China and India in Nepal: What Does it Entail?

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Abstract

This thesis is a comparative analysis of the presence of China and India in Nepal across the economic, political, social and strategic fronts. I administered elite interview as a core data collection technique which primarily included Nepalese intelligentsias, commentators and opinion makers. I have focused on the development, operationalization and controversies of Chinese and Indian aid, infrastructure and soft power diplomacy in Nepal. As this thesis explores, it is interesting to see the great power convergence in Nepal and Nepal’s own strategies and tactics in balancing the presence of these powers for its own survival. I essentially discuss on Nepal’s attempt to strategic hedging where it pursues limited or ambiguous alignment with great powers especially China and India to safeguard itself from strategic and economic vulnerabilities. This thesis further shows how the geo-strategic location of Nepal is significant in South Asia both for regional and extra-regional actor(s) and how Nepal attempts to leverage its location maintaining the neutrality and non-engagement in power bloc politics. I have argued that China and India have a competing interest over Nepal, both trying to influence the political, economic and institutional resources. As compared to China, India has a lesser need of soft power diplomacy in Nepal mainly due to the existing cultural and linguistic affinity, political brackets and an unparalleled open border regime between them. However, with China’s inevitable rise as an emerging global power, it is clearly presenting itself as a more active neighbor of Nepal if not an interventionist, contesting with India’s traditional influence in Nepal.
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CHAPTER 1

Introduction

The broad contour of relations between Nepal, China and India is determined by natural geography, which establishes their own political and economic nexuses. Being situated between two emerging powers of the world, China and India, Nepal has long been remained as a buffer state between them. Today, Nepal shares friendly and diplomatic relations with both of its big neighbors. There is a sizable asymmetry between Nepal and China-India in terms of size, population, resources, scale of development and capabilities among others. However, in modern history, Nepal is entertaining the effort of development cooperation and partnership with different powers of the world along with China and India.

Both China and India has been investing in Nepal’s development through economic cooperation since the decade of 1950’s (Adhikari, 2014; Brautigam, 2010). However, in the context of global geopolitical repositioning of the early 2000, China has considerably stretched its economic and political footprint in many countries around the world. Over the duration, Beijing started multiplying its embassies, started seeking more raw materials and oil resources, launched dozens of Confucius institutes with the intention to increase government sponsored programmes substantially coupled with vocational trainings and offering large number of scholarships to students from around the world (Bodomo, 2019). In similar pattern, China also started pouring billions in public and private capital into the countries of South Asia like Afghanistan, Pakistan, Sri Lanka, Bangladesh, and Nepal (Grossman, 2020; Murton & Plachta, 2021). Particularly, in the wake of 2015 earthquakes followed by essential supplies disruption to Nepal due to the looming tensions at Nepal-India border, China’s increasing presence in Nepal is observed in social, political and infrastructural domains.

India, on the other hand has an influencing presence in Nepal due to a long porous open border, socio-cultural similarities, large economic and demographic exchanges between them (Karki & KC, 2020). Nepal and India concluded the Treaty of Peace and Friendship in 1950, the same year when Tibet was invaded by China. This treaty is considered to be the bedrock on which Nepal-India relations are delineated, has clauses that addresses both the security and economic components. However, the economic and security provisions of this treaty curtails choices and
maneuverability in Nepal’s security and economy related autonomic decisions (Murthy, 1999). Except the northern border of Nepal, all of its borders are adjoined with India. Therefore, for all practical purposes, Nepal is largely India-locked. A very large proportion of Nepal’s trade and transit with third countries takes place through Indian territory. At present about ninety percent of Nepal’s trade with third countries takes place passing through India (Khobragade, 2016). Since the 1950, India’s official engagement in Nepal is concentrated in the areas of managing shared rivers, increasing connectivity and capacity building (Sahu, 2015). However, more strikingly, India today is guided by the ‘neighborhood first’ policy which is focused on geographical imperatives, resultant need for connectivity in the region, geoeconomics and security interests (Sood, 2016). Despite this, I will argue in empirical chapters that such policies appear to have fallen short due to India’s inconsistent and quite a hegemonic dealing with its neighbors amidst China’s expanding economic and strategic footprints.

However, this thesis will concentrate only in Nepal and not on other neighbors of India and China. Through interviews and interactions with my informants, I will only show how Nepalese officials and intelligentsias perceive the presence of China and India in Nepal. Therefore, this thesis reflects Nepalese perception of their presence. Scholars like (Adhikari, 2018; Dabhade & Pant, 2004; Koirala, 2010; Murton & Lord, 2020; Murton et al., 2016; Paudel & Le Billon, 2020; Sharma, 2018; Shrestha, 2017) have done some work in Sino-Nepal relations and other scholars like (Baral, 1992; Devi, 2011; Kumar, 2013; Shrestha, 2003; Shukla, 2006; Subedi, 1994; Taneja et al., 2011; Thapliyal, 2019; Upreti, 2003) have done some work on Indo-Nepal relations, their cooperative partnership in the domain of infrastructure development and strategic reorientation of geopolitical alliances between China, India and Nepal. However, minimal work has been done on the comparative analysis of the presence of China and India in Nepal and their strategic attributes. In addition, only few studies have focused on the development, operationalization, and controversies of Chinese and Indian soft and hard power usage in Nepal. This thesis also seeks to address these shortcomings.

1.1 Research questions and argument
Nepal is relatively a small state sandwiched between the two major power of the world China and India with whom it has age-old relations. Both have incompatible and often contending aspirations in their run to becoming global powers.
Coming to the northern neighbor of Nepal, Tibet is China’s weak point. Tibet was militarily occupied by Chinese Red Army in 1950. Afterwards, China sought to legally incorporate Tibet by administering seventeen-point agreement with Tibetans in 1951 and finally integrated the region administratively by creating Tibetan Autonomous Region (TAR) in 1965. It occupies one-fourth of China’s landmass, and has been a vulnerable part of China mainly due to government’s minority policy concerning the Tibetans, large number of voluntary and involuntary Tibetan refugees fleeing the country, periodic protests of Tibetan refugees living in Nepal, inter alia, drawing international attention (Bhattacharya, 2013). For that reason, it can be argued that Tibet is China’s geopolitical soft spot. In that sense, Nepal is just beside China’s geopolitical soft spot.

On the southern border of Nepal lies the Indo-Gangetic plain which is India’s agricultural mainstay ensuring the food security for a large population of the country. This belt of India is concentrated with enormous share of human and economic resource base— alluvial soil, densely populated and industrialized along with important urban centers. Naturally, this belt is a source of livelihoods for millions of Indians and a powerhouse of economic development for the country. In that sense, Nepal is just beside India’s vast economy.

Nepal also has long-established relation with the UK, US, and many other western countries. They are present in Nepal in various forms like embassies, other diplomatic bureaus, aid agencies, several bilateral and multilateral organizations, NGOs and INGOs among others. All in all, there is a convergence of many foreign states in Nepal and their presence is substantially noticeable.

Like many countries around the globe, geopolitically, Nepal certainly occupies high strategic value. However, naturally, China and India have a higher stake in Nepal. Their stake is mainly in the areas of security, trade, transnational water resource management and population mobility. For that reason, both China and India want to keep Nepal in close embrace. I wanted to understand the influence of China and India in Nepal. More precisely, I wanted to explore and analyze how Nepalese intelligentsia, commentators and opinion makers view the competing interests of China and India in Nepal across the economic, political and strategic spectrum. However, during the course of my study, I realized that this research will be unfulfilled without mentioning the influence of western actors in Nepal. Therefore, certain elements of western influence in Nepal are bound to come while discussing the presence of China and India in Nepal. It is because both China and India are also concerned about Nepal’s acquired power via western actors that might spill over across
the border impacting their national interest. It is interesting to see the great power convergence in Nepal and Nepal’s own strategies and tactics in balancing these actors for its own survival. Essentially, to understand Chinese and Indian presence in Nepal, I lay out following interrelated research questions:

1. How are China and India displaying their presence in Nepal?
2. What are China and India attempting to achieve in Nepal?
3. How ought Nepal government engage with China and India?

1.2 Structure of the Thesis
This thesis is divided into seven chapters. In the first chapter, I put forward a general introduction of what this thesis is about, along with research questions and structure of this paper. In chapter two, I account for the methodological approach applied in this thesis along with a discussion on my source material and, lastly, the reflexivity, positionality and ethical issues of my research.

Chapter three of this thesis broadly presents the history of relations between Nepal, China and India. In this chapter I present an overview of their relations in terms of historicity, geography, economy, demography and emerging strategic and geopolitical aspects of their relations. Holding this as a background, I then discuss on foreign policy and development imaginary of Nepal vis-à-vis China and India. I then, in chapter four shed light on the battle of discord and harmony examining Nepal’s love-hate relations with India and China’s emerging clout in Nepal with Belt and Road Initiative (BRI) and similar other projects. Chapter five then explores Nepal’s perception of strategic competition between the great powers. Here, I make a discussion on Chinese presence in South Asia and its implications for Nepal. Similarly, in the realm of great power convergence in Nepal, I also examine the interplay of China, India along with the US in Nepal. Moreover, chapter six discusses on Nepal’s perception of what China and India want in Nepal. Here I investigate nuances of Chinese presence in Nepal along with an assessment on emerging hostilities against Chinese in Nepal. I then analyze political interaction of Nepal with China and India. Following this, I explore Chinese and Indian soft power diplomacy in Nepal. Finally, chapter seven concludes this thesis with summaries of important points and arguments of the preceding chapters along with suggestions of topics for further research.
CHAPTER 2

Methodology

I apply qualitative methodology in this thesis as I chase to examine and understand the discursive meanings linked with ‘what’, ‘why’, and ‘how’ questions of the economic, political, diplomatic, and strategic engagements between China, Nepal, and India. Qualitative methodology as a research tool is more useful for this research in exploring the aid, trade, investment development cooperation and other strategic interests between China, Nepal, and India. In addition, the injection of Chinese and Indian developmental aid as an anchoring practice will partially be interpreted as a constellation of methods in studying soft power diplomacy. Me as a researcher in understanding ‘why China and India do what they do’ cannot assert the total objectivity. Hay (2000) expresses that, qualitative method is useful in defining a question to the analysis and interpretation of the events and phenomena. It is effective to gather information about the human behavior and motivation. In similar spirit, my research centers around the Chinese and Indian geopolitical motivations and range of other Chinese and Indian interests in Nepal. In generating an understanding of their presence in Nepal, a qualitative approach supports to interpreting their motives and its broader implications for the host country. Therefore, deeper insight, perception and cognition can be achieved by adopting a qualitative methodology in explaining phenomenon, situation, or motivation of China and India in Nepal.

2.1 Study Design: Data Needs and Choice of Informants

A well-planned research design is the roadmap for accessing, collecting, measuring, and analyzing the data. It facilitates the smooth operation of the research, makes the research effective by optimizing the minimal timeframe, efforts, costs, and other resources. For this study, I apply individual interviews as a method. I employ this method in an attempt to gain detailed understanding of the Chinese and Indian presence in Nepal, its subjective interpretations, motives of various Chinese and Indian actors as well as attitudes and engagements of the Nepalese regime.

This study is primarily based on eight ‘elite interviews’, conducted with the Nepalese diplomats, academicians, and recognized journalists who have been working in or have prior interests on Chinese and Indian affairs in Nepal. It also uses secondary data gathered as a desk study of relevant
literature, press releases, government released reports, findings of NGOs and INGOs, news articles and websites. Moreover, case studies of Chinese and Indian engagement with Nepalese regime are considered.

My choice on methodology is determined due to some constraints. The fundamental constraint being time and costs. It was not likely that I would be able to visit all the Chinese and Indian led project sites in Nepal for an ethnographic interview. For this reason, this thesis is an outcome of elite interview and desk study. I prepare interview guidelines succeeding to the study of relevant literature.

2.2 Data Collection: Primary (Elite Interviews) and Secondary (Desk Study)

The operation of interview involves coordinated activity by the interviewer in a conversation that is intended at obtaining desired information. It is the craft of the interviewer to make initial contact, plan the interview process, select the location, determine the essential rules, and afterwards question the interviewee or “respondent” (Gubrium & Holstein, 2002). I operate elite interviews to collect pertinent information, get a picture and interpret the various facets of Sino-Nepal and Indo-Nepal engagements. Me, as an interviewer can anticipate certain kind of discourse, narratives, and description that my interviewee would respond. Nevertheless, interview data cannot be ‘invented’ without interviewing the respondents. So, there is always some sense of anxiety, excitement and anticipations while operating an interview (Roulston et al., 2003). Interviews can be of several forms. The most common forms of interview are individual, face-to-face conversational exchange, mailed questionnaires, telephone surveys, skype, and zoom interview among others. Furthermore, it can be structured, semi-structured and unstructured. In my study, I apply semi-structured and unstructured interviews. If I use structured interview, it would be more rigid and limit the area of response from my informants. As the scope of my research is descriptive and exploratory striving to encompass the broader motivations of Chinese and Indian engagements in Nepal, it is more pertinent to use combination of semi-structured and unstructured interviews. By applying semi-structured interviews, I can intervene and re-direct my respondent if it deviates from the scope of the study. Moreover, I have the privilege to ask follow-up questions. At the same time, unstructured interviews would let my informant speak freely as interviewing begins and gives sufficient room like normal conversational interaction.
Interviews are meaning-making and reality-constructing apparatuses where the interviewers and interviewees co-construct data in a research project (Gubrium & Holstein, 1995; Roulston et al., 2003). Respondents in my interview are mainly the expert in their field as a diplomat, journalist, think-tank professional as well as academician. They are selected based on what they might know, fill in the pieces of puzzle and confirm or contradict the situation that is already in place (Aberbach & Rockman, 2002). That being said, I will be conducting elite interview as a technique.

Elite interview can be an important reservoir of data concerning public policy, power politics and relationships. An ‘elite’ is an individual who is positioned or had been positioned in some authoritative (or influential) position that has provided the individual with special knowledge or information from a privileged point of view (Chaban et al., 2013; Goldman & Swayze, 2012; Kezar, 2003; Natow, 2020; Petkov & Kaoullas, 2016; Stephens, 2007). In my study, by the term “elites”, I am referring to people (my interviewees) who hold a privilege, political, diplomatic, academic, or skill and expertise on the topic of my study. I am interested in studying the strategic behavior and policy indication concerning the Chinese and Indian engagements in Nepal. Therefore, I want a sample of interest group (or functionaries) and relevant officials who are familiar and have knowledge concerning the Chinese and Indian engagements in Nepal.

Richards (1996) argues that elite interview helps in understanding the subjective account of an event or issue, popular perceptions, beliefs, and ideologies. Such information can hardly be obtained from studying books, journals, documents, or records. Nevertheless, elite interviewing should not be undertaken in an effort to establishing ‘the truth’. Rather, it should be conducted with a view to get an insight into the attitudes of the actors who assume the role in creating discourses, forming narratives, shaping the society and most importantly, capable of analyzing the subjective analysis of specific episodes or situations.

Beamer (2002) argues that analysis of data gathered through elite interviewing should be dealt with a healthy skepticism as it has propensity of data contamination. For instance, the validity of data should be critically evaluated by identifying any possible underlying motives of the respondent and detect any conceivable reasons for censored responses. Having said that, some degree of data contamination is unpreventable. Therefore, it is important to identify what they are and how they might predispose my action while interpreting data. One of the ways to mitigate data contamination is by documenting these issues as soon as possible after the closure of interview by
noting them in interview transcripts. I look after any possible interruption while interviewing them. For instance, a phone call might break their line of thought. Moreover, the physical environment in which the interview would take place has propensity to affect the articulation of what they have to say. For instance, if the interview is conducted in a common room where different other officials frequently come and go, my interviewee might limit the information he has to deliver or sometimes, he might exaggerate things by linking himself in any of the Chinese or Indian projects in Nepal. Additionally, upon hearing and observing the interactions, there could be chances that, additional informants would get involved, more issues raised and would turn like a Focused Group Discussion (FGD) instead of an individual interview. Me as a researcher should anticipate these likely circumstances in advance. Apart from that, as an interviewer, I should realize their affiliations. If their affiliation is with the Chinese or Indian academic institutions or business entities, they would perhaps be less critical about the Chinese and Indian presence in Nepal because of their soft part of having been linked to those countries. However, if they have no identifiable affiliation with any of those countries, they will perhaps provide me a more broad and critical response to my queries.

Secondly, I apply secondary textual data gathered from various relevant literatures to supplement to my interview data. Hox and Boeije (2005, p.596) states secondary data as the ‘data collected earlier by other researchers or for other purposes than research’. This comprises official statics, administrative archives, information compiled by various organizations, different government divisions, various scholars, and researchers, inter alia. In a nutshell, it is the way of applying the preexisting data that were collected and retained (Daas & Arends-Tóth, 2012). To acquire secondary data, I have used online sources sitting in my computer desk. In the empirical chapters of my study, secondary data connects, reconnects, strengthens, and supports the findings of my data gathered from elite interviews. Data collected through this avenue have been studied qualitatively by applying ‘critical reading’. However, due to the propensity of ever-changing discourses, narratives, and phenomena in the domain of my study, I have periodically reviewed the latest cutting-edge news and events in the process of progressing this study.
2.3 Reflexivity, Positionality and Ethical Issues

Berger emphasizes an increasing need for researchers to focus on self-knowledge and sensitivity; carefully self-monitor the influence of their biases, beliefs, and personal experiences on research; better understand the role of the self in the establishment of knowledge; and keep an equilibrium between the personal and the universal (Berger, 2015, pg. 220). Therefore, as a researcher my reflexivity is mainly concentrated on positioning how my thinking stemmed, how pre-existing knowledge have been constantly reviewed considering new knowledge in a particular time and space, and how these aspects influence my research.

Dodgson argues that the findings of the research are dependent on who the researcher is. By and large, he points out that, ‘the researcher is the research instrument’. Therefore, it is foremost to understand who is doing the research in ways that exceeds the researcher’s name and affiliations. This should largely reflect the researcher’s positionality vis-à-vis what is being studied (Dodgson, 2019 pg. 220). Accordingly, I find myself situated as ‘insider’ as well as ‘outsider’. In the former domain, me as an interviewer and my interviewees share same nationality, similar cultural, ethnic and linguistic heritage. In the later, I am a master student at University of Oslo and my informants are Nepalese intelligentsia who are actually living and working in Nepal at various institutions. As an insider, I can understand the amplitude of the issues that is being talked about, emerging discourses and narratives about Chinese and Indian presence in Nepal. Consequently, it becomes fairly easy for me to understand and interpret the subject being studied. This would have been quite challenging if I was nonnative researcher. As an outsider, I can comprehend existing anomalies of the topic without projecting my nationalistic biases. For that reason, I identify myself belonging to both categories, as an insider as well as an outsider.

While conducting an interview with my informant ethical issue may emerge that must be considered. As mentioned earlier in this chapter, all my informants are highly educated individuals. As I see, most of my informants are opinion makers, discourse setters and narrative builders in Nepal. Most of them have access to mainstream medias, think tanks or universities. My intention in this study is not to correct my informant’s viewpoints, validate the truth of their opinions or critically challenge their perspectives. This is not the purpose of my interview, let alone this dissertation itself. Essentially, I wanted to encompass diverse voices in connection with the Chinese and Indian presence in Nepal by paying attention to the observation of my informants.
During the interview, I experienced all of my informants conversational and freely articulating their views on the questions asked. As mentioned earlier, all of my informants have an elitist background and are considered Nepalese intelligentsia, therefore, they are used to situations of more or less critical enquiry and habitual with stimulating questions. I received verbal consent from my informants to use their viewpoints in this dissertation, and none had any objection on it when asked for permission.
CHAPTER 3

History of Relations between Nepal, China and India

In this chapter, I emphasize historic empirical evidence concerning the relations between Nepal, China and India. I begin with the overview of Nepal-China and Nepal-India relations. Here I present major departures in their relations over time and their technical and financial cooperation assistance to Nepal. Then I proceed investing into the macroscopic outlook of China, Nepal and India in terms of geography, economy and demography. Here I show Nepal’s unique geolocation, its economic constraints, India’s political maneuvering and Chinese inroads. Subsequently, I move into discussing the strategic and geopolitical significance of Nepal for China, India and the west, especially the US. Here, a convergence of great powers in Nepal, all of which are attempting to secure their own interest is observed and discussed. Next, I move into discussing the foreign policy priorities of Nepal which is largely based in the domain of physical, political and economic security. As such, here I argue that over the past decade Nepal’s foreign policy is concentrated to leverage its geographic location moving away from the realm of ‘equidistance’ to ‘equiproximity’— seeking cooperation in infrastructure and economic development of Nepal especially attuning to both China and India.

3.1 Overview of Nepal-China Relations

Until 1949, Nepal’s relations with China were quite circuitous and modest. However, Nepal’s relations with Tibet were phenomenal. Tibet was a source of gold and pure silver for Nepal. Nepal minted coins for Tibet and Nepal’s capital Kathmandu was a major transit for trade between Tibet and India. When Tibet became part of China in 1949 Nepal’s relations with China grew manifold (Nyaichyai, 2021). Nonetheless, Nepal’s maintained age-old and deep-rooted relation with mainland China date back to as early as in 5th century. In modern history, they formalized their bilateral ties only in 1955 by establishing diplomatic relations (MOFA, 2019). They made their first agreement on economic aid in October 1956. The establishment of Inter-governmental Economic and Trade Committee (IGETC) in October 1982 is believed to be a remarkable event for the promotion and development of China-Nepal economic and political affinity as it has become the vital platform for discussion of Sino-Nepal bilateral economic and
technical cooperation (Prasad, 2015). However, quite notably, their expanded interaction and economic cooperation further accelerated since 2005 following the celebration of 50th anniversary of the establishment of their diplomatic relations and the subsequent agreement made in 2009 to establish China-Nepal Comprehensive Cooperative Partnership (Sangroula, 2018).

Chinese practices of delivering aid reflects the horizontal South-South collaboration unlike vertical North-South power relationships. China’s aid claims to respect territorial integrity, sovereignty, non-interference in the internal affairs of recipient country and treatment as equal partners (Dunford, 2020). Zhou argues that often described as an “emerging donor”, China’s foreign aid has its own characteristics with no political conditions for the recipient countries. In its foreign aid paradigm, unlike western donors, China views itself as a development partner rather than a donor. Accordingly, Zhou further argues that Chinese aid is not a unilateral gift as it emphasizes shared development over “donor-recipient” relationships based on the primary guiding principle of “equality and mutual benefit” (Zhou, 2016). However, even if China claims ‘no strings attached’ in its aid programme, it largely anticipates that the recipient country adheres to the dictum of One China Policy by recognizing Tibet, Hong Kong and Taiwan as a part of China. That said, while discussing the Chinese presence in Nepal, I will only highlight Tibet’s geopolitical issues vis-à-vis Nepal.

China has been supporting Nepal for the development of its infrastructure, industries, transportation, hydropower, health, education, and livelihood among others. Some of the major projects completed under Chinese financial and technical assistance are: Syaprubesi Rasuwagadhi Road, Pokhara Regional International Airport, Arniko Highway, Prithvi Highway, Kathmandu Ring Road Upgradation, Pokhara-Baglung Road, Banepa Polytechnic School, Bansbari Leather and Shoes Factory, Hetauda Cotton Textile Mills, Harisidhi Brick Klin, Upper Trishuli 3A Hydropower, Bhrikuti Paper Factory, Sunkoshi Hydropower, B.P Koirala Memorial Hospital, Civil Service Hospital, Birendra International Convention Center, Post-Disaster Reconstruction Project etc. and there are several ongoing China assisted projects in Nepal (Dahal, 2018; Ministry of Finance, n.d.). The most recent mega infrastructure project where Chinese are involved is Pokhara International Airport which is built with $217 million loan from China’s Exim Bank and is due to come into operation later this year (Nepali Times, 2022).
Today, after India, China is one of the largest sources of Foreign Direct Investment (FDI) in Nepal. According to a survey report on FDI in Nepal published by the central bank of Nepal, China shares 15.6 percent of total FDI stock occupying second position after India, which shares 31.5 percent (Nepal Rastra Bank, 2021). Most recently, China is pushing large number of infrastructure development projects in Nepal under the umbrella of Belt and Road Initiative (BRI). Moreover, China has also increased its cooperation in education, culture, security, and to the level of people-to-people ties. Over time, a major departure in their relations took place during 2015/2016 “unofficial border blockade” that prevented the flow of essential goods to Nepal via India. Consequently, Nepal signed a separate trade and transit treaty with China, several MOU’s and various areas of cooperation. These events led a ripening connection between the two neighbors which was already at a better form (Firstpost, 2016; Osterman, 2021).

A very large part of Nepal’s import takes place through India. However, in 2020, Nepal imported 14 percent of its total imports from China (Nepal Trade and Export Promotion Center, 2020; Nyaichyai, 2021). This share of import is 4.4 percent higher than the share of import it was in 2009 (Nyaichyai, 2021).

Under the new modalities of the BRI, China has been displaying a more active role in Nepal largely concentrated in the realm of super infrastructure projects like Trans-Himalayan Multi-Dimensional Connectivity Network which were identified by Nepal during the second Belt and Road Forum (BRF) in Beijing in May 2019 (Murton, 2020). Concerning Nepal’s northern neighbor, in its foreign policy paradigm, Nepal pledges its firm commitment to the one-China policy indicating that Tibet and Taiwan issues are solely the internal affairs of China and Nepal will never allow anti-China activities on its soil. On the other hand, China reaffirms that, China supports Nepal’s independent choice on its social system, development pathways and efforts of Nepal in keeping its sovereignty, territorial integrity, and national unity intact (MOFA, 2018). As such, in official rhetoric, both China and Nepal have been reflecting and adhering to the self-interest of each other in their bilateral relations.
3.2 Overview of Nepal-India Relations

Nepal and India enjoy close, comprehensive, and age-old connections. The relation between them is pronounced more in terms of historical linkages, similar culture, tradition, religion, political, social, and economic engagements. However, as sovereign states, they formalized their connections in June 1947 by establishing diplomatic relations (MOFA, n.d.).

The sociocultural confluence of Nepal and India also manifests in terms of their soft and porous border where people keep crossing the border without a visa requirement. The open border between Nepal and India is distinctive in South Asia. On a daily basis, both Nepalese and Indian citizens move substantially across the border due to historical “Roti-Beti Sambandh” (translated as: Livelihood and Kinship relations) between them. Thousands of Nepalese serve in India’s Gorkha regiments. There is a 200-year-old history of sturdy mountain people of Nepal like Gurungs, Magars, Kirati Rais and Limbus whose association is with Gorkha Regiments of the Indian Army. The Gorkha Rifles have been frequently awarded highest award for bravery during the battle, and several other combat honors and awards (Rae, 2021). Furthermore, millions of other Nepalese are in India working as migrant workers in different cities of India. Notwithstanding this, similar proportion of India’s nationals mainly from the state of Uttar Pradesh, Bihar and Orissa are working as labor migrants in Nepal. In fact, Nepal is the seventh largest source of remittance for Indian economy (CESLAM, 2015; Dixit & Dhakal, 2020).

Likewise, significant numbers of pilgrims make a cross-border movement and travel to various holy and sacred sites of both Nepal and India. These instances clearly demonstrate the inevitable people-to-people ties between the two countries. Moving away from “Roti-Beti Sambandh”, more recently, during the visit of Nepalese PM Sher Bahadur Deuba on 1-3 April, 2022, both countries exchanged joint vision statement on bilateral power sector cooperation, development of physical infrastructures like integrated check post and connectivity—including transmission lines, railways, airways, digital connectivity among others (Rana, 2022).

Despite the rapid economic growth of India since last one decade, it is still an aid recipient country from the Development Assistance Committee- DAC members. However, India’s aid recipients are developing countries which are geographically closer and are at a similar stage of development. This depicts the behavior of a “needy” donor having commercial and political self-interests (Fuchs & Vadlamannati, 2013). New Delhi-based political risk analyst and a commentator on global
affairs, Subhash Agrawal argues that the wider purpose of India’s development assistance is to expand its geopolitical influence and cultivate a viable ‘pro-India’ constituent among the central decision makers in recipient countries. Agrawal further emphasizes that India has long been supporting in a number of capital projects via financial and technical support in those countries. Alongside, bulk of Indian development assistance goes to capacity building, training and various other ‘soft’ ventures. In similar vein, India concentrates its development assistance in five geographical regions: the developing countries of Africa, Central Asia, Islands of the Pacific Ocean, Southeast Asian countries and its immediate neighborhood, primarily Afghanistan, Nepal and Bhutan (Agrawal, 2007).

The development cooperation between Nepal and India started in 1952 with the construction of Nepal’s first airport at Gaucharan. Since then, India also constructed other five local airports at Simara, Janakpur, Bhairahawa, Pokhara and Biratnagar. Other major projects completed under India’s financial and technical assistance are: Koshi Barrage, Devighat Hydropower and Irrigation Project, Mahendra Highway, Janakpur-Jayaagar Railway, B.P Koirala Institute of Health Sciences and National Trauma Center among others. Currently, there are dozens of India assisted intermediate and large projects at various stages of implementation in Nepal (Dahal, 2018; MOFA, n.d.). The Government of India has been providing annual grant to Nepal which is second highest among the countries in South Asia, the first highest being Bhutan. For the fiscal year 2022/23, the annual grant for Nepal is about Rs. 12 billion. However, this amount is 24 percent lesser than what it was allocated for 2021/22 (Singh, 2022).

Nepalese economy is largely dependent on India. Nepalese currency has been pegged with Indian currency and its exchange rate is based on a peg set against the Indian rupee. India is the largest trading partner of Nepal. Today, sixty five percent of Nepal’s total export goes to India (Nepal Trade and Export Promotion Center, 2020; Nyaichyai, 2021). On the other hand, naturally, Nepal imports largest share of its total imports from India.

In these last two sections, I presented an overview on Nepal-China and Nepal-India relations which broadly shades light on their historical relations over time, their financial and technical assistance to Nepal, inter-governmental and people-to-people ties among others. Further, I highlighted their influence in Nepal via infrastructure diplomacy where both India and China have been involved in the development of mega-infrastructures. Alongside, I also highlighted
their Foreign Direct Investment (FDI) volume in Nepal and various other dimensions of its economic dependency with both China and India. The next section provides a macroscopic look of geography, economy and demography between China, Nepal and India.

3.3 China-Nepal-India: Geography, Economy and Demography

The geopolitical location of Nepal is such that, it is sandwiched between the two emerging economies of the world, China and India. Having a landlocked reality, Nepal is bound to make compromise with its immediate neighbors to secure its survival interest. Interestingly, it is one of the few countries in the world that was never invaded or colonized by external powers throughout the history. Yet, Nepalese King Prithvi Narayan Shah referred Nepal as “a delicate yam between two boulders” as far back as the 18th century. Nepal’s powerful and competing neighbors outstrips the Himalayan nation in size, population and economy.

In terms of geographical coverage, China is 65 times bigger than Nepal and India is 22 times. In terms of population, Nepal is 48 times smaller than China, and 47 times smaller than India (see figure: 2). In terms of GDP, China is approximately 438 times bigger than that of Nepal and India is 80 times bigger (see figure: 3).
**Figure 1:** Geographical coverage: Nepal between China and India (Adhikari, 2018)

**Comparison: Population of China, Nepal and India**

**Figure 2:** Population (World Bank, 2020) modified from (Adhikari, 2018)

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1 Figure 2 is my own compilation where numerical data is from (World Bank, 2020) and figure concept is from (Adhikari, 2018)
Having bordered with India in the South, East and West, it appears as if Nepal largely is India-locked. Against this background, international relations scholar Anil Sigdel argues that the Indian establishment views Nepal as being within India’s expanded security enclosure in relation to China. Sigdel further observes that, in last couple of decades, a combination of various factors like Nepal’s economic constraints, India’s political maneuvering, Chinese inroads, and the interest of extra-regional actors in Nepal increased its eagerness to diversify relationship with various countries around the world. Such aspirations continued to be the central feature of successive governments in Nepal, leading to raised friction with India (Sigdel, 2018). However, according to Amish Raj Mulmi, an author of a book *All Roads Lead North: China, Nepal and the Contest for the Himalayas*, China has consciously projected itself as Nepal’s neighbor that is different from India. It has presented itself as a country that respects Nepal’s sovereignty and doesn’t interfere in the internal affairs of Nepal. He adds, whether China’s self-projection in Nepal is true or not is a separate case, yet, it has been attempting to build its image as Nepal’s neighbor that is more cordial than India.\(^3\) It is also my aim to investigate multilayered aspects of Chinese and Indian self-
projection in Nepal and how Nepal comprehends them. In coming chapters, I will categorically examine on such perspectives.

However, at this point, in the upcoming section, I discuss about the strategic and geopolitical importance of Nepal for China, India and countries of the west, especially the US. I argue that Nepal’s geopolitical positioning is important for China mainly to safeguard the security of Tibetan Autonomous Region (TAR); for India, to safeguard third country’s infiltration especially China’s and for western countries, it is important to check the activities of China in the region. As such, I show that there is a convergence of great powers in Nepal all of which are attempting to secure their interests.

3.4 A Himalayan Buffer: Nepal’s Strategic and Geopolitical Significance

Dev Raj Dahal, a prominent Nepalese scholar and a political scientist who served his twenty-four years in Friedrich-Ebert-Stiftung (FES)-Nepal office in different positions aligns his point with American political scientist Robert Jervis and argues that the distinctive feature of international system is anarchic. Anarchic in the sense that, states compete with other states to expand and optimize their power for national security. In this context, anarchical condition implies that security is scarce and “an increase in one state’s security will decrease the other’s security” keeping the states in a security dilemma (Jervis, 2000 pg.185; Dahal, 2011). I visited Dev Raj Dahal during May 2022 for an interview, and he further pointed to the fact that, since the 1962 Sino-Indian war, India is nervous and anxious about Chinese presence in the Himalayas including Nepal’s. India, therefore, always desires to keep Nepal within its security umbrella. Strategically, India fancies to isolate Nepal from Chinese activities. However, it is not keen to engineer offensive containment tactics against China.⁴

In an article published in 2018, a prominent Nepalese journalist, Sudheer Sharma who was also the editor-in-chief of Nepal’s largest daily Kantipur observes that, thousands of Tibetan refugees are residing in Nepal and India. China is careful on matters concerning the occasional protests by the Tibetans living in Nepal and Tibetans coming from India to Nepal to project anti-China

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⁴ Interview with Dahal 2022
activities from Nepalese soil. During 2008, Tibetan protests in Nepal’s capital lasted for about six months. Since then, there have not been any major protests, nevertheless, China does not want another unrest like that of 2008 (Sharma, 2018).

According to Khadga KC, a professor at the department of international relations and diplomacy at Tribhuvan University, China does not worry much about Nepal falling under the Indian sphere of influence as much as India worries Nepal falling within Chinese clout. China is more concerned about not letting Tibetan nationalist activities happening through Nepal’s soil. For this, China desires politically stable and predictable Nepal and it is willing to draft trade, investment, and various other connectivity projects vis-à-vis Tibetan Autonomous Region (TAR).5 Likewise, Mulmi observes that China and India have a different outlook when it comes to the Himalayas. In a Post-1962 Sino-Indian war, India has always been wary about Chinese activities in the Himalayan region and in its extension Nepal. Conversely, China has been comprehending India as not really a global player that China needs to worry about.6 Nevertheless, in forthcoming chapters I will show Sino-Indian friction points in South Asia in realm of regional player if not global. I argue that, in self-perception China sees itself more powerful, therefore, naturally, at regional front, China competes with India influencing smaller South Asian countries by applying tactics of infrastructure diplomacy.

The geopolitical gravity of Nepal has increased more than before due to China’s continuous global surge and India’s economic emergence. Professor of international law and jurisprudence, Yubaraj Sangroula, in his book South Asia-China Geo-economics argues that Nepal has numerous strategic high points drawing multiple international interests and influences. These are primarily targeted against China to a great extent and India to some extent. He further argues, before the disintegration of the Soviet Union, western countries specially the US had strategic objective of converting Nepal into a cockpit for the surveillance of China and India in an attempt to contain them. However, after the breakdown of Soviet Union such interests to India softened but the attention to China became further intensified. Today, America’s China containment strategy is more visible. For example, American activities in South China sea, its Indo-Pacific Strategy

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5 Interview with KC 2022
6 Interview with Mulmi 2022
(IPS) and the respective formation of informal strategic alliance called Quadrilateral Security Dialogue- Quad comprising four nations, Australia, India, Japan and the US reflects their interest for a free and open Indo-Pacific region (Sangroula, 2018). A British daily newspaper, The Guardian writes an article informing that Quad was formed in 2004 to provide humanitarian and disaster assistance. It was formalized in 2007 but remained stagnant for nearly a decade mainly due to Australia’s concern that it would bother China. Nevertheless, it was resurrected in 2017 when member countries started changing their attitude towards China’s growing influence in the region. Over time, American administration started viewing Quad as a pivot of IPS to counterweight China’s assertive presence. In response, China has been portraying the group as an “Asian NATO” (The Guardian, 2022). Moreover, India and China also share longest disputed border in the world covering the eastern sector- Arunachal Pradesh, central sector- Doklam Plateau, western sector- Ladakh and a small portion in Kashmir called Aksai Chin (Aljazeera, 2020).

Explicably, China and India are striving for regional and global influence and as we can see, there is a soaring geopolitical struggle between them primarily due to border disputes in the Himalayan front, India’s alliance with the US on IPS and its direct stake at Quad among others, all of which are strategically motivated for free, open, inclusive and resilient Indo-Pacific basically to contain Chinese influence in the region. In protecting their interest in the region, it is necessary for both China and India to build confidence with their close neighbors. Thus, it can be deciphered that China and India have a competing interest over Nepal, both trying to influence the political, economic and institutional resources. Therefore, despite being a small country in terms of economy and territory, Nepal occupies a crucial strategic position for China’s security mainly concerning the Tibet. For India, Nepal is a buffer territory to prevent third country’s infiltration directly into its Gangetic plain and safeguard its security from its northern frontier. Likewise, as discussed earlier, the strategic blocs are attempting to implement their activities to check and control the rise of China— making geo-strategic location of Nepal significant in South Asia both for regional and extra-regional actor(s). Nevertheless, Nepal’s geopolitical location is such that it cannot afford to be a part of any strategic alliance and has a necessity to maintain strategic balance between India and China without disenchanting their security needs and vital concerns. Notwithstanding what has just been said, the following section provides Nepal’s foreign policy
priorities vis-à-vis its Neighbors that are largely concentrated to leverage its geographic location maintaining neutrality and non-engagement in power bloc politics.

3.5 Foreign Policy and Development Imaginary of Nepal vis-à-vis its Neighbors

Robert S. Ross, an American political scientist argues that small states attempt to pursue a foreign policy aimed at maintaining their survival interest largely in the domain of physical, political and economic security (Ross, 1986). Dabhade and Pant contextualize the case of Nepal and argue that Nepal having been locked in an incessant security competition between the great powers seeks to promote its national interests by not distinctly lining up with one of the great powers, but exercise foreign policy that preserves its independent existence. Nevertheless, they further argue that expanding Sino-Indian power and influence in South Asia has been the fundamental determinant in the metamorphosis of Nepalese foreign policy (Dabhade & Pant, 2004). Rupak Sapkota, who served as a Deputy Executive Director at the Institute of Foreign Affairs (IFA), a think tank patronized by the Ministry of Foreign Affairs of Nepal argues that Nepal is acting cautiously in its relationship with big powers like China and India by adopting appropriate combination of principles and practices like non-alignment, neutrality, neutralization and balancing of powers essentially to enhance and maintain its own survival interest (Sapkota, 2020). However, this thesis is not aimed at nitty-gritty discussion on various aspects, provisions and several tentacles of Nepal’s foreign policy, but these orientations are interesting insofar as it enriches in understanding and locating Nepal’s interaction with its neighbors. Therefore, further, I will concentrate on the evolution of Nepal’s foreign policy vis-à-vis its neighbors and show how it has been applying several other strategies to protect its survival interest.

Until the 1990s, there were anxieties about Nepal getting absorbed by either of its two neighbors (Rose, 1971). From this perspective, it was existentially necessary for Nepal to diversify and counterbalance its active diplomacy beyond its immediate neighbors. Nepal even proposed its territory to be recognized as the ‘Zone of Peace’ with international community. The proposal was supported by 116 countries including China, US, UK and France. However, India considering Nepal as its Himalayan frontline for its own security did not show its support. The proposal did
not go forward (Anupam, 2021; Sapkota, 2020). However, over the past decade, Nepal’s foreign-policy paradigm is concentrated to leverage its geographic location as an advantage for Nepal by acting as a catalyst to intersect China and India for a collaborative relationship in a trilateral architecture, with Nepal itself attaining a decent autonomy for strategic partnership beyond its neighborhood (Sapkota, 2020).

Madhuker SJB Rana, a former Finance Minister and a Professor at South Asian Institute of Management in Nepal attempts to locate the paradigm shift in Nepal’s foreign policy and points out that, previously, in its foreign policy dictum, Nepal appeared to be holding the notion of ‘equidistance’ with its neighbors. However, lately, Nepal seems to be exercising the principle of ‘equicloseness’ (Rana, 2013). The former connotes more to a strategic and security-related approaches, while the latter indicates an equitably proximate relations with both China and India to seek cooperation in infrastructure and economic development of Nepal (Adhikari, 2018).

Scholar of international relations, Monalisa Adhikari argues that Nepal has been attempting to apply its diplomatic strategy to maintaining sound ties with both India and China, but its record has not been steady. Nepal has not been able to plot a framework to withstand their intervention in its internal affairs and it has not been able to draw benefits from their economic rise (Adhikari, 2012). Later in this thesis, I will discuss on the political intervention of India and China in Nepal’s internal affairs. My argument is that India has long been involved in micromanaging the state affairs of Nepal, in fact since 1950’s. However, China has not explicitly attempted to micromanage in a scale as Indians do, but lately Chinese activities are indicating that they are attempting to have a handle on Nepalese politics.

China has already been developing massive infrastructure projects in Tibet. Additionally, according to its 14th five-year plan 2021-2025, China plans to spend about USD 30 billion on transportation infrastructure projects in Tibet (The Economic Times, 2021). Apparently, they are the Tibetan infrastructures which will be connected to Nepal under the BRI. Gaurav Bhattarai, an assistant professor at the department of international relations and diplomacy at Tribhuvan University argues that Nepal’s own interests and concerns is getting marginalized amidst big concerns of its two neighbors. Nepal’s initial proposal to promote trade and connectivity between
China-Nepal-India with the idea of trilateralism appears to have lost its charm amidst effort to promote Chinese BRI (Bhattarai, 2018). It is mainly due to the contending interest of China and India regarding such connectivity projects. Further down in this section, I will show their contending interest and discuss how trilateralism is not working despite Nepal and China being interested in it.

India and China share 3488 kilometers long border (MHA, n.d.). Despite this, they just have Nathula Pass as the only operational trade route. This route was shut down following 1962 Indo-China war and resumed only during 2006. However, this trade route is unpredictable, snowy, expensive, and not an all-season route (Bhattarai, 2017a). In such a situation, the idea of trilateralism if comes to reality, it would have two distinct benefits for Nepal. First, with the ongoing infrastructural development in the TAR that continues to head toward Nepal, its asymmetric dependence on India would be downsized. Second, Nepal’s geography has a potential of connecting Chinese and Indian road and railway systems that would further reinvigorate the prospects of trade route from India to Tibet via Kathmandu and vice-versa making Nepal a connecting land bridge between China and India. This is beneficial for all three countries involved. However, connectivity mapping of such kind requires robust interest of both India and China. But India’s reservations concerning the China-led BRI projects and Nepal’s official entry into BRI is making the scene complicated (Khadga & Bhattarai, 2018). In a zoom meeting I met Bikram Timilsina who is pursuing his PhD at School of Government and International Relations, Griffith University, Australia. His PhD concentrates on studying how China, India and the US intervened Nepal diplomatically, economically and militarily during Nepal’s peace process. During his study, he interacted with several experts from Nepal, China, India and the US. According to Timilsina, India understands that China’s interest on BRI and trilateralism is not just about expanding and protecting each other’s economic interest. If it was the case, India would not remain reserved. He says, “India conceives that lately China has been aggressively marching forward to influence the domestic politics of smaller South Asian countries unlike in the past. For that reason, India wants to block China’s physical presence on those countries as much as possible. India simply does not trust Chinese activities”.7 His observation broadly indicates alleged political motive of China

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7 Interview with Timilsina 2022
which also carries its strategic interest in the region inspiring it to maintain a close relation with smaller South Asian countries and eventually India in the long run.

However, as discussed earlier, the cornerstone of Nepal’s foreign policy is neutrality and non-engagement in power bloc politics. As such, Nepal’s policy is conducive for economic collaboration with both of its neighbors. Its geographical location in between the two super-states having population of over a billion, pioneers of infrastructure development, robust markets, leading technology industries and greater engagement of multilateral organizations, likely makes Nepal a transit avenue for growing Sino-Indian trade, businesses and diplomatic competitiveness. Nepal seeks foreign direct investment to boost its economy especially from its neighbors, China, and India. Like China, India has also signed railway agreement with Nepal to link Nepal’s capital Kathmandu with India’s New Delhi during India’s Prime minister Narendra Modi’s visit to Nepal in 2018 (Joshi & Pokhrel, 2018). It is clear that, both China and India are eager to expand connectivity infrastructure in Nepal but ‘independently’. There is no collaboration, not even an interaction between China and India in their connectivity projects in Nepal.

Kathmandu is already better connected with half a dozen of cities in China by air. On the contrary, most air travels to India just tend to be limited within Kathmandu-Delhi shuttles (Dixit, 2022). As infrastructure development of such kind falls within the compass of Nepal’s development imaginary, it is apparent that China is becoming quite successful to charm Nepal by developing such connectivity as compared to India.

The National Planning Commission (NPC), the apex advisory body of the government of Nepal frames a national vision, periodic plans and policies for Nepal’s development. In its annual development programs and periodic plans, there has always been an emphasis on national-pride projects fundamentally linked to infrastructure, connectivity, tourism, social mobility and economic development among others. Similarly, Foreign Direct Investment (FDI) from the state and non-state actors are also prioritized along with the proper utilization of development aids in the development of Nepal.
According to Sangroula, Chinese authorities often suggest Nepal to maintain a harmonious relation with India for Nepal to garner Chinese support in its economic development. He further argues that Nepal has a potential to play role of a catalyst in building confidence within the region for China-Nepal-India trilateral partnership. However, he also observes that India is holding a hardline position pertaining to Nepal’s affinity with China. He indicates that Indian intelligentsia and think-tanks are viewing Nepal falling steadily in the Chinese clout moving away from India (Sangroula, 2018). This, as we have discussed earlier is manifesting the diverging interest of China, Nepal and India. The Chinese are clearly enthusiastic to march further South from China-Nepal border with economic motive, Nepalese are highly interested in venturing Nepal as a transit state between China and India foreseeing a huge trade exchange between them happening through its soil and India getting skeptic about the Chinese penetrating the Himalayas.

In such a divergent triangular conundrum, founder of the magazine Himal Southasian and cofounder of Himal media, Kanak Mani Dixit emphasizes the need for Nepal to be mindful about China’s ambitions as well as India’s security concern in the region. He argues, Nepal needs to be attentive in understanding this ‘new China’ comprising its momentum on the world stage, its ability to circumscribe India, its expanding military presence along the Himalayan frontier— and come forward with a China Policy that is considerate, thoughtful of Beijing’s likes and dislikes, and yet able to safeguard its own national interests, agencies, and democratic pathways. In doing so, he argues, Nepal also has equal necessity to be able to address India’s security interest in Nepal without losing its own strategic autonomy (Dixit, 2022).

Dahal made an interesting remark: “(…) India desires exclusive sphere of influence in Nepal. Denser presence of China or western countries minimizes India’s influence in Nepal. For Nepal, if one country has more influence, it will be a hegemony. If two countries have dominating role, then it’s a bi-gemony. As such, Nepal longs to neutralize such presences if they become excesses”. In similar vein, Acharya observes that, Nepal appears to base its decisions with regard to diplomatic overtures and initiatives from its neighbors or big powers on criteria of economic merit, national interest, non-alignment and not being used against one or another (Acharya, 2022).

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8 Interview with Dahal 2022
As said by Rose (1971, pg. 283) in his book *Nepal: Strategy for Survival*, Nepal’s foreign policy is best suited in the realm of “something from everybody, something for everybody”. By saying so, Rose emphasized the maximum diversification of Nepal’s political, economic and cultural relations with different countries across the world alongside its neighbor. Interestingly, during my interview, Dahal also quoted and relied on Rose’s observations and argued that Nepal relishes to diversify its international relations, political and economic relations, trade and commerce with diverse actors and it longs to de-Indianize, de-Sinify, de-Americanize or de-Westernize excessive presence so that there will be influences of all but ‘not an exclusive influence of one’.  

### 3.6 Chapter Summary

In this chapter, I presented an overview of relations between China, Nepal and India. As we have seen, China’s accelerated engagement with Nepal under the modalities of BRI—largely concentrated in the realm of super infrastructure projects like Trans-Himalayan Multi-Dimensional Connectivity Network is a recent phenomenon. However, Nepal’s relation with India is age-old and comprehensive pronounced in terms of historical linkages, similar culture, tradition, religion, political, social and economic engagements. The open border between them is distinctive in South Asia. That said, however, Nepalese economy is largely dependent on India manifesting a greater asymmetry between them. Part of this discussion have, for instance highlighted Nepal’s landlocked reality, its economic constraints, India’s political maneuvering, Chinese inroads and the interest of extra-regional actors in Nepal, all of which has increased Nepal’s eagerness to diversify relationship with various countries around the world.

I have presented readers with historical background concerning the existing Sino-India tensions and discussed that India is nervous and anxious about Chinese presence in the Himalayas including Nepal’s. Therefore, India desires to keep Nepal within its security umbrella. Strategically, India fancies to isolate Nepal from Chinese activities. On flip side, China does not worry much about Nepal falling under the Indian sphere of influence as much as India worries Nepal falling within Chinese clout. China is more concerned about not letting Tibetan nationalist activities happening

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9 Interview with Dahal 2022
through Nepal’s soil. For this, China desires politically stable and predictable Nepal and it is willing to draft trade, investment, and various other connectivity projects vis-à-vis the TAR.

Further, I discussed on the increasing geopolitical gravity of Nepal due to China’s continuous global surge and India’s economic emergence. Therefore, despite being a small country in terms of economy and territory, Nepal occupies a crucial strategic position for China’s security vis-à-vis Tibet. For India, Nepal is a buffer territory to prevent third country’s infiltration directly into its Gangetic plain and safeguard its security from the northern frontier.

Likewise, I discussed how strategic blocs are attempting to implement their activities in realm of checking and controlling the rise of China—making geo-strategic location of Nepal significant in South Asia both for regional and extra-regional actor(s). Eventually, I have shown that Nepal’s geopolitical location is such that it cannot afford to be a part of any strategic alliance and has a necessity to maintain a strategic balance between India and China without disenchanting their security needs and vital concerns.

Discussing on the foreign policy and development imaginary of Nepal, I have argued that Nepal is locked in an incessant security competition between the great powers, therefore, it seeks to promote its own national interests by not distinctly lining up with one of the great powers, but exercise foreign policy that preserves its independent existence. Accordingly, Nepal attempts to base its decisions with regard to diplomatic overtures and initiatives from its neighbors or big powers on criteria of economic merit, national interest, non-alignment and not being used against one or another.
CHAPTER 4

Nepal’s Neighbors: Battle of Discord and Harmony

While the preceding chapter explored the delicacies of the relationship between China, Nepal and India, their convergence in Nepal along with other great powers and foreign policy priorities of Nepal seeking to address its development imaginary, this chapter shall examine several facets of highs and lows in their relationships. This chapter will analyze and share the intricacies of pitfalls, harmony, opportunities and obstacles in their trilateral relationships. I will primarily be discussing Nepal’s geopolitical vulnerabilities and clutches of asymmetric dependence with India and China.

I argue that India has been entertaining its presence in Nepal while Nepal went through series of political departures over time. Nevertheless, at times, it has also been penalizing Nepal when it failed to address Indian interests. I will highlight the year 2015 as a pivotal year for India, Nepal and China due to China coming into attention more than before in their trilateral relationship. Consecutively, I present the geopolitics of BRI financing from multiple lenses. I will show how Nepal has attempted to move away from the orbit of India’s protective control over Nepal’s political economy. I will demonstrate that, in contrast to interest of Nepal’s southern neighbor, its northern neighbor is seeking a strategic partnership with Nepal by penetrating the Himalayas with its infrastructure making technology.

4.1 Nepal’s Love- Hate Relations with India

The 1950’s Indo- Nepal Treaty of Peace and Friendship is one of the significant events that defined Nepal’s special relationship with India, extradition and trade. This treaty played a vital role in delineating the national treatment of each other’s citizens, cross-border security, resource management and exclusion of third country taking any development projects in the Terai region of Nepal bordering with India (Dahal, 2011). However, after few months of signing this treaty, Nepal abolished the oligarchic Rana regime. Thereafter, India has been maintaining its presence in Nepal while Nepal has gone through series of political turmoil. From the 1951’s Delhi Agreement which was instrumental to establishing democratic regime in Nepal to brokering a 12-point agreement in 2005 that led to the end of 10-year long civil insurgency which eventually brought Maoist’s in the democratic process, New Delhi has been significantly involved.
Notwithstanding this, a former Nepalese UN official, Bhairaja Panday argues that, up until now Indian policy toward Nepal has been to maintain Nepal within a domain of ‘controlled anarchy’ so that Nepalese political regime has to keep shuttling to India. However, with reference to Nepal, he further argues, historical evidences shows that, anarchy cannot always be controlled (Panday, 2019). Why would India favor instability in Nepal that could readily spill over into India across the open border? This is something to ponder while accusing India of trying to create controlled anarchy in Nepal.

Historically, India has imposed three economic blockades on Nepal. The first was in 1970 when Nepal built the Arniko Highway with Chinese assistance and linked Kathmandu with the TAR of China. Despite being short-lived, this blockade projected India’s dissatisfaction with Nepal’s closeness to China. This blockade led to serious obstruction in the supply of commodities into Nepal (Pant, 2018). Following this, another ‘official blockade’ was imposed in 1989 when Nepal attempted to import anti-aircraft weapons from China (Rae, 2021). This blockade lasted for about fifteen months and created serious shortages of essential commodities (Pant, 2018). Lastly, in 2015 Nepal confronted a third blockade. This blockade was more agonizing than the previous blockades because it was right after the Nepal earthquake of 2015. Its root cause was Indian displeasure at the newly promulgated constitution of Nepal (Ojha, 2015).

The promulgation of Nepal’s new constitution in 2015 caused unease in India as it regarded Nepal of not addressing the dissenting voices of Madhesi from the Terai region including their citizenship issues inter alia, in Nepalese constitution. India considers Madhesi as people having close ethnic ties with Indians living across the border. Nepal’s ruling elites especially leftist see such act of India as an interference in Nepal’s internal affairs. Therefore, blockade was supported by India raising the issue of constitutional deficiency over the inclusion and representation of Madhesi ethnic group belonging from the southern plain region of Nepal (Khobragade, 2016).

I myself have a firsthand experience of 2015 blockade in Nepal as I was in Nepal studying third year of my bachelor’s degree. During the period, I was following most of the news spread across both Nepalese and Indian medias. India right from the beginning denied its role in the disruption of essential supplies into Nepal. However, several official assessments by Nepal alongside Indo-
Nepal border had a different story. Nepalese intelligentsia reckon that the ‘unofficial’ blockade of essential supplies was India’s traditional approach of signaling its unhappiness and displeasure when Nepalese side fail to address Indian interests— this time it was concerning the contents on the draft of Constitution of Nepal. The undeclared blockade which began in September 2015 and ended six months later inflicted greater economic damage to Nepal which was already hit hard by earthquake on the same year. Furthermore, the declining stocks of food, medicines and gasolines led to the humanitarian crisis. All of these events are estimated to have screwed up the trust between Kathmandu and New Delhi. At the level of civilians, it severely increased an anti-India sentiment.

Although Nepal has a clear internal narrative regarding India administered 2015 blockade, Nepalese Minister of Commerce and Supplies, Ganesh Man Pun intently bypassed the term “blockade” during Nepal’s attainment of 10th ministerial meeting of the WTO in Nairobi in 2015. Without naming Nepal’s neighbor India, it was articulated that, “disruption of supplies and hassles in transit created a humanitarian crisis in Nepal” (Bhattarai, 2018). This episode exhibited Nepal’s prudent diplomacy as Nepal did not embarrass its southern neighbor at international forum. However, in this thesis, it is not my aim to evaluate the strengths and weaknesses of Nepal’s diplomacy. Yet, these events are interesting to understand the nuances of Nepalese careful delivery of statements in the international platforms. This clearly depicts Nepal’s geopolitical vulnerabilities and clutches of asymmetric dependence with its immediate neighbors.

The year 2015 was a determining year in Nepal because this was also the year when China comes into attention more than before especially as a reaction of the blockade. Since the third-country trade of Nepal was halted, the then Prime Minister of Nepal, KP Sharma Oli opted for an alternative to the Indian Port in Haldia, Kolkata which is a major trading port for Nepal. Consequently, Nepal and China cemented their ties by signing three key projects with China: transport and transit agreement, signing of the BRI and agreement to bring Chinese trains inside the territory of Nepal. These initiatives have various implications for Nepal, for instance, reduction of Nepal’s dependency on India and diversification of Nepalese trade among others, which in turn has also emerged geopolitical questions (Firstpost, 2016b; Sharma, 2018).
According to Dahal, India tends to project suspicion regarding any bold initiative from Nepal that is linked with China. China does not prefer to use term like “sphere of influence” when it comes to expanding its outreach strategy in Nepal and its other neighbors. Contrastingly, India considers Nepal as its sphere of influence.\(^\text{10}\) As discussed earlier in chapter 3, section 3.3, China has attempted to establish itself as Nepal’s neighbor that is different than India. By and large, China’s attempt has been supportive for Nepal’s own interest in cultivating China as a counter to India’s political influence. Further down, in upcoming section, I will show how Nepal is hedging with its southern neighbor by tactically venturing Chinese capital being a part of the BRI.

When asked about China’s and India’s approach of dealings with Nepal, Timilsina made a very interesting observation. On Par with Dahal, he said, “One should look at China and India differently. China is authoritarian and deals with Nepal as a nation. There are no different elements or forces in China dealing with Nepal differently. Conversely, with India, Nepal has Army to Army relationships, both sides have decades long political relationships between different politicians in different political parties, and people-to-people relationships among others”\(^\text{11}\). Further Timilsina pointed out that India is not treating Nepal as a strong nation. It tries to influence different parties and elements in Nepal; it uses those soft spots to protect its interest. According to him, India played a role during the Terai movement in Nepal, and it attempted to influence the constitution promulgation in 2015 by using one force against the other to protect its own interest.\(^\text{12}\) As we can see, there are different departments and elements within India’s polity that has multifaceted and multilayered relationship with Nepal, therefore, it is quite tricky to determine what Indian establishments want to achieve in Nepal.

Ranjit Rae, a former Indian ambassador to Nepal in his book *Kathmandu Dilemma: Resetting India-Nepal Ties* points to the fact that, Nepalese intelligentsia has long been raising voice for the revision of 1950’s treaty of peace and friendship with India. Nepal has been arguing that the treaty was signed at a time when Nepal was still under the Rana’s oligarchic regime who wanted to ensure its regime survival. Moreover, the geopolitical circumstances of the region were very

\(^{10}\) Interview with Dahal 2022  
\(^{11}\) Interview with Timilsina 2022  
\(^{12}\) Interview with Timilsina 2022
different at that time which does not reflect the current realities, calling for revision of the treaty (Rae, 2021). Against such backdrop, during 2011, Nepal first proposed the formation of Eminent Persons Group (EPG) to review the past bilateral treaties between Nepal and India. Up until 2016 the idea of EPG did not go any further. Surprisingly, it was instantaneously sped up in February 2016 (Baral, 2019). It could be a coincidence, but a sudden expedition of the EPG implies that India might have realized its need to mend ties with Nepal followed by the most disgraced 2015 undeclared blockade. If this was not the case, India appeared to be comfortable in maintaining the traditional status quo in its relations with Nepal.

According to Nepalese political scientist and a geopolitical affair expert, Chandra D. Bhatta, “EPG report is neglected by India because it is mainly concerned with revising 1950’s treaty which delineates Nepal’s special relationship with India. EPG report is apparently about revisiting unequal clauses of treaties signed with India and renewing them on the basis of equal stake and reciprocity. This is against the interest of India. India feels uncomfortable when Nepal wants to escape out from India’s orbit”.13

Nepalese sides are willing to receive the EPG report soonest possible. However, it has been four years since the finalization of report, the Prime Minister of India has not shown any indication to receiving it (Giri, 2022a). This brings back Pandey’s argument of ‘controlled anarchy’. Events and attitudes as such are quite demonstrating pitfalls of India’s smothering and protective control of Nepal’s political economy.

Sigdel argues that, in dealing with sensitive matters which are of concern to Nepal, India has been perceived in Nepal as being “hawkish” and “selfish”. For instance, issues concerning different river treaties, hesitation in responding to frequent border-encroachment complaints, construction of mega-structures along the border, complaints on inundation, Indian armed forces’ mistreatment and harsh behavior, trade and transit disputes, and embargoes among others (Sigdel, 2018). Similarly, there are border disputes between Nepal and India at several fronts, most notably in Kalapani, Lipulekh and Limpiyadhura (AIDIA, 2020). Moreover, Sangroula (2018) argues that India’s leadership and bureaucracy are habituated to deal Nepal as per their convenience as

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13 Interview with Bhatta 2022
opposed to the principle of reciprocity and mutual benefits. As such, he further argues, it largely appears that Indian attitude with its small neighbor is motivated by hegemonic arrogance and not by paternalistic sentiments. It is interesting to note the tone of their arguments, in which India’s attitude are questionable, or, rather frustrating. It will be flimsy to make any quick judgement by saying that India has been treating Nepal as its satellite state. Nevertheless, it largely appears so. As I clarified in the beginning of this thesis that, this study only incorporates Nepalese perspective on the Indian and Chinese involvement in Nepal. Hitherto, it would be risky to quickly jump and evaluate the phenomena without proper research on India’s perspective.

4.2 Geopolitics of BRI Financing
The BRI aims to reinvigorate the historical linkages, notably addressed as a 21st century Maritime Silk Road. It was first proposed in 2013 seeking to connect China with several countries across Asia, Africa, and Europe (Sidaway et al., 2020; Website of European Bank for Reconstruction and Development, n.d.; Winter, 2021). Nepal formally became part of the BRI project on 12 May 2017. All the South Asian states except India have joined the BRI project. India showed its unwillingness due to the strategic partnership between China and Pakistan vis-à-vis China-Pakistan Economic Corridor (CPEC). India has rather chosen to be a part of US led Indo-Pacific Strategy (Baral, 2019).

However, it should be noted that unlike India and Pakistan, India and China have no direct disagreement at economic front. They have partnerships at the level of trade, businesses and similar other mode of economic exchanges. China and India work together in common platforms like Asian Infrastructure Investment Bank (AIIB): India has endorsed China’s initiative to establish this bank by contributing 8.37 percent, whereas China’s investment is 30 percent. Furthermore, they are collaborating partners in a group of five major emerging economies: Brazil, Russia, India, China and South Africa (BRICS) and Shanghai Cooperation Organization (SCO) among others (Baral, 2015). Therefore, it is apparent that China and India have differing security and strategic fronts, but they have similar economic aspirations.

Bukhari and Bakht indicate that China’s economic role in South Asia is advantageous for both China and South Asia. On the one hand, Chinese goods are cheaper as compared to goods imported from other countries and falls within the sphere of purchasing power of majority of South Asians.
On the other hand, China’s gigantic economic clout gives much space to South Asian goods in Chinese markets (Bukhari & Bakht, 2013). Taking their observation in account, BRI projects should have accelerated a bigger goodwill across international communities as it claims to be a massive economic project for the welfare of all. However, there are rising concerns about the embodiment of Chinese “predatory lending” and “debt trap” featuring the BRI (Lai et al., 2020).

Earlier BRI infrastructure financing received criticisms regarding the Chinese practices of “debt trap” diplomacy. It has been accused of providing “predatory loan” to countries with weak financial conditions where it is not possible for them to develop mega infrastructures from their own internal revenue. China has been accused that, eventually, when a recipient country is unable to pay back the loan, it finds an opportunity to acquire cardinal areas or port with valuable natural or strategic significance (Shattuck, 2018). China invested projects in South Asian countries especially in Pakistan’s China-Pakistan Economic Corridor (CPEC), Gwadar Port, oil and gas pipelines, road and railway infrastructure, and range of other energy projects have seen some resistance. Similarly, the role of Chinese in the development of Hambantota town’s port, airport and several highways in Sri Lanka, some strategic location that could significantly increase Chinese trade from Eastern Africa to East Asian states met growing criticism. The displeasure is concerned with typical conditions linked with Chinese loan that required project contracts to be given to Chinese companies with a minimum fifty percent of material, technology and service men to be outsourced from China (Eva, et al., 2018). Likewise, Chinese presence in Myanmar has led to an uninterrupted flow of natural deposits from Myanmar to China due to enhanced connectivity and economic interactions between them. As such, Chinese investments in Myanmar has been criticized for pouring money in extractive sectors that does not lead to sustainable employment generation (Pulipaka, 2016).

Critics generally discredit Chinese aid for facilitating Chinese companies to gain access to the resources of recipient countries. Nevertheless, supporters of China’s aid programme contend that it has allowed to advance infrastructure and investment in demand driven activities of the recipient countries, primarily the areas neglected by DAC donors (Bräutigam, 2011). Pranab Kharel, who is affiliated to Martin Chautari, a Kathamndu based academic non-profit argues that BRI is also about leveraging Chinese core-competency in infrastructure building. Furthermore, it is instrumental in resolving the challenges of excess industrial productivity like steel and cement,
that can be traded internationally for generating revenues to Chinese companies.\textsuperscript{14} Kharel’s point makes it clear that China’s BRI is about profit making and essentially not much about development. Bishnu Raj Upreti, chief executive at Nepal’s Policy Research Institute argues that Indian approach of aid and development in Nepal is completely different from China’s. Upreti crafted his views by saying, “(…) India considers its aid and development assistance in Nepal as its investment which is not necessarily allocated to derive profit”.\textsuperscript{15} Kharel’s and Upreti’s observation indicates that China has an approach of a banker and not much as a benefactor unlike India whose primary approach in Nepal is as a benefactor and secondarily as a banker.

It should be noted that the BRI projects in different countries are funded with a loan from Chinese commercial banks, especially, the Exim Bank of China and the China Development Bank. Observing the obvious, Bhattarai states that, several friendly countries of the west have cautioned Nepal over the issue of possible debt trap and loss of state sovereignty while executing BRI projects in Nepal. Nevertheless, Bhattarai also considers China’s view on debt trap accusation and writes that, China has been discrediting the debt trap narrative as a mere propaganda to contain its inevitable status as a rising power of the world. He further observes Nepalese perspective and states that, Nepal has built a national consensus on not accepting loans, but, rather, asking for grant assistance to implement the China-led railway project (Bhattarai, 2021). This suggests that there are some reservations in Nepalese elite when it comes to Chinese loans. Anil Giri, one of the top-notch journalists writes in The Kathmandu Post; Nepal has long been taking loans from multilateral organizations like the World Bank and the Asian Development Bank (ADB) among others, whose interest rates are cheap with a prolonged payback period. They offer loan at a maximum of 1.5 percent, whereas other commercial loan has interest crossing over 2 percent. Referring to the statement of the official from the Finance Ministry of Nepal, Giri writes that, Nepal is in no position to take commercial loan from Chinese banks and financial institutions for garnering BRI project (Giri, 2022). Therefore, it appears that Nepal has chosen a safe side on popular debt trap narrative.

However, Bhattarai argues that, initially China provided loan without reviewing the pay-back potential of recipient countries. Consequently, many countries could not pay back. This in turn

\textsuperscript{14} Interview with Kharel 2022  
\textsuperscript{15} Interview with Upreti 2022
was understood by the western media as ‘debt-trap’. However, today, China has learned the lesson and is more cautious about BRI loan (Bhattarai, 2022c).

Shambhu Kattel reports to one of the leading Nepal’s news portal, Annapurna Post by writing that, it has been five years since Nepal has signed the BRI. However, no significant progress has been made in implementing BRI projects. The government of Nepal is still not clear whether the projects run through a loan or grant. Additionally, Nepal has also been insisting in-depth discussions on the modalities of the project. Thereupon, Nepal made it clear that unless these issues are sorted out, BRI projects could not be implemented (Kattel, 2022).

Unlike the multinational financial institutions like the World Bank and the Asian Development Bank (ADB) which conduct feasibility studies, draw Detailed Project Report (DPR) for a proposed project and provide loans only upon finding the project viable, BRI projects are different in the sense that those tasks are conducted by the loan-recipient countries themselves (Bhattarai, 2022c). Notwithstanding this, both Nepal and China view transnational infrastructures in terms of highways, railways, telecommunications, hydropower development, inter alia, as mutually beneficial bilateral projects which is in line with their convergent national interest (Murton, 2020).

As a matter of fact, I argue, China’s involvement in the economic development is not just beneficial to Nepal but also for the Chinese as it serves security, trade and business interest of China. Economically developed and stable Nepal can restrain anti-China activities from Nepal. Although the share of China’s revenue by trading with Nepal is quite nominal as compared to other countries, it still is a big potential because of Nepal’s straight contact with northern India. China and India are two biggest trading partners in the region already. Clearly, richer China appears to be seeking a strategic partnership with Nepal by penetrating the Himalayas with its infrastructure making technology.

Followed by India, China is the largest trading partner of Nepal. And unlike India, Nepal is a part of multi-billion-dollar BRI. As Nepal adheres to the policy of equiproximity with its neighbor, implementing BRI project would be a daunting task — it needs to take India into confidence. Jha (2017) argues that planned Rasuwagadhi-Kerung railway-cum-roadway route is strategically significant for China: China plans to enter Nepal through this route and further to Northern India. This is also the shortest route that would connect China with India, even bypassing Kathmandu. Against this backdrop, Indian regime naturally feels nervous when Chinese start entering Nepal.
and further to the periphery of Indian border. For India, security threat is primarily due to the porous border between Nepal and India. However, Nepal is emphasizing trilateral corridor as an avenue for an economic and socio-cultural connectivity and not as a strategic passage with other intents.

4.3 Chapter Summary
In this chapter, I first conferred Nepal’s special relationship with India stemming out of 1950’s Treaty of Peace and Friendship between them. Part of this discussion also detailed India’s influential role in Nepal when it went through series of political departures. Certainly, India’s instrumental role in bringing about political change in Nepal starting from the introduction of democracy in 1950 is acknowledged by Nepalese political actors. However, concurrently, this chapter has also demonstrated pitfalls of India’s smothering and protective control over Nepal’s political economy. Here, I discussed that the year 2015 was quite a decisive year for India, Nepal and China as we can see, ‘undeclared blockade’ acted as a catalyst which manifested China into glare attention more than ever before in the region.

Since then, it is important to see Nepal and China cementing their ties by signing several projects under the BRI framework. Consecutively I presented that, Chinese clout in Nepal is in continuous surge. Nevertheless, I have critically presented spectrums of debt trap narrative concerning China-led BRI financing and discussed under what modality Nepal desires to engage in it. Additionally, I have discussed how BRI outreach strategy in Nepal serves China’s security, trade and business interest in South which is quite different from how Nepal emphasizes it; Nepal sights it in terms of economic and socio-cultural connectivity avenue and not as a strategic passage for China.
CHAPTER 5

Nepal’s Perception of Strategic Competition between China and India

The previous chapter sought to demonstrate China’s increasing clout in Nepal contesting with India’s traditional influence. This chapter will explore how small states in South Asia consider China as potential alternative to maintain a strategic balance against India. I will also be exploring how China understands India’s stake at the IPS and Quad among others. Eventually, I argue that small states in South Asia, like Nepal employs a tactic of strategic hedging in power bloc politics by pursuing limited or ambiguous alignment with China and India to secure themselves from strategic and economic vulnerabilities. Next, I shall explore how China is creating a bloc of South Asian countries other than India.

Further, I will show the potential costs and benefits of China’s expanding influences in Nepal and show several strategic assets of Nepal that are gradually changing the politics of its northern and southern neighbor. This will follow the argument that, in the event of changing world power relations, US is also seeking its space in the region and attempts to expand its influence in countries that are close to China including Nepal. Here, I will also discuss challenges for Nepal to maintain the position of traditional neutrality and non-alignment against the realm of powerplay between China and US-India.

5.1 China in South Asia: Implications for Nepal

Boon argues that China’s behavior in Asia can be understood in two-pronged strategic lens: first, a harder and more uncompromising policy on matters where Chinese core interest lies; and second, a more flexible and cooperative approach toward valuable interests that are relatively secondary in nature. This double-edged strategic discourse in Chinese is phrased as ‘yingde gengying, ruande gengruan’ which translates as ‘hardening the hard, softening the soft’ (Boon, 2017 pg. 641). Contextually, in an article published in 2018, Sharma classifies China’s South Asia policy in five segments. In understanding China’s South Asia policy, he expresses that his knowledge is based on his frequent witnesses of the official interactions between Chinese and Nepalese officials on different forums in China as a part of Nepalese delegation, his interaction with professors from notable Chinese universities like Peking, Tsinghua and Renmin University among others.
Furthermore, he mentions his interaction with experts from private and government think-tanks, former ambassadors of China, Nepalese involved in professional-academic domains, some foreign diplomats and journalists. China’s South Asia policy, according to Sharma are as follows:

First, concerning border security issue: The provinces of China like Xinjiang and Tibet bordering South Asia are under constant threat of separatist movement. Therefore, China’s South Asia policy is linked to issues of security risks in these border areas. In that sense, Tibetan issue has always kept Nepal on the Chinese radar. Second, concerning security of supply lines: until China develops its full-fledge railways as an alternative, its import-export lifeline is the Indian Ocean through which more than half of its international trade passes. Therefore, China highly prioritizes its interests and concerns in the Indian Ocean rim. Third, concerning its balance of power with India: China considers US as its competitor. The US attempts to pull as many countries as possible into its strategic bloc. Contextually, in South Asia, India is the best example where Sino-US tensions can be understood— China does not prefer to see India moving toward US bloc. At its best, China wants India to adhere toward China itself. If not, China at least wants India to comply on the traditional concept of “strategic autonomy”, by which India would maintain equal relation with all powers of the world. Fourth, concerning its BRI project: China-Pakistan Economic Corridor (CPEC) is one of the largest BRI projects in South Asia that gives China an access to strategically important Pakistani port in Gwadar. Likewise, another BRI project which is yet to start is the trans-Himalayan economic corridor connecting Tibet and Nepal will become another strategic venture of China. From Chinese lens, South Asia could become a bridge connecting the land and sea for a trade. China also estimates these strategic routes as the major economic lifeboat if maritime tensions in South China Sea and Indian Ocean becomes a frequent occurring. Fifth, concerning South Asian market: South Asia is one of the most populous regions of the world which is a large market for Chinese trade and businesses; China desires to expand its clout in South Asia (Sharma, 2018).

In one of the chapters from a book South Asia and China: Engagement in the Twenty-First Century, Kosh Raj Koirala argues that China has been expanding its influence in India’s neighborhood by investing in major infrastructure projects, like hydropower dam, ports and airports. Apart from that, it has been attracting students from those countries offering scholarships, it has been giving military aid, providing training to the security bodies and regularly exchanging
high-profile visits. As such, he argues, small states in South Asia view China as an acceptable alternative to maintain a strategic equilibrium against perceived or real hegemonic behavior of India. This in turn is giving them confidence to deal with their own “security dilemma” (Koirala, 2021). As discussed in earlier chapters, in rhetoric, unlike India, China does not call South Asia its "sphere of influence". Nevertheless, Sharma’s and Koirala’s interpretations clearly indicates that China wants to expand its presence in the region and steadily achieve its self-interest.

In South Asia, a multilateral forum South Asian Association for Regional Cooperation (SAARC) was established to promote the regional integration, welfare of South Asians, accelerate economic growth and social progress among others. However, Ironically, it failed to demonstrate itself as a viable regional institution, failed to uplift its image in international community and failed to develop qualitative interdependence among the member states (Sangroula, 2018). It has been more than three and half decades since the establishment of SAARC but this institution has been in all time hostages due to consistent differences and disagreements between India and Pakistan (Neupane, 2022). The total volume of intra-regional trade in SAARC is at mere 6.8 percent of South Asia’s total cross-border trade. Interestingly, this region’s total volume of trade with the EU is 62 percent (Sangroula, 2018). The physical connectivity among the SAARC member states is poor. There are millions of people who are yet to be lifted from the vicious cycle of poverty. Against such backdrop, on the flip side, China has been far more successful to develop physical connectivity within its boundary and lately it is spreading this competence outside China via its flagship BRI project.

In 2005, following King Gyanendra Shah’s political coup, Nepal bought military supplies from China and actively sought to gain full membership for China in SAARC despite India’s strong reservations against it (Rae, 2021). However, China was granted observer status of SAARC during its 13th summit held in 2005 in Dhaka, Bangladesh. The then King Shah’s lobbying was partially effective as India only agreed to grant observer status. Therefore, China’s desire to enter South Asia through SAARC mechanism was not successful due to India’s repeated opposition during different other summits. Subsequently, China came up with a new strategy along with other SAARC countries like Nepal, Pakistan, Afghanistan, Bangladesh, and Sri Lanka. The strategy is the establishment of China-South Asian Poverty Alleviation and Cooperative Development Center (Pandey, 2021). The center aims to contribute to the economic development and livelihood
improvement of South Asian countries, integrate resources, and exchange knowledge. Above all, I argue, China’s remarkable achievements in poverty alleviation is an appealing project for South Asians. At a time when SAARC’s Poverty Alleviation Center is inactive due to Indo-Pakistan tension since 2016, China has an opportunity to pursue its soft power diplomacy in South Asia. China is clearly creating a bloc of South Asian countries other than India manifesting its expansion of influence in the region where Nepal is also a part of it.

However, when I asked about implications of China’s attempt to creating such bloc for India, Dahal said:

“China does not feel threatened of India’s intrinsic power. However, it feels anxious because of India’s acquired power from its alliance. India is a member of Quad which is apparently NATO in its extension. Apart from that, India is a major stakeholder of US-led IPS, all of which depicting that India is no longer an independent actor in South Asia. China fears of India getting dictated by alliances like this”. 16

Dahal’s argument is not unique in itself. However, it provides an insight into the alignment of great powers in South Asia. Heeding their alliances, I will further argue that fundamentals of small states in South Asia, like Nepal is ‘strategic hedging’— where they appear to pursue limited or ambiguous alignment with China and India to secure themselves from strategic and economic vulnerabilities. For instance, I discussed earlier in chapter 4, section 4.1 that Nepal had a strategic shift to China during 2015 undeclared blockade. There are unique nuances as such in the case of Afghanistan, Bangladesh, Sri Lanka and Myanmar among others. However, due to my concentration on a singular case of Nepal, I will discuss only on the relevancy of Nepal’s strategic hedging with China and India.

Discussing on Nepal’s strategic hedging behavior, Gaurav Raja Dahal shows how a small state like Nepal develops its foreign policy to tackle the power politics and employs economic pragmatism in the realm of smart power and skillful diplomacy to fit its needs (Dahal, 2021). Likewise, analyzing Nepal’s foreign policy from the perspective of hedging, Mainali argues that in pursuit of an economic risk management strategy, it is advantageous for Nepal to send ambiguous signals to the competing powers like China and India (Mainali, 2022). Along similar

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16 Interview with Dahal 2022
lines, I argue, at a time when Nepal’s economic dependency is significantly asymmetric with India and China’s new interest in Nepal, administering the practice of strategic hedging is more relevant for Nepal not just to secure itself from economic vulnerabilities but also to address its development imaginary by venturing financial and technical assistance from both China and India.

In chapter 4, I discussed on Nepal’s love-hate relationship with India and also its newest engagements with China since 2015. Seemingly, Nepal’s new and renewed relationship with China could be a double-edged sword. To the one side, expanding cooperation helps Nepal on the road of prosperity and modernity. To the other side, there are potential costs and compromises. For instance, economic funding comes with political advice. Put another way, economic exploitation and political interference of various forms and nature. For example, evidently, in South Asia, Sri Lanka is in a loss, it has to pay back Chinese debt. Politically, there remains possibilities of Sri Lanka depending on China. According to Timilsina, “Physically, China wants to capitalize its infrastructure development competency as a tool to become a world power. In South Asia, it sees India as a non-cooperative country. Therefore, strategically China desires to take all smaller South Asian states into confidence anticipating that it will be quite easy to deal with India in the long run”.17 He further points out that China is not really interested in encircling India as such, but it certainly wants to maintain a strong grip in the region so that it can strategically utilize those countries when China is in need or difficulties.

Dahal made an interesting point:

“Chinese aid so far is de-ideologized. It has never promoted communism previously. Even Nepal’s ‘political communist’ parties were trained in India and not in China or Russia. Nepal has acquired nothing from China except consumer goods and foreign aid. However, Nepal has acquired the concept of economic, political, social, legal, democratic system, inter alia from the west and India. Nepal’s worldview has been shaped from this acquired knowledge so far and not shaped by the knowledge of China”.18

Dahal’s observation suggests that China’s foreign policy outlook toward Nepal is not political but more on economic front. His points are interesting in so far as it offers a popular perception of

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17 Interview with Timilsina 2022
18 Interview with Dahal 2022
Chinese presence in Nepal. Nevertheless, I argue that lately China is seen being interested in Nepal at political front as well. For instance, in chapter 6, section 6.2, I show that Chinese official put contesting remarks about the MCC and their inherent interest on leftist union among others.

Dixit observes that, at bilateral meetings with China, before substantive agendas are featured, Chinese delegations aspire to hear that Nepal shall never allow anti-China activities from its soil and by-rote declaration of Nepalese government regarding One-China Policy (Dixit, 2022). I argue that Chinese financial and technical assistance in Nepal also depends on how China perceives Nepal’s adherence to One-China Policy. In context, China’s involvement in Nepal with BRI and other infrastructure projects are fueling Nepal’s development imaginary. Alongside, such projects are also acting as a tool for the projection of geopolitical power vis-à-vis Nepal’s southern neighbor India and other distant neighbors of the west. The upcoming section is an attempt to discussing more into it.

5.2 China and India, but Comes the US: Locating an Interplay of Great Powers in Nepal

In 2017, China and India experienced a close military confrontation in a disputed region of the Doklam plateau near the Bhutan-China-India tri-junction (Ganguly & Scobell, 2018). Following that, China-India border standoff in Galwan Valley in June 2020 led to worst fighting between the militaries of China and India in over four decades. It resulted in casualties on both sides. Even today, the fundamental cause of this standoff remains unclear, and two sides still have various friction points in the mountainous terrain of Ladakh (Singh, 2022). Mulmi points out, “(…) for over thirty years, issue of border disputes between them were kept under looked, however they kept enhancing their economic relationships. Eventually, there was a military conflict yet again, which means, yes one can try to engage economically, but as long as irritants remain in a relationship, the relationship will continue to be flawed”. 19

Such standoff exhibits policy ambiguities of both China and India. One the one hand, both longs to check the rise of each other by demonstrating their strength and psychological vantage in their bilateral ties. On the other hand, both are strained about the impact of such conflicts on the

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19 Interview with Mulmi 2022
materialization of their regional and global aspirations where a cordial ties between them is a necessity.

Considering the fact that China and India are hardly connected via land trading route, Nepal has been advocating the idea of trilateral partnership and an economic corridor (see earlier in chapter 3, section 3.5) when Maoist leader Pushpa Kamal Dahal assumed the office of Prime Minister in 2008. Nepal’s interest emerged both from economic and political opportunisms. At economic front, it will strengthen its economy and other development initiatives. At political front, this can strike a balance between China and India. However, India has responded to the proposal of trilateral cooperation in a cold tone (Behera & Mayilvaganan, 2021). Along the same line, realizing the increasingly assertive activities of China since 2013, the US has been leading a key geopolitical strategy, Indo-Pacific Strategy. Rhetorically India endorses this strategy— India is aware of its considerable material difference compared to China and that China is leveraging this difference over smaller states of South Asia including Nepal (Pant & Rej, 2018). In 2017, Online Khabar, an independent private online news portal covered a report on China-Nepal Think Tank Conference held in Kathmandu focusing on One Belt One Road (OBOR) and trilateral cooperation. Reflecting the perspective of Chinese scholars, it writes that India is on high alert to advance its relation with Nepal mainly due to “China factor” (OnlineKhabar, 2017). In the event of Nepal-China bilateral relation, Bhattarai argues that BRI acts as a strategic pathway for China to enter South Asian markets by building and upgrading Nepal’s physical infrastructure. To illustrate one, the extension of Qinghai-Tibet railway to Nepal border is an effort in this course (Bhattarai, 2017b).

On 22 November 2021, I attended a symposium hosted by The Peace Research Institute Oslo (PRIO) on the role of small states in a changing global order. One of the speakers on the symposium was Professor Tone Bleie of the UiT- the Arctic University of Norway. She presented on a topic Nepal’s Strategic Geography in the Context of Great Power Rivalry. Bleie made an interesting observation: Nepal is a connecting hub for “blue power”, most of the Himalayan rivers originates from Tibetan plateau and forms transboundary watersheds in Nepal (Gandaki, Koshi, Karnali, Mahakali etc.). These downstream water services provide 50, 000 MW hydropower potential for Nepal of which only 1180 MW has been utilized. Alongside, it treasures a wonderland for Himalayan adventures. Apart from that, signing several bilateral river treaties with Nepal, India has attempted to capitalize these rivers in its favors in realm of constructing canals and launching
several irrigation projects (Bleie, 2021). Nepal’s governance in the capitalization of its hydropower and management of its climate change adaptation carries considerable implications for the future of 500 million people living across the Gangetic plain of India (Dahal, 2011). Likewise, guided by the four North-South transects of the Hindu Kush Himalaya, Nepal also centers itself as a hub for transborder natural resource management identifying six transboundary landscapes: Kailash, Kanchenjunga, Far Eastern Himalaya, Hindu Kush Karakoram Pamir, Everest, and Cherrapunjeé-Chittagong (Shakya et al., 2012). Therefore, it is clear that natural and cultural geography of Nepal makes it a fascinating location for its neighbors in terms of resource exploration.

Against this background, China and Nepal are interested in developing three North-South Economic corridors in Nepal, namely, Koshi, Gandaki and Karnali economic corridor. These corridors if becomes a reality, will create more jobs, improve local livelihood and stimulate economic growth in Nepal (MOFA, 2018). Interestingly, these corridors are also the cornerstones for the China-Nepal-India trilateralism, the idea against which India has a strong reservation so far. Clearly, Nepal needs financial assets to exploit its resources. In that context, Nepal sees China as its potential investor and China is keen to invest. On the other hand, India is not in a position to invest in Nepal as much as China is.

Xuetong argues that, during early 1990s, two core principles governed Chinese foreign policy. First was Deng’s well-known axiom of ‘Tao Guang Yang Hui’ which translates as ‘keeping a low profile’ for economic development. Second was to prioritize its relations with the US. The ramifications of these foreign policy dictum has been that it helped China avoid confrontations with US and China never opposed the US in international conflicts that were of no interest to China (Xuetong, 2014). However, today, under the leadership of Xi Jinping, China seeks to maintain the regional hegemony by reducing US influence in its periphery. In turn, the US seeks to counteract China from dominating the Indo-Pacific region. In doing so, India is its strategic partner in South Asia. Binoj Basnyat, a strategic analyst and a former Major General of the Nepalese Army makes an analysis of Indo-Pacific Strategy paper of 2022 and writes for the Observer Research Foundation that, “IPS-22 envisages India as a concurring, critical strategic partner, a democracy for closer security and economic ties, efficient to lead South Asia and the Indian Ocean, active in and connected to Southeast Asia, dynamic strength of Quad, and an apparatus for regional progress and development and supports India’s continued rise and regional leadership” (Basnyat, 2022).
In the event of changing world power relations, US considers emerging China as its strategic competitor. Naturally, it seeks to expand its influence in countries that are close to China. US interest in Nepal is bound to increase too. In the month of February 2022, after going through series of public protests, controversies, and political tensions, eventually, Millennium Challenge Corporation (MCC) compact, a $500 million development grant from the US was ratified by the parliament of Nepal (Global Times, 2022). The grant was for developing electricity grids, lowering transportation costs, supporting to spur investments, accelerate economic growth, and reduce poverty (MCC Nepal, n.d.). However, the controversy began when some US officials stated that Nepal has also became a part of Indo-Pacific Strategy devised to counter China in Asia. Against this backdrop, Nepalese parliament made an “interpretative declaration” stressing Nepal’s sovereignty and the supremacy of its constitution and that Nepal will not become a part of any strategic, military or security alliance of the US (The Economist, 2022; Global Times, 2022).

According to Timilsina, Nepal is important for the US only because of its geo-location which is in proximity to China. Nevertheless, he sees that it is not just Nepal that US desires to keep in its strategic embrace. There are thirteen more countries bordering China where US is equally interested in. His observation clearly indicates that Nepal is not the only place of geopolitical significance for the US. However, US will seek to maintain a good relationship with Nepal anticipating that it gets support from Nepal at a critical juncture.

So far, China’s long-standing effort to build a new alternative world order with Chinese leadership by shaking up US-led world order is not easy for China as it lacks political, economic, cultural, and moral currency. The US has spent billions of dollars generously, helping countries around the world to build the world order under its leadership— English language, it’s think-tanks and intelligence units, NGOs, civil liberties, political pluralism, the power and influence of the judiciary are some of the fundamental attributes that China lacks.

Notwithstanding this, Nepal perfectly serves China’s long-standing ambition to get connected with South Asia via land route. Upon the completion of the trans-Himalayan connectivity corridors, there will be a potential shift to ‘land-linked’ status of Nepal departing from the conventional ‘landlocked’ identity. However, given the controversies of Tibetan demography, China is not

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Interview with Timilsina
likely to allow free movement of people living in TAR into South Asia, mainly to India and vice-versa. Therefore, trans-Himalayan connectivity project is less likely to maintain people-to-people ties. Implications of such will reflect on economic line vis-à-vis rails and roads. During the visit of Chinese Foreign Minister Wang Yi on 25 March 2022, no fruitful discussions were made on the BRI front. Nepalese sides were simply not prepared to advance further on BRI projects. In context, the Director of the Institute for South Asian Studies at the China Institute of Contemporary International Relations (CICIR), Hu Shisheng said in his remarks, “Nepal's acceptance of the US-funded MCC and its apparent reluctance to pursue BRI programs are some of the events that are suggesting some adverse indication for the future” (Giri, 2022).

About 15,000 Tibetan refugees are living in Nepal after the 1959 failed uprising in Tibet. In May 2022, US undersecretary and special coordinator for Tibetan issues Uzra Zeya visited Nepal right after her visit to India where she met Tibetan religious leader Dalai Lama. Her Nepal visit was also concentrated on Tibetan refugees residing in Nepal (Giri, 2022b). As such, recently, Nepal has been dealing with some challenges in maintaining the position of traditional neutrality and non-alignment against the realm of powerplay between China and US-India. Bhatta underlines that China has been engaging heavily with state institutions of Nepal like, Nepal Army, Nepal Police and other military beats concerning its security issues. It is because, according to him, China does not consider other administrative bodies of Nepal as reliable to address the security issues of China.21

Apart from what has just been discussed, Nepal has been drawing China’s attention on recurring controversial incidents like, Nepalese lawmakers visiting Europe to attend Tibet Convention and Nepalese journalists circulating news report on Dalai Lama’s condition among others (Giri, 2019). Clearly, such incidents make China anxious and displeased with Nepalese authorities. Therefore, Chinese are skeptical that even though Nepal has adopted One-China Policy in principle, it has not followed it in practice. Nevertheless, I argue, Tibet as a part of China and to a larger extent “One-China Policy is Nepal’s conditional factor”. For Nepal’s survival as a state and for safeguarding its national sovereignty, Tibet as a part of China is inherently in the interest of Nepal.

21 Interview with Bhatta 2022
5.3 Chapter Summary

As discussed in this chapter, Nepal is aware of China’s expanding influence in the region with several approaches. Nepal is cognizant of Chinese presence in smaller economies of the region which has been supportive in maintaining a strategic equilibrium against perceived or real hegemonic behavior of India. This in turn has given confidence to smaller states in dealing with their own security dilemma. Against this backdrop, this chapter has provided an insight into the employment of strategic hedging where small state like Nepal has been pursuing limited or ambiguous alignment with China and India to secure itself from strategic and economic vulnerabilities. Further, Nepal observes that China has been attempting to create a bloc of South Asian countries minus India by establishing China-South Asian Poverty Alleviation and Cooperative Development Center. Similarly, Nepal is mindful about its new and renewed relationship with China which could be a double-edged sword containing the ingredients of road to prosperity and modernity to the one side and some political conditions to the other side; chiefly, Nepal’s by-rote declaration regarding One-China Policy and no tolerance over anti-China activities in Nepal’s soil. Apparently, China’s involvement in Nepal with BRI and other soft infrastructures is also acting as a tool for the projection of China’s geopolitical power in the region and beyond.

Following this, I discussed how Nepal understands the strategic alliance between India and the US against Chinese activities in the region. Here, I presented facets of Sino-Indian friction points and India’s stake in the US-led strategic alliance. As I argued, Nepal conceives that India is interested in such alliances mainly due to its considerable material differences compared to China and that China is leveraging this difference over smaller states of South Asia including Nepal, which India considers is its traditional sphere of influence. As further discussed, Nepal is crystal clear that a major impediment for its transnational connectivity is its unfavorable placement as a landlocked country. Therefore, Trans-Himalayan diplomacy with China and Indo-Gangetic diplomacy with India are its strategic assets. Essentially, Nepal’s hedging of such strategic asset is capable of changing the politics of its northern and southern neighbor. Additionally, in the event of changing world power relations, Nepal is conscious that US considers emerging China its strategic competitor. As US seeks to expand its influence in countries that are close to China, its interest in Nepal is bound to increase too. As such, eventually, I indicate that Nepal realizes challenges in maintaining its position of traditional neutrality and non-alignment amidst the powerplay between China and US-India.
CHAPTER 6

Nepal’s Perception of what China and India want in Nepal

The previous chapter presented Nepal’s perception of a strategic competition between China and India-US in the region. In context, the chapter shed light on Nepal’s positioning on their strategic competition. The present chapter, however, will further substantiate this positioning by discussing the implications of Chinese presence in Nepal and Nepal’s political interaction with China and India. Eventually, this chapter will demonstrate tentacles of Chinese and Indian soft power diplomacy in Nepal, both of which are attempting to keep Nepal in their close embrace.

6.1 Shades of Chinese Presence in Nepal

Amish Raj Mulmi, an author of a book *All Roads Lead North: China, Nepal and the Contest for the Himalayas*, argues that Nepal has been fascinated with Chinese technological prowess— it has built railway facilities in one of the most rugged topographies in the world, the TAR basin. As a landlocked Himalayan nation, Nepal aspires to get connected with the larger world vis-à-vis China. He further argues, to achieve this aspiration, Chinese capital is a necessity. However, aligning with China also means, endorsing Taiwan as part of China, applauding the Hong Kong security laws and approving Beijing’s conduct in Xinjiang, actions which other powers especially the west considers to be oppressive. Further, he points out that India along with other powers are already considering Nepal falling into Beijing’s sphere of influence and so far, Nepal itself has not received considerable benefits out of its renewed relationship with China. Benefits has been nominal due to difficulties in navigating the domestic politics of Nepal and lack of transparency on both Chinese and Nepalese side among others (Mulmi, 2022). However, Mulmi’s appraisal does not mean Chinese are not attempting to increase their support to Nepal, they are. China has initiated several development projects in Nepal under the umbrella of BRI. However, as discussed in section 4.2 and section 5.2, considerable progress on Nepal’s BRI front has not been visible yet. Similarly, I discussed in section 3.5 that an idea of trilateral partnership between China, Nepal and India has not even been initiated but still, by and large, China anticipates it happening in future.
Mulmi depicts the plight in northern Nepal, which hardly has physical links with the capital, Kathmandu. For the inhabitants of northern Nepal, central government is just a distant, abstract power. They do not get to entertain the benefits of their tax contribution. Contrarily, China has shown tangible presence in these isolated villages by making roads alongside the border, connecting them to their own border town, attracting Nepalese northerners in lucrative employment and affordable Chinese goods (Mulmi, 2022). During my interview, Mulmi disclosed that China employs border citizen pass to Nepalese nationals. Under this provision, Nepalese nationals from fifteen districts bordering with China can travel up to 30 kilometers inside China without a visa requirement. Further, Murton sees China building rural roads in Nepal’s Himalayan frontiers and argues that such development discloses a processual and material conduits where relatively small connectivity project has metamorphosed into a considerably more tricky geoeconomics and geopolitical disposition pronounced through aid and trade between China and Nepal (Murton, 2020).

On China’s transnational connectivity project across the Himalayas, Jha argues; it is unlikely that Tibet will open for international tourists from Nepal, India, and other parts of the world even if the concept of trilateral corridor comes into reality. There are several evidence showing that China would not even allow Nepalese businesspersons and truck drivers to enter into TAR except the inhabitants from the Northern belt of Nepal (Jha, 2017). Hitherto, it is clear that, Chinese scrutinize every activity happening in, happening from and happening to Tibet. They are interested to develop TAR as a trading pivot, but, under no circumstances, they would allow unrecognized subjects getting infiltrated into the Tibet.

Notwithstanding this, Bhatta made an interesting point saying that today’s China is clearly an authoritarian capitalist state. They need international markets. Therefore, translating their expanding footprint only from geo-political lens would be a mistake. Along the same line, founder of the magazine Himal Southasian and cofounder of Himal media, Kanak Mani Dixit made similar remarks by saying that,

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22 Interview with Mulmi 2022
23 Interview with Bhatta
“beyond the geopolitical advancement, Chinese are viewing Nepal as a way of reaching South Asian market. China sees approximately 1.4 billion population in India, several millions in Bangladesh, Pakistan and further off. If they have to access Brahmaputra-Gangetic plains, it could be through Yunnan province to northern Myanmar, following further to northeast India, Bangladesh and eventually to mainland India. Therefore, the easiest and quickest way to enter into South Asia is through Shigatse via train to Gyirong-Rasuwa, crossing the Nepal-China border and into Nepal’s Arun and Tamor Valley, Terai and to India. Chinese have already made railway facilities in Shigatse and they are heading further to Nepal border”.24

However, quite interestingly, Rae in his book Kathmandu Dilemma: Resetting India-Nepal Ties argues that India is modestly increasing its infrastructure diplomacy in Nepal. For instance, Rae mentions that, lately India is moving ahead in the development of Birgunj-Kathmandu railway line. For connectivity projects as such, he argues, Indian fundings via grants or concessional lines of credit is cheaper and therefore favorable as compared to Chinese loan. Nevertheless, he agrees that India’s project delivery appears to be less than satisfactory (Rae, 2021), which clearly suggests that Chinese are more efficient in delivering the project output. According to Dixit, “after a decade long civil insurgency ended and constitution written, Nepal is now entering in the era of infrastructure building. Nepal, therefore, is entering into the take off point in infrastructure building. Certainly, China would want its state and non-state companies involved in it”.25

As we can see, China is interested in capitalizing the opportunities by getting entrenched with Nepal as per so-called Nepalese necessities. However, with growing China-Nepal relations, southern neighbor of Nepal senses anxiety. When I asked KC if he sees China attempting to compete with Indian and Western interests in Nepal, he said that,

“In the past, while various foreign state actors were present in Nepal, China did not see itself in the competition. However, today, China is attempting to compete with them. Previously, as long as Nepal said it reiterates One China Policy and don’t allow anti-China

24 Interview with Dixit 2022
25 Interview with Dixit 2022
activities in Nepal, they were happy with it. Today, in self-perception, China sees itself more powerful and desires more involvement with Nepal. Naturally, in doing so, they are competing with Indian as well as western actors in Nepal”.26

Similarly, Mulmi observes that China’s expanding influence in Nepal tend to reduce India’s influence. Nevertheless, it is so far happening in a cycle. For instance, post 2015 till about 2019/20, China’s political influence in Nepal was higher with a declining Indian influence. But once again, and with a collapse of leftist government in Nepal, Indian influence is rising, and China is trying to understand the trends and pattern of Nepalese politics.27

When I asked Dixit about net benefits of Chinese presence to Nepal, he made a comment implying the chances of Sino-Nepalese hostilities at the level of civilians. He said,

“It is true that heavy engagement of China in Nepal is not favored by India. It is also true that their dense presence is not favored by Nepalese as well. When Indian projects operate in Nepal, they provide employment to Nepalese. However, Chinese do not. Chinese outsource their own citizens to work in Nepal. Therefore, Nepalese narrative is ‘India creates job for Nepalese and China, not necessarily’. During the last 15 years, Chinese have significantly increased the labor permit to work in Nepal”.28

On a similar note, Kharel made an interesting point by saying that Chinese are depicting a mercantilist approach concerning their investment in Nepal. They appear to have extractive approach not just at resource level but also by penetrating their citizens into Nepalese economy. This will not help Nepalese economy in real sense and does not enhance their relations with Nepalese society. In the long run, this only feeds hostilities toward Chinese in Nepal.29

Some small Chinese investors are investing in tourism and hospitality sectors of Nepal. Chinese tourists share larger proportion of all inbound tourism in Nepal after Indians. The most preferred

26 Interview with KC 2022
27 Interview with Mulmi 2022
28 Interview with Dixit 2022
29 Interview with Kharel 2022
destinations for them are Kathmandu, Pokhara and Lumbini. In major tourism hotspots of Kathmandu and Pokhara, growing number of Chinese restaurants, eateries menu, small shops and billboards welcome visitors with Chinese characters. Every week, more than sixty flights are operated between Kathmandu and different Chinese cities (Rae, 2021). During my stay in Kathmandu, I even noticed that some of the Nepalese commercial banks use Chinese characters in their cash machines in addition to Nepali and English characters.

6.1.1 An assessment on emerging hostilities against Chinese

In Kathmandu, I talked with my colleague who is a graduate student from Chinese University. She is currently working with a Chinese agency on a dual role, administrative staff and a language translator. She Categorically interprets Chinese Presence in Nepal—on one side, there are good Chinese whose intentions of coming to Nepal are transparent. They are usually a high-profile Chinese businessperson and other Chinese in construction projects via government contract. However, at another side, according to her, there are bad Chinese whose intentions of coming to Nepal are suspicious. They are scammers and frauds. She has been observing them operating their scam businesses at several locations within Kathmandu, mainly in tourist hotspot, Thamel. As she says, they do not live in an apartment but rent a whole house and business spaces. In many cases, they collaborate with some young Nepalese and operate their business in a partnership. However, Nepalese partner would just be paid the price for paperwork collaboration. They would not be an authentic business partner. In their modus operandi, they takeover Nepalese businesses by paying double the sum than the normal price. These spaces further get operationalized in the name of hotels and restaurants, targeting predominantly to the Chinese living and visiting Nepal for different purposes. She says, in the mask of these businesses, secondarily, they are operating scam centers. For an online scam, they carry several SIM cards and mobile phones with them. These scammers never sit in one place. They keep moving in their vehicle. Some of them have entered Nepal after their residency in Southeast Asian countries like, Thailand, Cambodia, Laos and Vietnam among others. She says, government authority has had some raids in some of their suspicious businesses, but these raids are not enough. In several cases, they even bribe handsome amount to the local police.
However, the raids that have been done in the past are through separate bureaus and not by local police.

I went through some reporting on Chinese scammers. On 2 September 2019, My Republica flashes the news about the arrest of five Chinese nationals for hacking bank data and stealing millions of Nepali rupees from automated teller machines (ATMs) of different banks in Kathmandu (My Republica, 2019). Similarly, on 24 December 2019, Sharma reports to the Reuters news agency that one hundred and twenty-two Chinese were detained against the cybercrime and related hacking into bank cash machines. According to the report, it was the biggest crackdown on crime by foreigners entering Nepal on tourist visas. Chinese embassy in Kathmandu was made aware about the incident and it promptly supported the raid and detentions. Later, during the visit of Xi Jinping in October, Nepal and China signed a treaty on mutual assistance concerning transnational crimes (Sharma, 2019). Lately, on 8 June 2022, The Print published a report on the arrest of four Chinese and one Nepalese nationals with several millions of cash suspected for money laundering activities (The Print, 2022).

It is evident that Chinese presence in Nepal has several tentacles. As discussed earlier, in the long run, naturally, their non-transparent motive binds to fuel hostilities toward Chinese in Nepalese society. Although the cases discussed are emerging trends, such activities if not monitored will have negative implications to other Chinese who are in Nepal with a clear purpose. Meanwhile, evidently, Beijing’s concern about unauthorized Chinese activities in Nepal is indicating that it does not want to ruin the image of China in Nepalese society.

On the flip side, as discussed earlier, Nepal’s southern neighbor is highly reserved and doubtful toward Chinese. It does not feel secure with Chinese activities. At macro-level, it still considers China as its military adversary. As I highlighted previously, given the military standoff in Galwan, Ladakh, Arunachal state and Bhutan border, India has more reasons to be worried about Chinese expansion. Therefore, currently, India is skeptical to consider economic linkages with China over land. Nevertheless, it should be noted that, if not through land route, India is eager to increase its trade with China via sea route.
Nepal has a smooth relation with China at political level, unlike its relationship with India that has experienced several ups and downs. At macro-level, so far, China and Nepal have shown mutually respectful, non-assertive and benevolent relations. However, otherwise, I argue, with its inevitable rise as emerging global power, it is clearly presenting itself as a more active neighbor of Nepal if not an interventionist.

Eventually, I argue, Chinese presence in Nepal thus can be deciphered in three ways. First, China wants to safeguard its own national security concerning the TAR vis-à-vis Nepal. In doing so, China desires to reduce if not offset Nepal’s dependence on India and the west in political, economic and security front. Second, China considers Nepal as its market (though small market, but still is a market)— China has trade, business and other economic interest in Nepal. Third, China views Nepal as an economic passage for its entry to South Asia. Despite the fact that India has reservation for China’s trade route via land, China still sees it happening in the future.

6.2 Political Interaction of Nepal with China and India

Today’s major political parties in Nepal were initially founded in India during 1940s. Those party cadres began revolting against the Rana regime during the forties and established themselves in Nepal after successfully abolishing the Rana regime. Surprisingly, even the left forces of Nepal were influenced by Indian communists and were trained in India, not in China or the then Soviet Union. The first generation of Nepalese leaders and rulers like BP Koirala, Pushpalal Shrestha, Manamohan Adhikari and many others were educated and politically trained in India. They either lived or took political refuge in India (Nyaichyai, 2021).

Sangroula argues that India’s role has been instrumental in solving internal political problems of Nepal right from the 1950s. Lately, right after the signing of Comprehensive Peace accord between the insurgent Maoist group and the government of Nepal in 2006, there were mass-flow of Nepalese leaders into India. During this period, Nepal appeared to be a satellite state of India— it sought support from India in its management of internal political affairs. However, during the same period, Nepalese leaders almost disregarded the existence of China as if Chinese support was not necessary. Such incidents, according to Sangroula could have jeopardized Nepal’s traditional neutral position and non-inclination with its neighbors (Sangroula, 2018). All in all, it is clear that Nepal have had ‘considerably larger’ political relations with India than with China.
Notwithstanding this, as discussed in chapter 4, section 4.1, geopolitical relations between Nepal and India changed quite drastically following the blockade of 2015. The then Prime Minister KP Sharma Oli who was keenly aware of the public pulse capitalized the event by signing the historic trade and transit treaties with China. This also helped him gain the popularity and ultimately enriched the electoral dividends for his party CPN-UML in post-blockade Nepal (Baral, 2017b).

Mulmi points out that, “India has a significant amount of political weight and influence in Nepal, however, over a period of time that declined quite visibly as it is visible in rest of South Asia as well”. Likewise, Timilsina said that there is a China phobia in India’s political leadership. He argued that Indian traditional security forces, intellectuals and traditional political representatives do not favor leftist union in Nepal as they conceive leftist in Nepal means increasing Chinese influence. However, he further pointed out that in China’s cognition it is easier for it to influence Nepalese politics via Nepalese communists rather than Nepali Congress or any other political forces.

Timilsina’s points are interesting in so far as it sheds light on the Chinese and Indian preferences to political parties of Nepal. However, I argue, in a volatile polities of Nepal election results are often unpredictable. Therefore, both China and India despite their preferences to left and right political forces make efforts to woo top leaders of any political parties who are in power.

When I wanted to know about political influences of India and China in Nepal, Dahal said,

“(…) so far, India has a regime-oriented policy toward Nepal. It always had a direct role in Nepal’s regime change be that of 1950, 1960, 1990 or 2006. India has always been advocating for democracy in Nepal, the concept which it acquired from western liberal democracy. However, China advocates for sovereignty above democracy. In Chinese perspective, sovereignty stabilizes but democracy destabilizes by creating interest groups internally, creating several parties, identities, inter alia, making the sovereignty weak”.

Moreover, in a philosophical tone, Dahal said,

“There are two geopolitical forces— Centripetal and Centrifugal force. The former assembles and attracts towards center. While the later scatters away from the center by

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30 Interview with Mulmi 2022
31 Interview with Timilsina 2022
32 Interview with Dahal 2022
dividing, stratifying people, interest group, emulsifying identity politics, inter alia, which are basically the product of acquired knowledge. In that sense, according to Dahal, India’s intelligence wing RAW once coined the phrase saying that, Nepal should have “controlled instability”. However, Chinese centripetal regime, so far has never reflected something as such”.

Until 2006 China’s bilateral dealings in Nepal was limited to Nepal’s monarchy unlike India’s which maintained multiple relationships with various political parties. However, with the introduction of republican system, China too started engaging with a broad cross-section of political fronts (Rae, 2021). However, by pointing out weak spots of Chinese, Nepalese scholars and civil society groups reckon that it is surprising to see Beijing allowing itself to be identified in Nepalese psyche with handful of objectionable leaders like Krishna Bahadur Mahara, Agni Sapkota, CPN Maoist Chairman ‘Prachanda’ among others, whose political career is in crisis (Dixit, 2022), indicating that China has not been able to properly understand the political currency in Nepal. Reacting to the MCC predicament in Nepal (see chapter 5, section 5.2), Chinese foreign ministry spokesperson Wang Wenbin said, “China welcomes the international community to cooperate with Nepal, contribute to Nepal's economic development and livelihood improvement, but this should be done based on Nepalese people's willingness without political conditions” (GlobalTimes, 2022). According to Dixit, such reaction from Chinese official was an egregious mistake. He says, “be that Beijing or New Delhi, Nepal never wants interfering comments regarding its relationship with other countries”. On MCC case, it was China’s comments about Nepal’s relationship with the US. According to him, such comments from Beijing depicts that China has not been able to understand Nepalese polity and they are still ‘out of touch’ concerning Nepal’s intrinsic desire to curtail foreign intervention on its decisions. Somewhere, today’s China desires to have handle on Nepalese politics, like the way India had in Nepal before, not realizing that Nepal has its own ability to correct any excesses made by any foreign powers. Further, when I wanted to know the trends and patterns of Chinese and Indian political engagement with Nepal Upreti said, “previously, Chinese diplomacy was silent and now, it is proactive. Chinese ambassadors these days openly visit several political leaders unlike in the past”. However, on

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33 Interview with Dahal 2022  
34 Interview with Dixit 2022
India’s political engagement, he said that India has always been micromanaging the state affairs of Nepal and has always remained influential. He says, “(…) these are all documented, leaders from both sides are expressing this often, Indian diplomats, ex diplomats, mainstream media and even India’s parliament is admitting this fact. Even their parliament have had a discussion on whether or not India should be engaged in the micromanagement of Nepal”.35 Upreti’s scrutiny is thought provoking in the sense that it raises deeper questions concerning the sovereign and independence status of Nepal as a state. Nevertheless, it is not my aim to critically examine the sovereignty and independency of Nepal vis-à-vis its neighbor as I mentioned in the beginning of this thesis that I am only interested in understanding Nepalese perception of how India and China displaying their presence in Nepal.

According to Mulmi, India wants to keep cultivating its special relationship with Nepal in the domain of open border, freedom of movement, freedom of transit, work, security, foreign policy and economic dependence among others. Nevertheless, it will also keep sending signals in case it has been disenchanted with Nepal. On MCC, India did not really say anything because the US and China were basically battling in Nepal. He further argues that India saw its convergence with US interest on MCC. His observation is an indication of Indian interest in Nepal where it chooses its battle whether to get involved or not. Therefore, on converging interest with the west, India keeps quiet. Had there been diverging interest, it would have stepped in. Moreover, it is clear that India is more attuned to political highs and lows or political turnover in Nepal. Whereas China is not.36

As of August 2022, there is a five-party alliance in Nepal under the leadership of Nepali Congress. According to Gopal Khanal, foreign affairs advisor to communist led KP Oli government during his first term as PM, there are some departures in Nepal’s bilateral engagement with China under Nepali Congress leadership underlining that there is some anti-China prejudice in Nepali Congress. For instance, the formation of a committee for an examination of alleged Chinese encroachments in Northern border of Nepal despite previous government already concluding that there are no border issues with China and the political stalemate concerning the talks on BRI projects during Chinese foreign Minister’s visit in March 2022 (Bhattarai, 2022b).

35 Interview with Upreti 2022
36 Interview with Mulmi 2022
Mulmi, however sees that China is attempting to regain its ground in Nepal under Deuba’s coalition government currently. According to him, China is lately figuring out how to deal with frequent political turnovers in Nepal. Concurrently, it also appears to exercise Track II diplomacy for the unity of left political forces in Nepal.\textsuperscript{37} Sharma writes to the Nepal’s largest national daily newspaper, Kantipur that during early 2022, lately there were various crisscrossing of events in Nepal like, ratification of MCC development grant given by the US through the parliament, Chinese Foreign Minister Wang Yi’s visit to Nepal, Nepalese government’s delay in the BRI project and visits of two major Communist Party leaders, CPN-UML, and Maoist center to China among others. Out of these events, Nepalese leaders’ visits to China were kept ‘relatively secret’ both inside the party committees and media. Sharma, referring to anonymous sources writes that Chinese Communist Party (CCP) leaders requested to send Nepalese representatives to China concerning the event where Congress-led Nepal government ratified the MCC grant showing indifference to the implementation of China’s project. Moreover, Chinese side were also interested in identifying the prospects of “left-wing alliance” in Nepal (Sharma, 2022).

On 24 May 2022, BBC Nepali reporter, Sanjiv Giri writes an article analyzing the latest development in Nepal-China relations. In the midst of US Under Secretary Zeya’s visit to Nepal, the article evaluates whether Kathmandu is attempting to distance itself from Beijing. Further, the article also presents the Chinese understanding on the role of Nepal government amid the escalating Sino-US rivalry internationally. In the article, according to the Director of the Institute for South Asian Studies at the China Institute of Contemporary International Relations (CICIR), Hu Shisheng says, “after the formation of the Nepali Congress-led government in Nepal, Beijing interprets that BRI has been removed off the priority”. Hu further highlights that, the cancellation of two agreements with a Chinese company that was set for the construction of Budhigandaki hydropower project, lack of concrete progress in Nepal-China railway, power grid and dry port projects during Nepali Congress led government in Nepal could be taken as examples of Nepal’s changed policy towards China (Giri, 2022).

In context, Beijing views Nepali Congress party as a Pro-Indian and by extension Pro-US. While Nepali Congress sees Beijing’s activities to bring Nepal’s left forces together as a “proactive measure” to downsize the influence of Nepali Congress in Nepalese political

\textsuperscript{37} Interview with Mulmi 2022
mainstream (Bhattarai, 2022a). In 2019, just before the visit of Chinese President Xi Jinping, the then largest communist party of Nepal, NCP held ideological discussions and exchange of knowledge with the ruling party of China. Many in Nepal synonymized this ‘training’ as a gesture of welcoming China’s new political doctrine named after its president—‘Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era’. However, Nepali Congress leaders criticized the event entailing that Nepal’s constitutional and political provisions assures parliamentary democracy and open society over authoritarianism as such (Kaphle, 2019).

Despite everything discussed so far, Sangroula argues that both India and China have not been able to find the leaders of Nepali Congress and Communist leaders as reliable partners. There is a huge trust deficit on the part of Nepalese leadership. The lacking ideological conviction, switching their stands and culture of power-mongering for individual petty interest are common phenomena in Nepalese political leadership (Sangroula, 2018). Nevertheless, it is worth acknowledging that countries are also like an individual in the sense that, they accumulate power, expand power and eventually demonstrate their power. They accumulate power to become self-powerful. At such stage, neighbors would sense security threat. Consequently, powerful country tends to assist, provide aid, coordinate common policies and develop common projects among others. Resultantly, neighbor feels less fearful. By and large, this is something that can be contextualized with Chinese and Indians’ interactions with different political regime in Nepal.

6.3 Chinese and Indian Soft Power Diplomacy in Nepal

Countries in South Asia have more cultural, social, ethnical, and even political similarities with India than they have with China. Despite this, as discussed in earlier chapters, Chinese influence is steadily growing in the region chiefly in the strategic and economic front. Baral (2016) argues that, since the independence of India in 1947, it has been regarding Nepal as its strategic backyard and does not really support the presence of other countries, especially China. The Indian attitude towards China was aggravated particularly after India loosing Indo-China war of 1962. Following this, India has been exercising the conventional policy of protecting its “sphere of influence” not just in Nepal but in whole South Asia. Consequently, smaller countries around the periphery of India frequently find themselves caught between Sino-Indian geostrategic competition. Lately,
with growing Chinese activities in Nepal at multiple fronts, Indian traditional narrative of ‘sphere of influence’ is challenged quite considerably.

As discussed in earlier chapters, undeniably, today’s China is exercising its soft power instruments in the form of aid and investments, academic and cultural exchanges among others. Apart from them, lately Chinese media are encouraging its people to visit Nepal. China is also teaching Chinese language to large number of Nepalese tourism professionals (Baral, 2017a). Interestingly, I also found offshoots of China state-controlled media targeting Nepalese social media users—“CRI Nepali Service” is a Facebook page with more than a 2.7 million followers as of August 2022. The contents of this page are produced in spoken and written Nepali language targeting Nepalese viewers. It is not my aim to make an analysis of the contents broadcasted on such pages. However, it is interesting to see China attempting to influence Nepalese audiences utilizing Facebook which is however blocked in China.

Bhatta observes that, “large number of Nepalese schools teaches mandarin. Likewise, two distinguished universities of Nepal, Tribhuvan University and Kathmandu University hosts Confucius centers. Along with the exchange of students, there are large number of visiting delegates between China and Nepal aimed at enhancing cultural and educational interactions”.

Activities as such indicates that, previously, Chinese invested heavily in the development of infrastructures in Nepal and less in other aspects of soft power. However, lately they are increasing investment in soft power at multiple fronts. Concurrently, China has long been active demonstrating the soft power of Buddhism in Nepal. It has built the largest Buddhist monastery in the UNESCO world heritage site, the birthplace of Gautam Buddha in Lumbini. Every year, large delegations of Chinese participate in a conference on Buddhism hosted by Nepal (Rae, 2021). According to Dixit,

“China also sees Nepal as a destination for pilgrim tourism. Chinese government has realized that its middle class needs some kind of religion that could serve as a tool to spiritualism. Perhaps, they realized that Taoism and Confucianism are not enough. Thereby, when they look around for faith, they find Buddhism in Nepal which can be incorporated most easily into their national psyche as China is one of the early places for

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38 Interview with Bhatta 2022
the spread of Buddhism. Inherently, in Tibet, Buddhism is considered as an indigenous faith. They naturally want to see whether Nepal can be developed as a place for Chinese pilgrimage”. 39

As compared to China, India has lesser need of soft power investment in Nepal mainly due to the existing cultural and linguistic affinity, political brackets and the unparalleled open border regime between them. An effortless Indian influence in Nepal through numerous television broadcasts and Nepal’s consumption of Bollywood is not comparable to Chinese attempt. As an Insider, I argue that consumption of Bollywood in Nepal is considerably high. Nevertheless, it is interesting to see that these aspects of soft power influences come from Indian private entities, India as a state is hardly involved in it. However, when it comes to China, state entities are seen involved.

Timilsina points out, “(…) China understands that Nepal has a historic and very strong cultural relationship with India but its economic relationship with India is significantly asymmetric. Therefore, China is interested to capitalize this asymmetry between them by installing various economic tool that might reduce Nepal’s asymmetric dependency with India”. 40 At a political front, according to KC,

“The prioritization of bilateral issues between Nepal and India is different. In last few years, India has sought to advance cultural, religious, social, connectivity, energy, and economic relations with Nepal. It welcomes these aspects emphasized by India; however, Nepal’s emphasis is on resolving the border dispute, reviewing the 1950’s treaty of peace and friendship which it considers to be unequal and issues concerning the EPG report (see chapter 4, section 4.1) among others”. 41

Quite similarly, Khobragade argues that India has not been able to garner itself as a friendly and enchanting regional player in South Asia. There is a widespread perception that India displays itself as a “big brother” and attempts to dictate policy recommendations specially to safeguard its own security interests largely undermining the sentiments of its neighbors (Khobragade, 2016).

39 Interview with Dixit 2022
40 Interview with Timilsina 2022
41 Interview with KC 2022
Therefore, naturally, smaller economies of South Asia including Nepal considers China as a balancer against India’s supremacy in the region.

BM Jain, an Indian political scientist writes, “The Modi government may make tall claims of winning the trust of a majority of India’s neighbors, but the fact remains that Indian diplomacy lacks foresightedness as well as a long-term, well-calibrated, and a well-integrated policy approach to deal with its immediate neighbors” (Jain, 2017 pg. 23-24). According to Bhatta, “it’s been half a decade now, especially after 2017 that India seems to have changed its Nepal policy. It appears that India’s current Nepal policy is to expand and maintain political and people-to-people contacts but not to react on old or emerging issues raised by Nepal. Indian diplomacy today appears to be at the level of ‘noting but not actively responding’ as compared to the past”.42

During May 2022, Indian PM Narendra Modi visited birthplace of Gautam Buddha in Lumbini, Nepal. In this visit Modi clearly quoted:

“While coming to Nepal, I tend to experience more spiritual experiences than political. India and the people of India have been looking at Nepal with the same vision and hope.”43

His statement indicates that, India today is emphasizing cultural and religious diplomacy with Nepal. Moreover, it also suggests that India is attempting to overshadow political issues between the two countries. For instance, I highlighted in earlier chapters that the review of unequal treaties between the two nations, border disputes and EPG report among others has not been settled. Therefore, considering that irritants remain in Indo-Nepal relationship, engaging with Nepal across cultural and religious diplomacy is not enough. Implications of such practice, as I see will only invite more Chinese presence in Nepal at various fronts.

Nevertheless, Rae expresses that, despite having limited convergence of outlooks between China and India, they have same viewpoint when it comes to their security interest vis-à-vis Nepal. Both of them want political stability in Nepal. They do not prefer dense presence of third country or INGOs in Nepal as it will have negative implications on their securities (Rae, 2021). All in all, I argue that both of Nepal’s neighbor desire to see stronger economy, developed infrastructural capabilities and most importantly, stable and easy to anticipate political situation in Nepal. They

42 Interview with Bhatta
43 Quote extracted from Modi’s video speech on television
are concerned about political volatilities that could transpire due to Nepal’s weaker economic capabilities, which in turn might spill over across the border affecting them. Likewise, they also desire to influence Nepalese public opinion and perception about them. In doing so and as long as Nepal does not raise itself as a vibrant state, both of its neighbor will employ different modalities like infrastructure diplomacy, soft power diplomacy, controlled anarchy or a controlled stability among others as per their convenience and as per their perceived necessity.

6.4 Chapter Summary
This chapter has discussed Nepal’s perception of what China and India want in Nepal. Nepal recognizes that in self-perception China sees itself more powerful and desires more involvement with its neighbor. In doing so, China is competing with Indian as well as western interests in Nepal. As mentioned, Nepal’s aspiration of getting connected with a larger world vis-à-vis China is seeking Chinese capital. However, as I argued, Nepal also understands that China has a far-reaching motivation on its Nepal outreach orientation. Nepalese intelligentsia reckon that, beyond geopolitical advancement, an authoritarian capitalist China view Nepal as a gateway to reach South Asian market. With this as a backdrop, I further argued that Nepal notices that the growing Sino-Nepal relations is inducing anxiety in India as it is reserved and doubtful toward Chinese activities. Despite the fact that India is eager to increase its trade with China via sea route, it is skeptical to consider economic linkages over land.

Following this, I discussed how Nepal is scrutinizing the Chinese modus operandi of outsourcing their own citizens to work in Nepal on China involved projects; suggesting that it is hardly creating jobs for Nepalese unlike India where Nepalese get large number of jobs on India involved projects. Afterwards, I made a quick assessment on Nepal’s emerging hostilities against Chinese in Nepal. Nevertheless, I presented the fact that, Nepal admits its smooth relation with China at a political level, unlike its relationship with India that has experienced historic ups and downs. India’s involvement in the micro-management of Nepal’s internal affairs had been critiqued for a long. However, in last one decade, Nepal has been experiencing that things are changing quite substantively. Notwithstanding this, as I argued, Nepal sees China’s inevitable rise as an emerging global power is clearly presenting itself as a more active neighbor of Nepal if not an interventionist.
Furthermore, as I argued, despite Nepal’s understanding of China preferring left wing forces in Nepal, and India preferring right wing forces, in a volatile polities of Nepal election results are often unpredictable, therefore, both China and India despite their preferences to the left and right political forces make efforts to woo top leaders of any political parties who are in power.

Nepal, regardless of having cultural, social, ethnical and even political similarities with India than it has with China is experiencing steady growth of Chinese influence chiefly in the strategic and economic front. Nepal conceives that today’s China is employing soft power instruments in the form of aid and investments, academic and cultural exchanges and social media influences among others. On another side, transpiring from several empirical evidence, I indicated that Nepal has been observing India’s current Nepal policy in the domain of its expansion and maintenance of political and people-to-people contacts but not to react on old or emerging issues raised by Nepal. Consequently, as I argued, Nepal realizes that there are unsettled irritants in Indo-Nepal relationships, implications of which will only invite more Chinese presence in Nepal at various fronts.
CHAPTER 7

Conclusion

In this thesis I have made a comparative analysis of Chinese and Indian presence in Nepal mainly in the domain of infrastructure development, implementation, controversies and other strategic attributes. I have argued that Nepal sees itself as a buffer state between the two emerging powers of the world with sizable asymmetry in terms of population, resources, scale of development and capabilities among others. However, essentially after the 1950, there is a convergence of several foreign states in Nepal all of which are expanding their influence through aid and partnership in development cooperation. However, I have pointed out that, naturally, China and India have a higher stake of influence in Nepal. Through interviews and interactions with my informants, I wanted to know how Nepalese officials, intelligentsia, commentators and opinion makers view the presence of China and India across economic, political, social and strategic spectrums in Nepal. However, as argued in the discussion chapters, presence of China and India in Nepal is incomplete without mentioning the presence of western countries. Therefore, along with China and India, this thesis has discussed the presence of western power especially the US. It has also considered Nepal’s own strategies and tactics in balancing these great powers emphasizing that Nepal has largely concentrated on its own survival interest. Essentially, Nepalese intelligentsia collectively agree that Nepal’s geopolitical positioning is important for China mainly to safeguard the security of TAR; for India, to safeguard from third country’s infiltration especially China’s and for western countries, Nepal’s geolocation is significant to check the activities of China in the region.

Nepal conceives that, in self-perception China sees itself more powerful, therefore, naturally, at a regional front, China competes with India influencing smaller South Asian countries by applying tactics of infrastructure diplomacy. Against this backdrop, India is nervous and anxious about Chinese presence in the Himalayas including Nepal. India, therefore, always desires to keep Nepal within its security umbrella. Strategically, India desires to isolate Nepal from Chinese activities. However, Nepal notices that China does not worry much about Nepal falling under the Indian sphere of influence as much as India worries Nepal falling within Chinese clout. A common position Nepalese intelligentsia maintain is that China is more concerned about not allowing Tibetan nationalist activities on Nepal’s soil. For this, China desires politically stable and
predictable Nepal and it is willing to draft trade, investment, and various other connectivity projects vis-à-vis TAR.

Nepalese intelligentsias, however, further substantiate that both China and India have a necessity to build confidence with close neighbors for the purpose of protecting their own interest in the region. Thus, they maintain a voice that China and India have a competing interest over Nepal, both trying to influence the political, economic and institutional resources. However, further, they have a similar take concerning Nepal’s unique geolocation that it cannot afford to be a part of any strategic alliance and has a need to maintaining strategic balance between India and China without risking their security needs and vital concerns. Therefore, Nepal’s foreign policy is largely concentrated to leverage its geographic location maintaining the neutrality and non-engagement in power bloc politics. As such, Nepal’s policy is conducive for economic collaboration with both of its neighbors. Its geographical location in between the two super-states having population of over a billion, pioneers of infrastructure development, robust markets, leading technology industries and greater engagement of multilateral organizations, likely makes Nepal a transit avenue for growing Sino-Indian trade, businesses and diplomatic competitiveness. Nepal seeks foreign direct investment to boost its economy especially from its neighbors, China, and India. Nevertheless, as it has been argued in the discussion chapters, there are diverging interest of China, Nepal and India— China is clearly enthusiastic to march further South from China-Nepal border with economic motive, Nepal is highly interested in venturing itself as a transit state between China and India foreseeing a huge trade exchange between them happening through its soil and India getting skeptic about the China penetrating the Himalayas.

The 1950’s Indo-Nepal Treaty of Peace and Friendship defines India’s special relationship with Nepal at many domains especially extradition and trade, national treatment of each other’s citizens, cross-border security, resource management, inter alia. Therefore, Nepalese elite argue that, since 1950 India has been entertaining its presence in Nepal while Nepal went through series of political departures. However, they point out that India’s political weight and influence in Nepal have declined quite visibly since 2015 as Nepal made a clear internal narrative of India administered border blockade during the same year. Afterwards, China is seen coming into attention more than ever before. Nepal and China cemented their ties by signing three key projects: transport and transit agreement, signing of the BRI and agreement to bring Chinese trains inside Nepal. This has led to
the contestation with India’s smothering and protective control of Nepal’s political economy. As Koirala argued, small states in South Asia view China as an acceptable alternative to maintain a strategic equilibrium against perceived or real hegemonic behavior of India. This in turn is giving them confidence to deal with their own “security dilemma”. Contextually, most of my informants agree that a major impediment for Nepal’s transnational connectivity is its unfavorable placement as a landlocked country. Therefore, Trans-Himalayan diplomacy with China and Indo-Gangetic diplomacy with India are strategic advantage for Nepal. However, they also accept that Nepal adheres to the policy of equiproximity with its neighbors, thereby, implementing BRI projects would be a daunting task—Nepal necessities to take India into confidence.

As discussed, China is calm about India’s intrinsic power. However, it feels apprehensive about India’s acquired power from strategic alliances like IPS and Quad among others. Heeding their alliances, this study largely implies that fundamental for small states in South Asia is ‘strategic hedging’— where countries like Nepal appear to pursue limited or ambiguous alignment with China and India to protect themselves from strategic and economic vulnerabilities.

China’s involvement in Nepal with BRI and other soft and hard infrastructures is fueling Nepal’s development imaginary. Alongside, such projects are also acting as a tool for the projection of geopolitical power vis-à-vis Nepal’s southern neighbor, India and other distant neighbors of the west. As such, most of my informants find that Nepal has been dealing with some challenges in maintaining the position of traditional neutrality and non-alignment against the realm of powerplay between China and US-India. However, my informants also see that Nepal perfectly serves China’s long-standing ambition to get connected with South Asia via land route implying that if a trans-Himalayan connectivity corridor comes into reality, Nepal will likely shift from the conventional ‘landlocked’ identity to ‘land-linked’ status.

All of my informants share a common view that despite India and Nepal being socio-culturally and economically embedded, there is a widening trust deficit between these neighbors due to India appearing to be heedless rather than taking Nepal into confidence and deal the circumstances tactfully. Contrarily, they also argue that, having no historic political tensions with China, lately, Nepal is interested to collaborate with Chinese in developing costly infrastructures. Subsequently, China is attempting to penetrate the Himalayas with its infrastructure diplomacy and capitalizing the opportunities getting entrenched in Nepal with so-called Nepalese necessities.
As we can see, and argued by my informants, there is a sense of China phobia in India’s political leadership, traditional security forces, intellectuals, inter alia, disfavoring leftist union in Nepal as they conceive leftist in Nepal means increasing Chinese influence. On the contrary, in China’s cognition it is easier to influence Nepalese politics via Nepalese communists rather than Nepali Congress or any other political forces. However, I argued that, in a volatile polities of Nepal election results are often unpredictable, therefore, both China and India despite their preferences to left and right political forces make efforts to woo top leaders of any political parties who are in power. Yet both neighbors find it challenging to identify Nepalese leaders as reliable partners. There is a huge trust deficit on the part of Nepalese leadership. The lacking ideological conviction, switching their stands and culture of power-mongering for individual petty interest are common phenomena in Nepalese political leadership (see section 6.2).

Undeniably, today’s China is exercising its soft power instruments in the form of aid and investments, academic, language and cultural exchanges among others. As compared to China, India has a lesser need of soft power investment in Nepal mainly due to the existing cultural and linguistic affinity, political brackets and the unparalleled open border regime between them. Nevertheless, this study indicated that, today’s India is emphasizing cultural and religious diplomacy with Nepal and has attempted to overshadow old or emerging political issues between them. India desires that Nepal maintains the status quo as a supplicant state vis-à-vis India in realm of protecting its traditional market and sphere of influence. Implications of such practice, as I argued, will only invite more Chinese presence in Nepal at various fronts. Eventually, this study pointed out that both China and India despite having several competing interests in Nepal are concerned about political volatilities that could transpire due to Nepal’s weaker economic capabilities, which in turn might spill over across the border affecting them. Likewise, they also desire to influence Nepalese public opinion and perception about them and quite visibly, they are contesting to neutralize, if not offset the influence of each other in Nepal.

This study was focused on exploring the presence of China and India in Nepal at economic, political, social and other strategic fronts. As this study was designed to understand Nepal’s perception of their presence, it does not represent understandings of how China and India regard their presence in Nepal. Moreover, this study was exclusively the product of eight elite interviews which was limited by relatively small sample size. Therefore, in my estimation, this macro-level
study only reveals a partial truth of Chinese and Indian presence in Nepal. For these reasons, further extensive research can consider involving inter alia Chinese and Indian diplomats, academicians, intelligentsia, commentators, journalists and opinion makers along with increasing the sample size. Additionally, to get greater insights and understandings of their micro-level presence, further research can consider a field study plus ethnographic interview in several project sites completed or running under the Chinese and Indian assistance in Nepal. Many of the themes discussed in this study has a room for further refinement and elaboration. Other researchers who consider building this study can consider how Nepalese discourse of Chinese and Indian presence in Nepal differs (or corresponds) with Chinese and Indian discourse. Moreover, another interesting subject would be to explore how western countries especially the US and Europe inter alia see the competing interest of China and India in Nepal largely reflecting the international perspective. These and other domains fall beyond the scope of this study, nevertheless, can be considered for future attention.
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