welcomed by Nepal under current circumstances.

## NEPAL-CHINA NEW SECURITY AND STRATEGIC COOPERATION

Besides improving ties with India, Nepal materialised relations with China amidst popular public pressure in the aftermath of the blockade at the India-Nepal border. Besides improving political and economic relations, Nepal forged new security and strategic relations with China. It was for the first time that Nepal openly formalised defence ties with China. In the past, any security alliance with China was seen in the context of India. In the 1990s, Nepal had witnessed unofficial trade and transit blockades by India amidst its arms purchase from China. India has time and again reminded Nepal to abide by the 1950 Treaty of Peace and Friendship to pressurise any potential cooperation with China. However, post-

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2015, Nepal took to opportunity, and the Nepal Army and People's Liberation Army (PLA) of China held a first-ever Joint Military Exercise (JME)- Sagarmatha Friendship-1 in Nepal in April 2017. The JME was first of its kind since the establishment of Nepal-China relations in 1955. The exercise was aimed to train the Nepal Army in counter-terrorism (CT) tactics as PLA carried out CT operations in Tibet and Xinxiang province. Although Nepal Army conducts JME with Indian Army every year, an exercise of such nature with China was surprising to India. The then Defence Minister Bal Krishna Khand in an interview to the author, added that:

after reading reports in media about India's concerns on the JME with China, as a defence minister, I had informally conveyed to New Delhi about the exercise. While no comments were made from New Delhi, I took the initiative to reduce the number of personals involved in the exercise to ease out India's apprehensions<sup>2</sup>.

Meanwhile, Nepali Congress had reservations on conducting the JME with PLA. Still, it was Maoist Chief and Prime Minister Prachanda who insisted on conducting the JME, and as a coalition partner, Nepali Congress had to agree.

In a second policy shift, Nepal officially signed China's most ambitious One Belt and One Road Initiative (OBOR) [now Belt and Road Initiative (BRI)] on 12 May 2017 (TKP 2017). It was another major policy shift toward China in recent years. While India had declined to join OBOR as the China-Pakistan Economic Corridor (CPEC) passed through the disputed land between India and Pakistan and it violated India's "core concerns on sovereignty and territorial integrity", Nepal joined it (MEA 2017a). Soon after signing BRI, Nepal and China agreed on a Trans-Himalayan railway project to connect Kathmandu with Tibet to facilitate trade and people to people ties. The agreed railway route is "one of the world's most difficult railways to engineer" (Weijia 2019) with an estimated cost of USD 2.6 billion (efe-epa 2019). Railway connectivity is one part of the broader BRI agreement between the two

countries. Cooperation under the BRI framework “encompasses vital components as ports, roads, aviation and communications within the overarching framework of trans-Himalayan Multi-Dimensional Connectivity Network” (MoFA 2019). Nepal is aiming to benefit from the aimed railway connectivity with China.

## INDIA'S NEIGHBOURHOOD 2.0: OLD WINE IN NEW BOTTLE

With Modi's second victory in 2019 general elections, the Government emphasises neighbourhood first policy to forge strong ties with its immediate neighbours. At the same time, India carries the baggage of the strained relations with Nepal. During the first term, first three years BJP administration were spent on rebuilding lost ground in Nepal under the neighbourhood first policy. India had reactivated Nepal-India Joint Commission at the Foreign Ministers level in 2014 (MEA 2014). It also initiated the formation of an Eminent Persons Group on Nepal-India Relations (EPG-NIR) “to suggest measures to expand further and consolidate the close and multifaceted relations between the two countries” (MEA 2014). But despite all its efforts, the last two years saw a sluggish follow-up of New Delhi's initiatives. For instance, after two-year-long consultations with their Nepalese counterparts, EPG had submitted its final report in 2018 to the Prime Minister's Office, but it continues to be under wraps. India has also not paid attention to Nepal's repeated requests to exchange 33.6 million Indian currency in the denominations of five hundred and one thousand after it had demonetised them on 08 November 2016 (ET 2020; Adhikari 2016). Although Indian currency is not a legal tender in Nepal, it is widely used by locals and Indian tourists visiting Nepal. In 2017, the Indian Finance Minister had assured Nepal for a speedy exchange of the notes, but they remain in the lurch (Business Standard 2017). Other than the cited challenges, border dispute and China have emerged as cardinal challenges to India's Nepal Policy.

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## BORDER DISPUTE

India and Nepal have a long open border of 1850 km. With border facilitating movement of people, cultures, and trade, it has become a source of the recent conflict between India and Nepal, especially in Nepal's Western side of India's border. The conflict began with the release of a new political map by India on 02 November 2019, to show the internal boundaries of two newly created Union Territories in India, namely Jammu and Kashmir (J&K) and the State of Ladakh. The map was released after the Indian Parliament had abrogated Article 370 in its Constitution, which provided special privileges to the erstwhile State of J&K (Gupta 2019). Within a few hours of the new map release, social media went a buzz accusing India of wrongly depicting Kalapani as its territory in the new map. The social media trend was converted into an official objection from Nepal's Ministry of Foreign Affairs (MoFA). In a statement, MoFA added that "the Government has learnt from the reports in Media regarding the publication of a new political map by India. Nepal further reiterated that Kalapani is a Nepalese territory and any unilateral move in this regard by India is unacceptable to Nepal" (MoFA 2019c). In response to the objections, India said that "our map accurately depicts the sovereign territory of India" and it emphasised on finding "a solution through dialogue in the spirit of our closer friendly bilateral relations" (MEA 2019). Before India and Nepal could hold talks, Nepal objected to an 80 km newly constructed road from Dharchula to Lipulekh in the Indian State of Uttarakhand on 08 May 2020. The road is located in the disputed Kalapani region.

India once again refuted Nepal's objections and added that the road had been constructed on the Indian land to facilitate Hindu pilgrim to Kailash Mansarovar located in Tibet (MEA 2020). With the new road in place, India's pilgrims can avoid time taking routes through Nepal or Sikkim in India. However, events in May took a different course than in November 2019. Nepal requested India to hold Foreign Secretary Level talks immediately, but India said the

meeting was not possible due to COVID-19 crisis (MEA 2020). Disappointed with India's response, the GoN went ahead to update Nepal's political map to show Kalapani, Dharchula and Lipulekh as Nepali territories. India has protested against the new map stating that "artificial enlargement of claims is not based on historical fact or evidence and is not tenable. It is also violative of our current understanding to hold talks on outstanding boundary issues" (MEA 2020a). Now, the issue has created a diplomatic tussle between the two countries. Meanwhile, the genesis of the border dispute lies in interpreting the 1816 Treaty of Sugauli between the British Government of India and the King of Nepal. As per the treaty, it was agreed that:

king of Nepal renounces for himself and his heirs, and successors all claim to our connection with the boundaries lying to the west of the river Kali and engages never to have any concern with those countries or inhabitants thereof (Manandhar, Koirala 2001).

The treaty was reaffirmed in 1823 by the two parties (Manandhar, Koirala 2001). For centuries the Kali river has been the formal demarcation of the boundary. However, the dispute arises in defining the mainstream of the Kali river and its origin. India maintains that Kali river originates from Lipulekh and while Nepal claims it is Limpiyadhura. The land falling between these two streams is Kalapani, and therefore, the entire region is disputed by Nepal. Noteworthy, Nepal has been demanding India to resolve the Kalapani issue for more than two decades now. It had raised the case in 1998 and 2001 with the then prime minister of India Inder Kumar Gujaral and Atal Bihari Vajpayee. As a result, a formal Joint Technical Committee (JTC) was established to resolve the border between India and Nepal. In 2009, JTC reported that:

strip maps covering about ninety-six per cent of the India-Nepal boundary have been jointly finalised by the Joint Technical Committee (JTC) on Boundary Matters and initialled. There are, however, differences of perception in some areas on the alignment of the boundary between

India and Nepal. Differences exist in areas such as Narsahi -Susta in Bihar and Kalapani in Uttarakhand (MEA 2009a).

The process was expedited after Prime Minister Modi visited Nepal in 2014. A Boundary Working Group (BWG) was appointed to look into the border matters, and the inputs from JTC and EPG (Basu 2020). Although the mechanism has been in place, Nepal's western boundary with India in certain areas remains disputed till date (MEA 2009a; MEA 2009; MEA 2000a; MEA 2000). Nevertheless, it is for the first time that Nepal has opted an assertive stance against India. In doing so, the GoN has criticised India for its non-responsive approach towards border dispute. Prime Minister KP Sharma in his address to the Nepalese Parliament took upon India saying "whether India subscribed to the 'Satyamev Jayate' (truth alone prevails) declaration in its emblem" (Telegraph 2020). With no end to anti-India voices in Nepal, the Kalapani has become the new low in India-Nepal relations. India needs to blame itself for not initiating timely talks to resolve border disputes at the earliest. Amidst rising use of Information Communication Technology mechanisms in diplomacy, especially in the era of social distancing due to COVID-19, India could have virtually held a meeting at the Foreign Minister level to reach-out to Nepal. It could at least lease out more time to New Delhi. In the meantime, a new map of Nepal may not change India's presence in the Kalapani region, but it is a strong symbolic message from Nepal to India.

## CHINESE PRUDENCE

Chinese President Xi Jinping paid a two-day visit to Nepal on 12-13 April 2019, which indicated renewed interest-based bilateral ties between Nepal and China. It was a much-anticipated trip since joining the BRI by Nepal in 2017. It was after 23 years that a Chinese President paid a visit to neighbouring Nepal. Jiang Zemin was the last president to arrive in Kathmandu in 1996. The visit took

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place in the backdrop of Nepal's soured ties with India. During the visit, a total of eighteen agreements and two Memorandum of Understanding were signed including agreements on establishing additional missions in the sister cities, investment cooperation, Chinese assistance in infrastructure development in Nepal, exchange of cooperation on governance capacity-building, early completion of feasibility study on Trans-Himalayan railway between from Tibet to Nepalese capital city Kathmandu (MoFA 2019b). Among these, three agreements- Agreement on Boundary Management System, Exchange of Letter for Border Security Equipment and Office Equipment, and the Treaty on Mutual Legal Assistance in Criminal Matters (TMLACM), directly elevated from "Comprehensive Partnership of Cooperation Featuring Ever-lasting Friendship to Strategic Partnership of Cooperation Featuring Ever-lasting Friendship for Development and Prosperity" (MoFA 2019).

A treaty of such nature as Mutual Legal Assistance in Criminal Matters was the most awaited agreement for China with Nepal. China hoped that the GoN would sign an Extradition Treaty during President Xi's visit (MoFA 2019). However, due to internal opposition within NCP and from the Nepali Congress, it was replaced by TMLACM (Swarajya 2019). Now, under the TMLACM framework, Nepal will be obliged to handover people escaping from China illegally, which will primarily affect Tibetans. Noteworthy, since 1959, thousands of the Tibetans have fled into Nepal as refugees. Some of them stayed back in Nepal as refugees and others went to India with the help of United Nations High Commissioner for Refugees (UNHCR), where a Tibetan Government is logged in exile since 1959. In 1989, the GoN officially stopped receiving fresh entries, but due to pressure from UNHCR, Nepal had relaxed the ban (Acharya 2018). It signed a tacit "Gentlemen's Agreement" with UNHCR to protect the Tibetan refugees' right, including "prohibition against forced returns" and provide a safe passage to enter India (HRW 2014). The Tibet uprising of 2008 had seen brutal suppression of Nepal's Tibetans under the Maoist Government (HRW 2008; Reuters 2008). Many of them were threatened with

confiscation of Refugee Cards and refolement to China (HRW 2014).

The recent bonhomie between Nepal and China is based on mutual interests, especially Nepal's wish to third-country trade through Chinese ports. Therefore, it is unlikely that Nepal will ignore Chinese pressure to refole non-Refugee Cardholders and new escapers from Tibet into Nepal. On the other hand, Nepal's attempt to depart from its policy on Tibetan refugees stands contrary to its "Gentleman's Agreement" with UNHCR. In India's context, TMLACM will jeopardise the fate of around 20,000 Tibetan refugees living in Nepal and poses a challenge to India's Nepal Policy (Ganguly 2019). Other than strengthening strategic ties on military and border security front, the influx of Chinese soft loans, development projects, Foreign Direct Investment (FDI), and the rise of Confucius Centres in Nepal are few tangible developments (Sahu 2015). China has maintained its top position in investing in Nepal by replacing India since 2014. In 2019, China alone had pledged an FDI of 88 million USD in Nepal, followed by Britain ranking second with 1.85 million USD and India at third with 1.76 million USD (Xinhua 2019). While newly forged defence, trade and strategic cooperation does not overshadow India's bilateral relations with Nepal completely, India cannot ignore Beijing's increasing presence in Nepal. China has received formidable support in Nepal in pursuit of its strategic goals. Chinese success in Nepal can also be credited to its superficial projection of its non-interference into the latter's internal affairs. This creates a widespread perception that China honours Nepal's sovereignty "more" against India's open advice and suggestions to Nepal (Indian Express 2017).

## POLITICAL CRISIS IN NEPAL

Before the COVID-19 pandemic clouds could settle, Nepal once again entered into the phase of political uncertainty. On 20 December 2020 President Bidya Devi Bhandari dissolved the

House of Representatives till fresh parliamentary elections in March-April 2021 (Himalayan Times 2020). The house was elected in December 2017 for five years, and with an early dissolution, Prime Minister Oli has taken an improbable step to safeguard his long-term stay in power. Despite enjoying a two-third majority in the Parliament, the Government was in the lurch due to differences within the ruling Nepal Communist Party (NCP). The two Chairman of the NCP- KP Sharma Oli and “Prachanda”, had been fighting to assert their party’s positions. Prachanda demanded prime minister Oli’s resignation due to the power-sharing deal struck during 2017 Federal and Provincial Elections. Prachanda led the Government for the next two and a half years (New Indian Express 2020).

From an early declaration of Nepal as a COVID-19 free zone in early April and May 2020, the country has witnessed the crunch of the pandemic. Since May 2020, people had taken the streets to protest against Oli’s failure to handle the crisis (ANI 2020; Kathmandu Post 2020). As a result, the Army was brought in to manage the medical supplies that were marred by corruption (Kathmandu Post 2020). While the political stability was needed at these crucial hours, the rivalry between the Prime Minister Oli and Prachanda has come sweeping in the open. Before joining hands in 2017, Oli led CPN (UML), and Prachanda led Maoists-Center Party were known for their political rivalry (Ghimire 2020). By aligning and merging their two parties into one NCP, the two seemed to have shown political maturity to bring political instability in the country. However, in the past three decades, the country has seen more than 25 Prime Ministers, and no government has been able to complete a five-year tenure. Even after Nepal became a democracy in 2008, governments have failed to overcome the power-sharing deals.

## CHINESE INTERVENTION

The Chinese Ambassador to Nepal Hou Yanqi is reportedly among the close advisors to KP Oli in domestic and foreign affairs (Karki 2020). Since she arrived in Nepal in 2018, Yuki has brought several top officials, members of the Chinese Communist Party including President Xi who visited Nepal in 2019 after 23 years by any Chinese President. The Minister of the People's Liberation Army and his subordinates have also made several rounds to Kathmandu in the past three years (The Hindu 2020; Gupta 2020; Global Times 2020). With her close acquaintance with Oli, Yanki has achieved Belt and Road Initiative's prospects that Nepal had joined in May 2017. The signing of the TMLACM during President Xi Jinping's visit in October last year was the biggest of all.

Amidst downfall in India-Nepal relations due to border dispute and several other differences, Communist Party of China has further invaded Nepal's political space, including NCP, Government and the Army. It can be seen from the last minutes moves made by the CPC concerning the political crisis in Nepal. Guo Yenzhou, a vice-minister in the Chinese Communist Party, was sent as a special envoy of President Xi to Nepal to facilitate a truce between KP Oli and Prachanda (Kathmandu Post 2020). He had a meeting with Prime Minister Oli, President Bhandari, Leader of opposition Sher Bahadur Deuba among others. Guo Yenzhou may have failed to manage a truce between Oli and Prachanda. Still, these meetings' symbolic message clearly sends a strong signal to India of shifting strategic space in Beijing's favour (Global Times 2020). For decades, India was among the sought-after political advisors in Nepal, and now Nepal's newfound love for China has benefitted Beijing (Sanjay Upadhya 2021).

However, a politically unstable Nepal risks China's high-stake investments and strategic control in the Himalayan region. Politically, the Communist Party of China (CPC) has established ties with the Nepal Communist Party (Global Times 2020). The CPC

recommends the degree of economic and defence assistance to Nepal through the Chinese Government. Therefore, it is the primary connection between GoN, NCP and the Government of China. CPC and the NCP had formalised political ties during the Chinese President Xi Jinping's visit to Kathmandu in October 2019 (Global Times 2019). In the follow-up, NCP has hosted its Chinese counterparts in training its top leadership. In May 2020, CPC had held several rounds of training programmes virtually for NCP leaders despite mounting COVID-19 and political opposition. Also, amidst tensions between India and Nepal over the border, the CPC has become ultra-active in its political manoeuvrings through its aid programmes to gain access to Nepal's top leadership.

Economically, China accounts for more than 60 per cent of the total Foreign Direct Investment in Nepal (Xinhua 2020). Until 2014, India had the largest FDI in Nepal, but following a then friendly Communist Government in Nepal, China had managed to surpass the former (The Hindu 2014). Meanwhile, in the past three years, Chinese investments have increased several folds in Nepal's hospitality, tourism, cement manufacturing, and construction sectors (Xinhua 2020). With their alleged corrupt means of business, Chinese investors have acquired businesses from the local community in Nepal (Business Standard 2020). For instance, the Chinese cement manufacturing giant Hongshi Cement Pvt. Ltd., in partnership with Shivam Cements in Nepal, has become the largest cement manufacturer in Nepal (Nepali Times 2019). Hongshi Shivam Cement Pvt. Ltd has been taken to court by other cement manufacturers for producing a substandard quality cement in bulk and sell at a low price (Khabarhub 2019). In this regard, a friendly approach of the Government continues to question its gestures towards Chinese interests in Nepal.

On the strategic front, China has managed to get the upper hand against India's traditional goodwill presence in Nepal that has been marred by anti-India voices. Although, India resumed Foreign secretary-level talks by sending Foreign Secretary Harsh V Shringla to Kathmandu in November 2020 after a long pause in

bilateral discussions with Nepal. Meanwhile, Nepalese Prime Minister KP Oli hosted Chinese Defence Minister Wei Fenghe in Kathmandu two days after Indian Foreign Secretary Shringla had paid a two-day visit to Nepal. It was reportedly an intended move by Beijing to showcase its strategic presence in response to the resumption of the India-Nepal talks (Global Times 2020). Meanwhile, it is unlikely that he would like to ease tensions with India as his anti-India cantered nationalism had earned him 2018 elections and would like to do the same for 2021 elections.

## INDIA'S POLICY AT PRESENT

Unlike in the past, India is closely observing Nepal's political developments, especially Prime Minister KP Oli's foreign policy moves. While India had been the most active player in forging political alliances and acting as a friendly mediator, the post-economic blockade in 2015 has been cautious of its actions. The Nepal Communist Party led nationalistic campaign is primarily based on the anti-India manoeuvrings, and any wrong step on India's part will further deteriorate the bilateral ties. Meanwhile, by releasing a new political map of the country showcasing disputed Kalapani region between India and Nepal, the later has asserted its claim on the land. Coupled with the COVID-19 crisis and Nepal's claim on Kalapani in May 2020, the bilateral talks were shelved for an uncertain period. However, a tweet on 15 August 2020 by Prime Minister KP Oli to wish India on its Independence Day and a telephonic conversation between Oli and Indian Prime Minister Narendra Modi had eased out tensions and pave the way for a number of high-level visits from India to Nepal (MoFA 2020).

On 22 October 2020, the Chief of India's overseas intelligence agency-Research and Analysis Wing Samant Kumar Goel paid a visit to Kathmandu where he met with the Prime Minister KP Oli (Kathmandu Post 2020). The visit was seen to create a safe and peaceful environment for the Indian Army Chief Manoj Mukund

Naravane's Nepal visit in November 2020 where he received the General of Nepal Army's honorary rank. This tradition has continued on a reciprocal basis for more than five decades between India and Nepal. Following the Army Chief's visit on 04 November, India further took the initiative to restart Foreign Secretary-level talks with Nepal, a long-standing demand of Nepal.

On 26 November 2020, Foreign Secretary of India paid a two-day visit to Nepal held talks with Prime Minister Oli, President Bhandari, Foreign Minister Pradeep Gyawali and leaders of the ruling NCP and opposition party Nepali Congress. During the visit, the foreign secretary emphasised Nepal as the "foremost friend and development partner" (MEA 2020). India is focusing on the High Impact Community Development Projects in Nepal in diverse sectors such as "education, health, irrigation, drinking water, preservation of culture, skill development, youth training, and agriculture" that are spread in almost all 77 districts of Nepal. Meanwhile, since 2014, India has focused on the following areas and completed the following projects:

*i)* Enhancing cross border connectivity through physical connectivity; highways, rail, air and inland waterways: *a)* railways: the Jayanagar-Kurtha cross-border rail line is expected to be operational by 2021. It will make Janakpur so much quicker to visit from India. Tourism from India would be an important area of employment, commerce and opportunity; *b)* energy Hydro and Petroleum: 1) brisk implementation of the 900 MW Arun III hydropower project is underway, and cross-border power transmission lines have been upgraded; 2) the Motihari-Amlekhgunj petroleum pipeline was the first of its kind in the region. It has created the capacity to carry two million metric tonnes of petroleum products into Nepal. It has already led to savings of over Nepali Rupees 800 million for the people of this country.

*ii)* Digital connectivity through fibre networks.

*iii)* Easing cross border movement of people and goods: *a)* the modern integrated check-posts at Birgunj and Biratnagar have

transformed the cross-border movement of people and goods, and work on the integrated check-posts at Nepalgunj has commenced.

*iv) 2015 earthquake reconstruction:* *a)* India restored 30 heritage locations, including the iconic Seto Machindranath temple in Kathmandu, the Hiranyavarna Mahavihar at Patan, and the Jangam Matha at Bhaktapur. Our best domain specialists are at the service of the living history of Nepal; *b)* the outlay of Indian earthquake-related assistance is US\$ 1 billion; *c)* 46,000 houses have been built in Gorkha and Nuwakot incorporating earthquake-resilient technologies in line with your motto of “Build Back Better”, and they epitomise humanity’s ability to triumph over adversity.

*v) Education:* 70 Schools and 150 health facilities are to be ready by 2021 in 12 districts on Nepal.

*vi) COVID-19:* *a)* equipment and medical supplies, and ensuring the uninterrupted flow of goods across the border; *b)* India repatriated Nepalese citizens from various countries along with our own citizens under its Vande Bharat Mission; *c)* India handed over 2000 vials of Remdesivir injections to Nepal in November 2020” (MEA 2020).

Considering the present COVID-19 crisis, India is strengthening its efforts to provide indigenously developed COVID-19 vaccine to Nepal. It was emphasised during the Foreign Secretary Harsh Vardhan Shringla’s visit where he added that “once a vaccine is rolled out, meeting Nepal’s requirements would be a priority for us. Given our genetic profiles, what works for India is likely to work for Nepal as well” (MEA 2020). The development cooperation, coupled with a helping humanitarian hand during the critical hours of COVID-19 is among India’s various foreign policy initiatives. Meanwhile, as Nepal continues to face political uncertainty, India’s Nepal policy needs to focus on the following: *a)* resolve the existing disputes through diplomatic means including border and exchange of demonetised Indian currency stuck in the Nepal Rashtra Bank; *b)* abstain from making direct interference in domestic and external affairs of Nepal; *c)* re-boot people to people and cul-



tural ties; *d*) pace-up humanitarian response to Nepal; *e*) timely delivery of ongoing projects developmental projects in Nepal; *f*) assure an uninterrupted trade and transit facility through India during hours of the dispute under a cooperative mechanism.

Other than the following recommendations, India needs to develop a policy framework to assess and analyse the Chinese presence in the Himalayan belt and take Nepal into confidence on the basis on mutual respect for each other's sovereignty and integrity. Undoubtedly, political parties will extract political benefits from downfall in India-Nepal relations as nationalism in Nepal has become synonymous to anti-Indianism. Therefore, India's foreign policy has a lot at stake in keeping Nepal stable for its security and economic interests. Also, India has the best opportunity to correct its image in Nepal by providing timely COVID-19 vaccines to Nepal. While China insists that Nepal will purchase its local vaccine, close genealogical relations between India and Nepal give India an edge this regard (MoFA 2021; MoFA 2021a).

## CONCLUSION

India and Nepal have lived in peace for more than seven decades now, and the 1950 Treaty of Peace and Friendship has been the leading proponent of deeper diplomatic ties between the two countries. But in the present circumstances, India needs to revisit its Nepal policy considering political changes in Nepal, especially the advent of democracy. India also needs to respect Nepal's aspirations to become a global player and balance its reliance on India in a globalised world. The centre of Nepali politics has shifted from the erstwhile King to Parliament with a strong public opinion in the policymaking. Therefore, "special-relations" are conditionally special to Nepal as it wishes to diversify its ties with China at par with India or more. In a globalised world, Nepal's foreign relations, especially with China, cannot be guided solely by India's security in-

terests considering the amount of trust deficit and differences between India and Nepal. The latter is well connected with the global community and has a strong presence in the international institutions. Amidst these changes in Nepal, India's Nepal Policy has hardly been away from strategic consideration which has caused a big thaw on other fronts, especially people to people.

Undeniably, Nepal is a critical and important component of India's strategic interests in the Himalayas, but losing people to people ties will take years to win over the trust again. On the other hand, China is pushing hard to first connect with the people and figure out the old socio-cultural ties. Second, China has converted its Tibet centric security approach into Tibet oriented developmental approach where both China and Nepal will benefit mutually. Third, China has its high stakes in materialising Belt and Road Initiative's success in South Asia through Nepal. Therefore, it is in a position to outnumber India's development index in Nepal to its success. Considering the amount of level playing field that Nepal hopes for, India needs to carefully work with Nepal by conveying its development and goodwill intent. India's ignorance towards Nepal on currency exchange, border dispute, etc., has eventually pushed Nepal north-wards. Although India has realised it, it needs to act quickly to minimise the damage. Geographical closeness, open border, security cooperation and uninterrupted movement of people across borders create a natural space for the two to remain friendly, which China lacks in Nepal. Thus, timely response and resolution to bilateral disputes will be the least attention that New Delhi can pay to maintain good relations. India also needs to see the local, Nepalese, and global media's response to Nepal's image. Questions are raised over India's capability to forge a truce with an old friend Nepal daily. It is neither helping India bilaterally nor regionally. Therefore, India's pragmatism remains to be seen as the event fold with Nepal.

## NOTES

<sup>1</sup>In the 1950s and 1960s, Tharus were forced away from their lands after a large-scale migration from the hills took place. The widespread Malaria pandemic in the hills led “Pahadis” to come down to Terai and settler. Since Tharus were seen immune to Malaria, they were forcefully removed from their lands, and new hill settlers became the new landlords. Under the “Kamaiya system”, male members of the Tharu community worked as bonded labourers in exchange to the amount borrowed by them from the hill landlords. Similarly, Tharu girls and women were forced to work in the houses of these landlords who were subjected to mental, physical and economic exploitation. It was only in 2002 and 2013 respectively, the “Kamaiya and Kamalari” systems were banned by the government and Tharus were freed from the brutal slave system.

<sup>2</sup>Mr. Bal Krishna Khand, an ex-Defence Minister of Nepal, gave the author interview on February 10, 2020, at his office at the Singha Durbar in Kathmandu, Nepal.

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